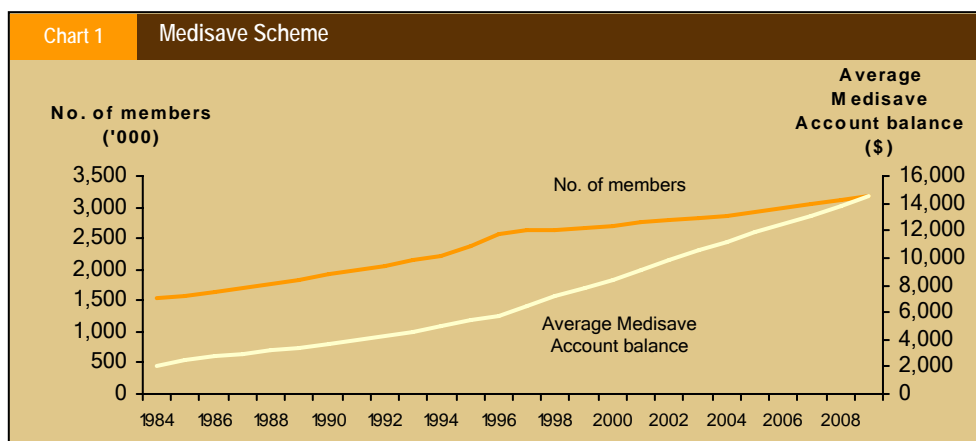


Background

Introduced in April 1984, the Medisave Scheme is a national savings scheme to help members put aside part of their income in their Medisave Accounts to meet their personal or dependants¹ 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 balances has grown at a steady rate since the scheme's inception, from 1.5 million members with an average balance of \$2,000, to the current 3.2 million members with an average balance of \$14,550 (**Chart 1**).



Medisave Minimum Sum raised to \$32,000 with effect from 1 July 2009

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 helps to ensure that the value of Medisave monies is sufficient for members to meet their healthcare needs during retirement. As at 1 July 2009, the Medisave Minimum Sum was \$32,000 (**Table 1**).

Table 1 Medisave Minimum Sum and Medisave Contribution Ceiling Schedule

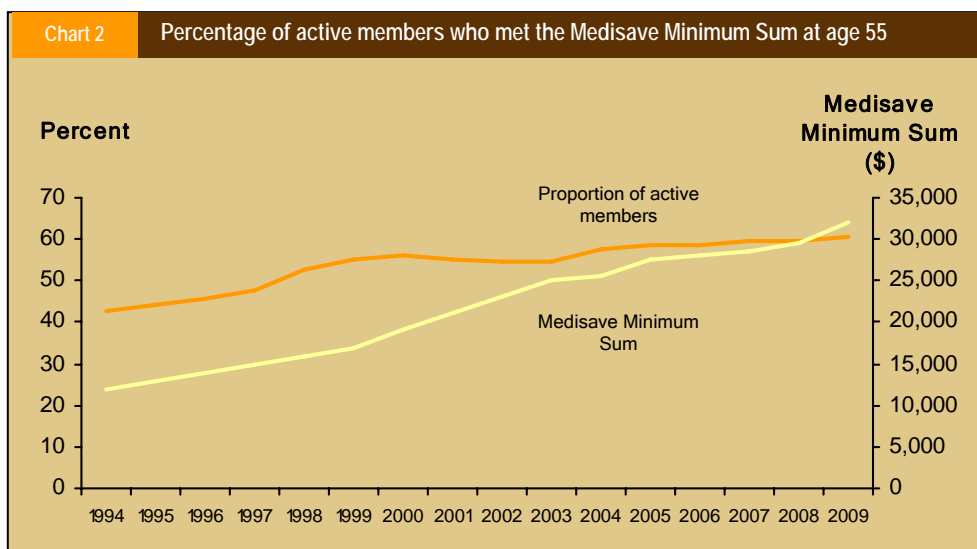
Period	Medisave Minimum Sum	Medisave Contribution Ceiling	Period	Medisave Minimum Sum	Medisave Contribution Ceiling
From 1 Apr 1984	\$5,000	-	From 1 Apr 1997	\$15,000	\$20,000
From 1 Apr 1985	\$5,500	-	From 1 Jul 1998	\$16,000	\$21,000
From 1 Apr 1986	\$6,000	\$15,000	From 1 Jul 1999	\$17,000	\$22,000
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	From 1 Jul 2009	\$32,000	\$37,000

¹ Dependants refer to children, parents and grandparents. Grandparents must be Singaporeans or Singapore Permanent Residents.

The Medisave Contribution Ceiling serves as the limit that members can contribute to their Medisave Account to. Any Medisave contributions in excess of the Medisave Contribution Ceiling will be transferred from the Medisave Account to the Special Account if the member is younger than 55, or to the Retirement Account from age 55 onwards. The Medisave Contribution Ceiling has been in place since 1 April 1986, and was progressively raised to \$37,000 with effect from 1 July 2009.

About three-fifths of active members met the Medisave Minimum Sum at age 55 in 2009

The percentage of active members² with at least the Medisave Minimum Sum at age 55 has increased from 42.7% in 1994 to 60.5% in 2009 (Chart 2), despite the progressive raising of the Medisave Minimum Sum.



²From 2002 onwards, figures refer to Singaporeans and Singapore Permanent Residents only.

The increase in the percentage of active members with at least the Medisave Minimum Sum (MMS) may be attributed to the relatively high interest rates earned by Medisave Account balances - namely, 1.5% higher compared to the interest rate paid for Ordinary Account balances since 1 October 2001. The contribution rate for the Medisave Account has also remained unchanged in the face of cuts in the total CPF contribution rates in 1999 and 2003. Moreover, as the Medisave scheme was started only in 1984, younger CPF members with a longer time horizon to accumulate Medisave savings in recent years were able to contribute significantly to the MMS attainment rates.

Summary

With an ageing population and rising healthcare costs, members are encouraged to use their Medisave monies prudently so as to have sufficient savings for their healthcare needs during retirement. They are also encouraged to purchase Medishield for themselves and their dependants to protect against catastrophic medical risk. The insurance payouts will help to pay a portion of the large hospitalisation bills for serious illnesses or prolonged hospitalisations.

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.

² Active members refer to persons who have at least one CPF employment contribution paid for them for any of the four months preceding the members' birth month.