

CHANGES TO THE MEDISAVE SCHEME

To help CPF members better plan for their healthcare needs in retirement, the Ministry of Health has reviewed the rules for the Medisave scheme. The review is in line with the CPF Advisory Panel's latest recommendations to strengthen the CPF system, and provide greater peace of mind and flexibility for CPF members in retirement.

I. No need to top up Medisave when withdrawing from CPF from age 55

2. To simplify the rules on the Medisave scheme, we will remove the Medisave Minimum Sum (MMS)¹ from 1 January 2016. This means that a CPF member withdrawing his CPF monies from the Ordinary and Special Accounts (OSA) upon reaching age 55 will no longer be required to top up his Medisave Account. This will provide more certainty on how much he can withdraw from his OSA after age 55.

II. Basic Healthcare Sum to replace the Medisave Contribution Ceiling

3. From 1 January 2016, the Medisave Contribution Ceiling (MCC) will be renamed as the **Basic Healthcare Sum (BHS)**. The BHS is designed to be enough for a CPF member's basic, subsidised healthcare needs in old age. Amounts above the BHS will flow to the member's Special or Retirement Accounts to boost his monthly payouts. This applies to members of all ages.

4. The new BHS will be set at **\$49,800 on 1 January 2016** for all CPF members. This will ensure that the 1%-point increase in Medisave contributions from 2015 to boost savings for healthcare needs will go to support the recent expansions in Medisave use, such as for outpatient scans and Flexi-Medisave for the elderly.

5. As life expectancy and healthcare costs rise and Medisave use is made more flexible, successive cohorts of CPF members will need more Medisave for their healthcare expenses in old age. The BHS will therefore be adjusted yearly in January to keep pace with the growth in Medisave use by the elderly.

6. Between now and 2016, there will be no adjustments to the MMS and MCC.

III. No further increases in the Basic Healthcare Sum from age 65

7. There will be a cohort-based approach for the BHS, similar to the CPF Retirement Sums. From 1 January 2016, **each cohort will have their BHS fixed when they turn 65 years old, and this amount will not change for the rest of their lives**. All cohorts aged 65 and above in 2016 will thus have the same BHS of \$49,800 for the rest of their lives. The yearly BHS adjustment will only apply to members aged below 65. This will provide members with more certainty on the amount of Medisave they should keep for their retirement healthcare needs.

¹ See **Annex I** for the definitions of the MMS and MCC

8. Please refer to **Annex II** for examples of how the changes will benefit CPF members and **Annex III** for a summary of changes to the Medisave scheme.

Definitions of the Medisave Minimum Sum and Medisave Contribution Ceiling

1. The Medisave Minimum Sum (MMS) is what a CPF member is expected to need to support his and his dependants' healthcare expenses in old age. From age 55, the member can withdraw his CPF monies above the Full Retirement Sum (previously known as the CPF Minimum Sum) and MMS. If he does not have enough in his Medisave Account at withdrawal, he will need to use the excess balances from his other CPF accounts to top up his Medisave Account to the current MMS. The MMS is currently \$43,500.

2. The Medisave Contribution Ceiling (MCC) is the maximum balance a CPF member can save in his Medisave Account. Amounts above the MCC will flow to the member's Special or Retirement Accounts. The MCC is currently \$48,500.

How Changes to the Medisave Scheme Will Benefit CPF Members

Example #1

Mr Annan turns 55 in 2016. He has a total of \$180,000 in his Ordinary and Special Accounts (OSA) and another \$45,000 in his Medisave Account. He plans to set aside the Full Retirement Sum of \$161,000, and withdraw his OSA savings in excess of this (i.e. \$19,000) to fund his child's university education.

In Jun 2015, Mr Annan is admitted to hospital for a serious illness, and uses \$5,000 from his Medisave for the hospitalisation. As his Medisave balance of \$40,000 is now below the Medisave Minimum Sum of \$43,500, he is worried that this would affect the amount he can withdraw from his OSA.

With the introduction of the Basic Healthcare Sum in 2016, he will no longer need to top up his Medisave before withdrawing from his CPF accounts, and can withdraw his excess OSA savings of \$19,000 upon turning 55 for his child's education.

Example #2

Mrs Tan turns 65 in 2016. She joined CPF LIFE using her Retirement Account balance of \$80,000. She is in good health and intends to continue working and contributing to her CPF accounts beyond age 65.

In December 2016, Mrs Tan's Medisave balance reaches the Basic Healthcare Sum of \$49,800. As she is already 65 years old, her Basic Healthcare Sum will be fixed at this amount for the rest of her life. If she continues working in 2017, her additional Medisave contributions will flow to her Retirement Account which will help to increase the monthly payouts to her during her retirement.

Example #3

Mr Hasan turns 65 in 2016. He has met his cohort's Full Retirement Sum of \$94,600. He is in good health and intends to continue working and contributing to his CPF accounts beyond age 65.

In December 2016, Mr Hasan's Medisave balance reaches the Basic Healthcare Sum of \$49,800. As he is already 65 years old, his Basic Healthcare Sum will be fixed at this amount for the rest of his life. As he has already met his cohort's Full Retirement Sum, his additional Medisave contributions will flow to his Ordinary Account, and he can withdraw these amounts to supplement his living expenses.

Summary of Changes to the Medisave Scheme

Changes To Your Medisave Account From January 2016

What it is today

There are two limits for Medisave - Medisave Minimum Sum (MMS) and Medisave Contribution Ceiling (MCC). Both are adjusted yearly for all ages.

When you turn 55, you have to top up your Medisave to the MMS before you can withdraw cash.

NEW

Basic Healthcare Sum (BHS)

One limit to help you save what you need for basic, subsidised healthcare in old age



Amounts above the BHS go to your other CPF accounts to help with retirement expenses



No need to top-up

When you turn 55 and can withdraw cash, you do not need to top up your Medisave Account



Sum is fixed for life

The BHS will be raised yearly, but the amount will be fixed for life once you reach 65 years old

Visit www.moh.gov.sg for more information.