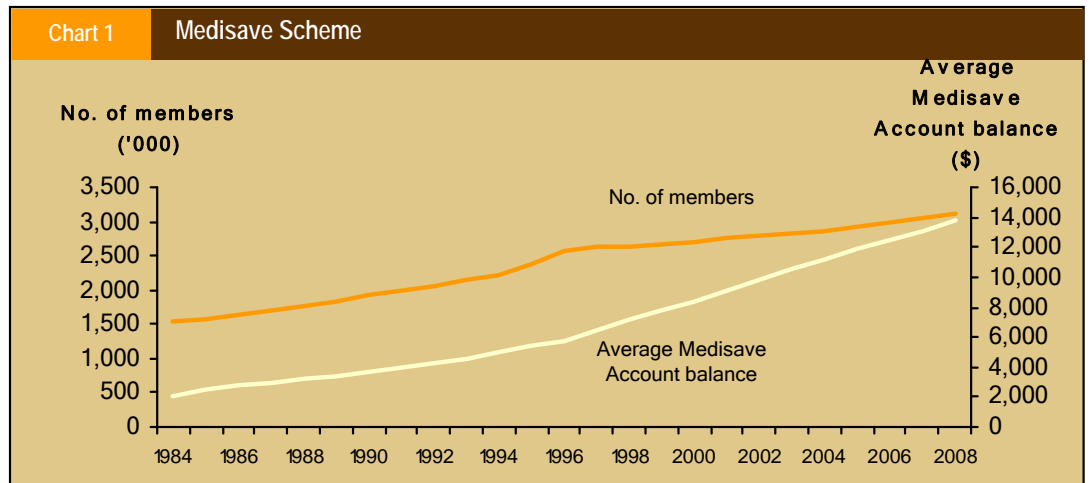


Background

The Medisave Scheme was introduced in April 1984 as a national savings scheme to help members put aside part of their income in their Medisave Accounts to meet their personal or dependants<sup>1</sup> hospitalisation expenses.

Over the years, Medisave has grown to become an important feature in the healthcare system. The number of members with positive Medisave Account balance has grown at a steady rate since the scheme's inception, from 1.5 million members holding an average balance of \$2,000 to the current 3.1 million members holding an average balance of \$14,000 (Chart 1).



Medisave Minimum Sum raised to \$29,500 with effect from 1 July 2008

The Medisave Scheme has two features; namely, the Medisave Minimum Sum and the Medisave Contribution Ceiling. When the scheme first started, members who withdrew their savings at age 55 were required to set aside the Medisave Minimum Sum of \$5,000 or the actual Medisave Account balance, whichever was lower. The Medisave Minimum Sum is adjusted every year for healthcare inflation. This ensures that the value of Medisave monies is sufficient for members to meet their healthcare needs during retirement. As at 1 July 2008, the Medisave Minimum Sum was \$29,500 (Table 1).

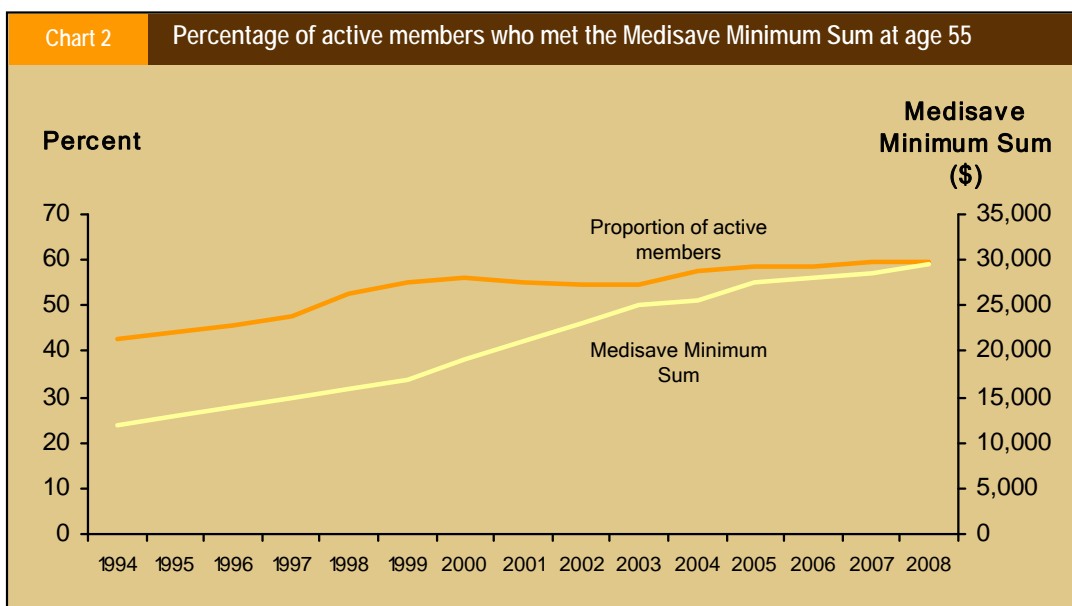
Period	Medisave Minimum Sum	Medisave Contribution Ceiling	Period	Medisave Minimum Sum	Medisave Contribution Ceiling
From 1 Apr 1984	\$5,000	-	From 1 Apr 1997	\$15,000	\$20,000
From 1 Apr 1985	\$5,500	-	From 1 Jul 1998	\$16,000	\$21,000
From 1 Apr 1986	\$6,000	\$15,000	From 1 Jul 1999	\$17,000	\$22,000
From 1 Apr 1987	\$6,500	\$15,000	From 1 Jul 2000	\$19,000	\$24,000
From 1 Apr 1988	\$7,000	\$15,000	From 1 Jul 2001	\$21,000	\$26,000
From 1 Apr 1989	\$7,500	\$15,000	From 1 Jul 2002	\$23,000	\$28,000
From 1 Apr 1990	\$8,000	\$15,000	From 1 Jul 2003	\$25,000	\$30,000
From 1 Apr 1991	\$9,000	\$15,000	From 1 Jul 2004	\$25,500	\$30,500
From 1 Apr 1992	\$10,000	\$15,000	From 1 Jul 2005	\$27,500	\$32,500
From 1 Apr 1993	\$11,000	\$16,000	From 1 Jul 2006	\$28,000	\$33,000
From 1 Apr 1994	\$12,000	\$17,000	From 1 Jul 2007	\$28,500	\$33,500
From 1 Apr 1995	\$13,000	\$18,000	From 1 Jul 2008	\$29,500	\$34,500
From 1 Apr 1996	\$14,000	\$19,000			

<sup>1</sup> Dependents refer to children, parents and grandparents. Grandparents must be Singaporeans or Singapore Permanent Residents.

The Medisave Contribution Ceiling serves as the limit members can contribute to their Medisave Account. Any Medisave contributions in excess of the Medisave Contribution Ceiling will be transferred from the Medisave Account to the Special Account, or to the Retirement Account once the member hits age 55. The Medisave Contribution Ceiling has been in place since 1 April 1986, and was progressively raised to \$34,500 with effect from 1 July 2008.

**About three-fifths of active members met the Medisave Minimum Sum at age 55 in 2008**

The percentage of active members<sup>2</sup> with at least the Medisave Minimum Sum at age 55 has increased from 42.7% in 1994 to 59.6% in 2008 (**Chart 2**), despite the progressive raise in Medisave Minimum Sum.



\*From 2002 onwards, figures refer to Singaporeans and Permanent Residents only.

The increase in percentage of active members with at least the Medisave Minimum Sum is attributed to 3 main reasons. One reason is that the Medisave Account balances enjoyed a 1.5% higher interest rate as compared to the interest rate paid for Ordinary Account balances since October 2001. Another reason is that the contribution rate for the Medisave Account remained unchanged, despite cuts in total contribution rates in 1999 and 2003. In addition, since the Medisave Scheme started only in 1984, earlier cohorts of members turning 55 had a shorter period of time to accumulate their Medisave Account balances, as compared to later cohorts.

**Summary**

With the global trends of an ageing population and rising healthcare costs, it is important for members to continue to contribute to their Medisave Accounts. Members are also encouraged to buy MediShield for themselves and their dependants which will help to pay a portion of the large hospitalisation bills for serious illnesses or prolonged hospitalisations. For those who prefer higher coverage for hospital expenses, they may use their Medisave to purchase an enhancement plan from an approved private insurer. These enhanced plans are integrated with MediShield, and provide protection on top of what MediShield provides.

**About CPF Trends**

CPF Trends is a regular series of papers produced by the Management Information Department to disseminate analyses of statistical data and trends on CPF related issues. These papers are generally brief and aimed at a broad audience interested in CPF related issues.

<sup>2</sup> Active members refer to persons who have at least one CPF employment contribution paid for them for the current and the preceding 3 months.