



Medisave Scheme

The Medisave Scheme was introduced in April 1984 as a national savings scheme to help CPF members put aside part of their income in their Medisave Accounts to meet their personal or immediate family's hospitalization expenses, especially after retirement. 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 2.9 million members with an average balance of \$12,000 (see Chart 1).

Members should note two features of the Medisave Scheme – namely the Medisave Contribution Ceiling and the Medisave Minimum Sum.

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 balance, whichever was lower, in their Medisave Accounts to meet healthcare needs during retirement. 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 2007, the Medisave Minimum Sum was \$28,500.

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. This Medisave Contribution Ceiling has been in place since 1 April 1986 and was progressively raised to \$33,500 with effect from 1 July 2007 (Table 1).

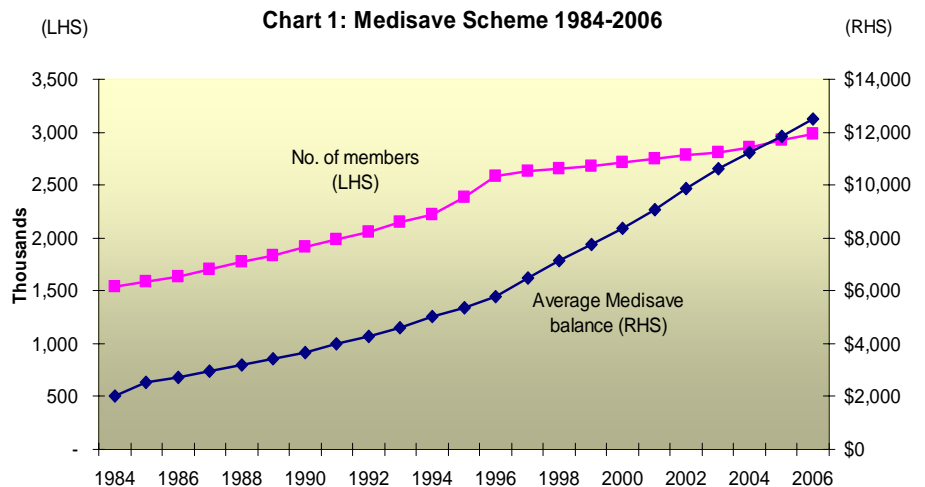


Table 1: Medisave Contribution Ceiling and Medisave Minimum Sum Schedule, 1984-2007

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

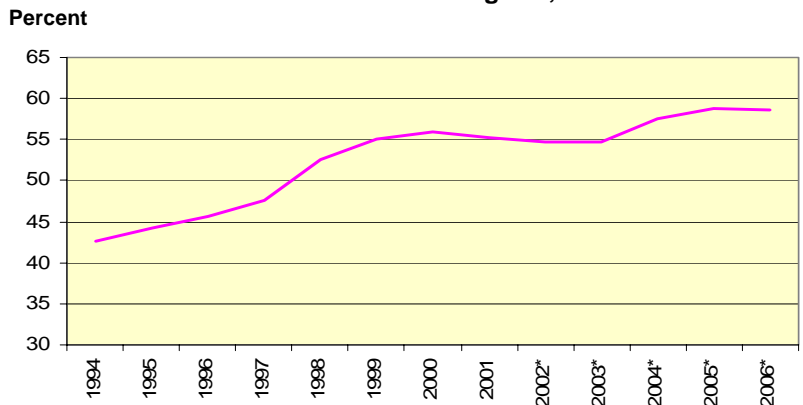
The percentage of active members¹ with at least the Medisave Minimum Sum at age 55 increased from 42.7% in 1994 to 58.6% in 2006 (Chart 2). The rise occurred even as the Medisave Minimum Sum was raised progressively during the period.

Two possible reasons could account for more members meeting the Medisave Minimum Sum at age 55. The first is that balances in the Medisave account

have enjoyed a higher interest rate of 1.5% points above the CPF interest rate paid for Ordinary account balances since 1 October 2001. The second is that the Medisave Scheme only started in 1984, and as such, earlier cohorts of members turning 55 had a shorter period of time to accumulate their Medisave balances, compared to later cohorts.

As our population ages and healthcare costs rise in line with global trends, it is important to continue to contribute to our Medisave accounts. However, when faced with low probability but catastrophic bills, depending solely on Medisave to meet future hospitalisation needs is not enough. To ensure that Singaporeans can afford catastrophic bills, members are strongly encouraged to 'risk-pool' by taking up MediShield. For Singaporeans who would like to stay in higher class wards upon hospitalisation, they should purchase private medical insurance plans to complement Medisave. This would help finance high hospitalisation bills and stretch the use of Medisave monies.

Chart 2: Percentage of Active Members who Met the Medisave Minimum Sum at Age 55, 1994-2006



Note: * From Year 2002, figures refer to Singaporeans and Permanent Residents only.

¹ Active CPF Members refer to persons with at least one CPF employment contribution paid for them for any of the last four months of the year.