

Why do my medical and health plan premiums/contributions keep increasing?

While Malaysians are becoming more aware of the need to have medical insurance/takaful, they also have to contend with increasing premiums/contributions. This second article of a three-part series on medical insurance/takaful in Malaysia examines the drivers behind this current scenario.

WHEN you or your loved one is sick or hurt, getting adequate and timely medical care is a must. More and more Malaysians are turning to private doctors and hospitals because of the greater number of qualified specialists on staff, newer facilities and a full suite of diagnostic and procedural equipment.

Going to a private hospital however can be an expensive affair. For this reason, a growing number of consumers are purchasing medical insurance/takaful to cover the costs when the need arises.

Medical insurance/takaful can come

in all shapes and sizes. These days most policies/certificates are comprehensive and come with medical cards, allowing the policyholder/certificate holder to be admitted to hospital and doctor charges guaranteed by the insurance company/takaful operator. The most common coverage taken today will often pay for the entire hospital bill.

Although they are popular, these policies/certificates have seen premium/contribution increases in recent years.

Before we look at the drivers behind the increases, we must first understand that the cost of comprehensive medical policies/certificates would automatically rise as you get older. With a typical



Don't hesitate to ask your doctor if a recommended procedure or test is necessary

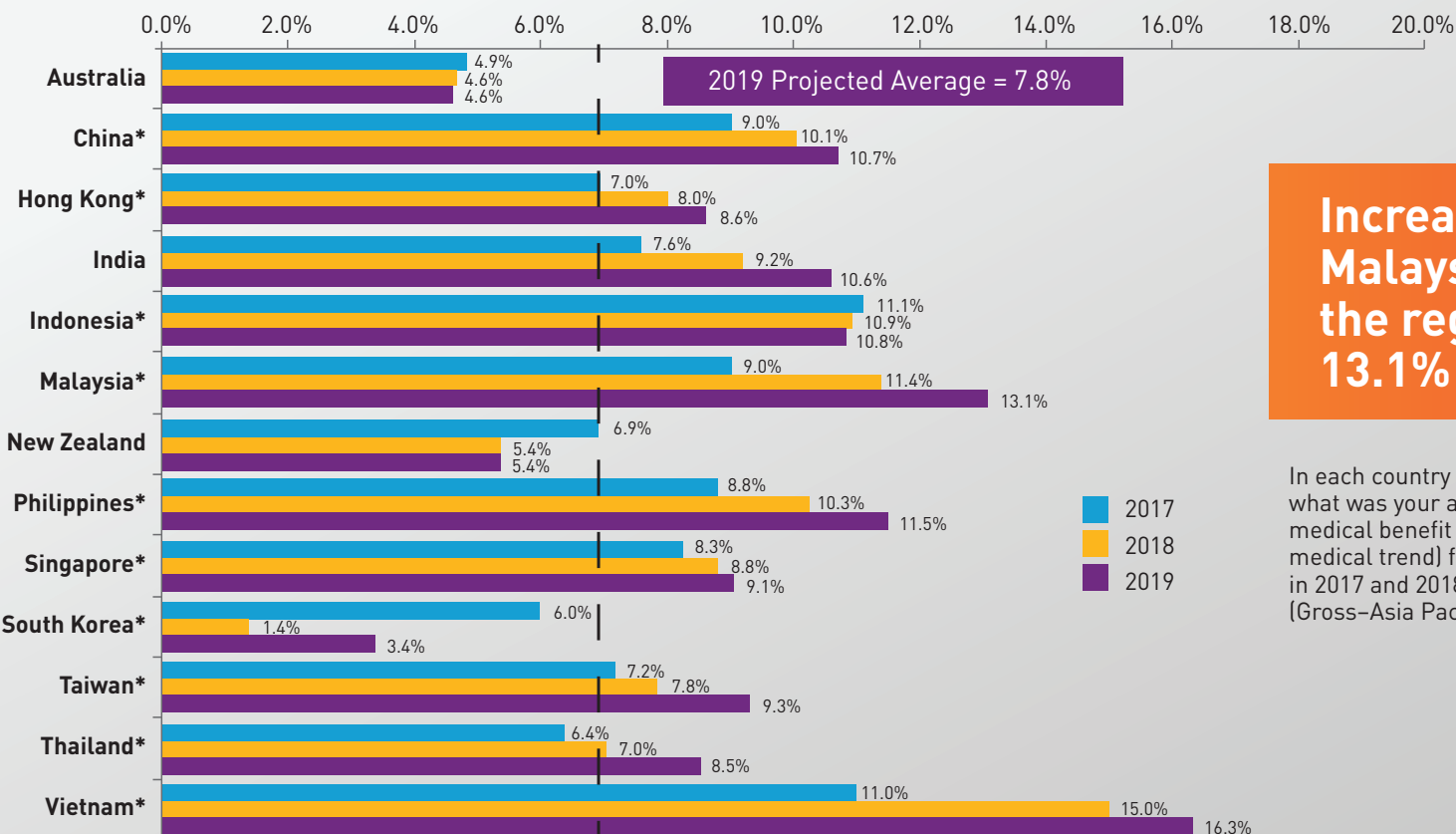
standalone policy/certificate, you can expect your premiums/contributions to go up, often according to five-year age bands.

If you have taken your medical insur-

ance/takaful as a unit deducting rider on an investment linked policy, the monthly cost for your coverage would gradually increase throughout the policy/certificate term. This pricing practice is in line

with the fact that the older you get, the higher the chances that you'd make a claim.

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Increasing costs - Malaysia ranks among the region's highest at 13.1% in 2019

In each country where you provide medical insurance, what was your annual cost increase (or decrease) in medical benefit expenses/costs per covered life (i.e. medical trend) for your group medical book of business in 2017 and 2018? What rate do you expect for 2019? (Gross-Asia Pacific)

All medical plans in Malaysia are priced carefully by qualified actuaries. Using the best available data and experience on the expected frequency and severity of potential hospitalisation, premiums/contributions are set according to your age and gender.

These premiums/contributions are drawn up based on a variety of assumptions including the probability of a yearly medical inflation. The pricing is then reviewed periodically. If actual claim volume differs from the assumptions, insurers would then consider to revise the premiums/contributions charged.

Medical inflation is often higher than other goods and services due to improvements in technology and treatments, new drugs, people living longer and requiring more medical care, etc. Insurance companies/takaful operators might reasonably price an inflation rate of six to eight per cent to cover medical inflation.

But with Malaysia having experienced one of the highest medical inflation rates in Asean in recent years, the expected increase in claims for 2019 is 13 per cent. As a result, insurance companies/takaful operators have had to revise their premiums/contributions upwards.

In response, the industry has formed a joint task force to understand the issue better and address it. The Life Insurance Association of Malaysia (LIAM), the Malaysian Takaful Association (MTA) and the Persatuan Insurans Am Malaysia (PIAM) have jointly commissioned an independent consultant to conduct a comprehensive study on the drivers

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of medical claims inflation.

The outcome will be used to produce a plan, together with other industry stakeholders, to reduce the high undesirable rate of premium/contribution increases.

The bottom line is to be a wise consumer. Remember that, even in the case where your hospital bill will be covered in full by the insurance company/takaful operator, the cost of each treatment will count towards your yearly and lifetime limits. In the end, lower claims will result in lower premiums for all policyholders.

The final article in this series will cover tips and issues revolving around making claims.

This article is brought to you by the Life Insurance Association of Malaysia (LIAM), Persatuan Insurans Am Malaysia (PIAM) and Malaysian Takaful Association (MTA).

HOW POLICYHOLDERS/PARTICIPANTS CAN DO THEIR PART

You may wonder what you, as an individual, can do to help reduce medical cost inflation. Well, plenty actually. Here are some tips:



For non-emergency admission or elective surgery, the sensible thing to do is to compare expected costs between hospitals. You'd be surprised by the differences in rate among private hospitals. Choose one that's affordable without compromising on the required treatment or services.



Understand the necessity of all recommended procedures and tests. They may be suggested by your doctor or hospital because your insurance company/takaful operator is paying the bill but these additional tests may not be necessary. And the insurer/takaful operator may not pay for any test or treatment deemed unnecessary or not covered by the policy's terms and conditions.



Insist on getting an itemised bill when you are discharged from the hospital. Verify the bill on the treatment and services received and ask questions if you feel that some charges seem high or unreasonable.



Ask your doctor if the recommended procedure can be done as an outpatient or day surgery which would reduce your bill. An increasing number of insurance companies/takaful operators are extending their coverage of outpatient care.



Stay within your purchased Plan Room & Board entitlement to avoid any co-insurance imposed on staying above the Room & Board entitlement.