



How healthy are health plans?

Healthcare is big business and it's no wonder that players other than insurance companies are jumping in to provide healthcare protection plans as well. How do these plans differ and what are the benefits?

By Sreerema Banoo

These days, besides hospitalisation and surgical (H&S) plans from insurance companies, packaged products comprising medical insurance, health screening and other benefits are also available in the market. Put together by managed care organisations (MCOs), direct-selling companies and so-called healthcare programme managers, these plans are said to offer more value than H&S plans bought directly from insurance companies.

The medical insurance aspect of the plans is underwritten by insurance companies.

Fong Muntoh, director of group business development at IHM Sdn Bhd, says MCO healthcare plans are based on the concepts of prevention, wellness and the curative aspect whereas insurance companies focus on the last aspect alone. Established in 1997, IHM is said to have managed 50,000 hospital admissions costing over RM100 million. Fong says: "A

client who purchases a healthcare programme from us will enjoy a comprehensive medical check-up, medical review, wellness advice and an H&S plan from any of our panel of insurers; while an insurance company will only offer the H&S plan."

Similarly, MXM International Sdn Bhd also has a prevention approach. A subsidiary of Kam Holdings Group, which also owns the Pathlab group of companies, MXM International touts itself as a "one-stop healthcare protection manager". Its general manager Sam Tang says its healthcare protection plan is marketed as a membership programme; members are entitled to comprehensive blood screening, cancer-markers screening, complimentary gym membership and an H&S insurance that's underwritten by Pacific Insurance and MCIS Zurich Insurance. The healthcare plan also boasts guaranteed renewal.

Tang says the company's prevention focus is aided by the complimentary blood screening, gym membership and regular newsletters on health. Members are thus encouraged to lead a healthy lifestyle. "Our role is to direct the public's attention from the 'I-don't-need-insurance-because-I'm-healthy' mindset to a membership programme that offers various benefits and, at the same time, H&S protection," he says.

While these additional benefits do sweeten the deal for those on the lookout for H&S plans, it's important to examine one's needs. Teh Loo Hai, managing director of Teh Actuarial Services Sdn Bhd, says one has to see if all the components in the package are required. Equally crucial, one has to compare the price with those of other alternative products, be it another packaged product or the

sum of the price of each required component, before making a decision.

An insurance industry source, who declined to be named, points out that in some cases, the add-ons do end up costing the consumer more. He adds that many H&S plans sold directly by insurance companies offer competitive rates for medical and blood testing and collectively, the price for the H&S policy and the tests may not cost as much as packaged health plans.

Too good to be true?

One of the attractions of these healthcare plans is the lower membership fees. For instance, MXM International's Suprema 500 plan costs RM185 a month (26 to 35 age group), which covers complimentary comprehensive blood and cancer-marker screening (estimated at RM450), complimentary gym membership, discounts at selected F&B outlets as well as H&S insurance benefits that are said to be more attractive than those offered by insurance companies. "For example, while all H&S policies pay RM50 to RM100 a day should one be admitted into a government hospital, our members receive hospitalisation cash benefits regardless of which hospital they're admitted to," says Tang, adding that the cash benefit is also higher at RM500 a day.

He points out that while insurance companies may offer a high lifetime limit, the annual limit may be low. "Our plans offer high lifetime and annual limits," he adds. Pointing out that a similar protection plan offered by an insurance company may cost twice as much, Tang says that over the years, he has been asked the same question time and again: "This sounds too good to be true, what's the catch?" "There is no catch, really. We're able to offer this plan at these fees because we have a base of a pool of healthy customers [developed in

the 11 years of offering the healthcare plans]. We start by educating our members on the importance of health and wellness. With the free blood screening offered, our members tend to be more health-conscious," he says, pointing out that as a result, the plans also enjoy a lower claims ratio compared with the industry average.

According to Bank Negara Malaysia, the claims ratio (net claims incurred as a ratio of earned premium income) for medical expenses and personal accident stood at 52.4 in 2008.

Declining to divulge MXM International's claims ratio, Tang says it is the "healthy" claims ratio that helps keep membership fees low. Since 1997, the company has amassed nearly 50,000 members, who are mostly from the Klang Valley.

"We also have a process of underwriting newcomers whereby if the applicants fall under a list of conditions, they are not able to join as members [unless they] are excluded from the condition," says Tang, conceding that the "stricter" conditions means that the company encourages those who are in good health to join as members.

Does this mean that the complimentary blood and cancer-marker screenings offered every two years upon renewal of membership is used to determine eligibility to the healthcare plan? Tang is quick to dispel this, stressing that the screenings is a benefit. "It is not an underwriting criterion. The blood screening does not affect the renewal and the insurance company cannot alter the terms and conditions. As long as it's not a pre-existing condition, the member will still be covered."

The insurance industry source, however, opines that the underwriting criteria and the terms and conditions of the H&S plans marketed by MCOs and direct-selling companies may be stricter than those sold directly

by insurance companies. "It's best then to go directly to the insurance company," he says, while adding that should the direct-selling company or MCO fail, the policyholder may no longer be covered unless the insurance company states that it will continue to underwrite the policy.

Pitfalls to avoid

IHM's Fong says while one has a choice of buying H&S plans from MCOs and insurance companies, he believes the pitfalls are not from whom one buys it from but the terms and conditions of the policy that one chooses. When shopping for a healthcare plan, ensure that it is guaranteed renewal, he says. "Make sure the policy one selects has this guaranteed renewal condition because some policies do not have it. As a result, you may be left without H&S coverage after you have made a hospitalisation claim," he says.

But while there is the assurance of guaranteed renewal, what happens if the insurance company decides that it no longer wants to underwrite the product? The insurance industry source says while the portfolio withdrawal clause allows for the underwriter to withdraw, such a scenario has never before happened in Malaysia.

Other issues to bear in mind when considering an H&S plan is the room and board rate, particularly if the hospital is an urban one where room and board rates are higher. MXM International's Tang suggests looking at the reimbursements for intensive care unit stays and the annual and lifetime limits.

"Spend 30 minutes to go through your policy with your agents and ask what is claimable and what is not," says Fong, adding that one should also declare fully any known conditions. "It is best to declare any known conditions as non-declaration may result in the policy being void." ■