

Headline	Avoid overdependence on employee health benefits		
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Medical rates are on the rise annually, forcing employers to examine their expenditure on benefits



Avoid overdependence on employee health benefits

- **As employers** seek ways to trim health benefits to cut cost, staff must consider taking out individual insurance policies
- **Employees** can even purchase a top-up policy with additional benefits to add on to their companies' group insurance scheme



by Behonce Beh

MANY companies offer staff employee health benefits (EHB). This ranges from group hospitalisation and surgical (GHS) insurance coverage that usually includes outpatient medical claims to eyewear and dental allowances.

While employees may feel

such offerings are sufficient to cover the cost of their general wellbeing, the inflation of medical costs is putting pressure on companies' EHB expenditure.

As employers seek ways to trim this as part of their cost-cutting measures, employees must look at the bigger picture.

The reality is that employees should not assume their company-provided health benefits are sufficient to cover all medical emergencies or contingencies.

The recent Mercer Marsh Benefits: Medical Trends Around the World survey says Malaysia's medical cost are projected to rise to 12.7% this year.

The survey indicates that average GHS claim amounts

increased by 8% from RM 4,711 to RM 5,082 last year. The number of claims also increased by 11% over the last 12 months.

It says the top five diagnoses by the frequency of claims are musculoskeletal ailments, ear nose and throat related illnesses, gastrointestinal problems, fever and dengue.

Advances in medical technologies such as minimally invasive surgeries (MIS) have resulted in treatments that improve the success rate, lower risk and promote faster recoveries.

However, such advanced treatments are usually costlier.

On average, an open appendicitis surgery may cost RM6,000 while a laparoscopic or MIS

surgery costs RM10,000 or 67% higher.

"Companies are looking to control the cost of benefits as medical charges and insurance premiums increase.

"Insurance is one of those where until something happens, no one knows what or who is covered," says Marsh Insurance Brokers Malaysia senior vice-president and national practice leader Ho Mun Kiat.

Overdependence on EHB

There is a growing trend where employees depend too much on their employee health benefits and neglect taking good care of their own wellbeing, says Ho.

That, to a certain extent, is reflected in the low insurance penetration rate.

This is caused by employees not being motivated to sign up for individual medical insurance policies as they are content with the one offered by their employer.

A Bank Negara Malaysia report says the insurance penetration rate has remained fairly static within the range of 54% to 56% over the last five years.

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It is measured by the ratio of the total number of life insurance and family takaful policies in force to the total population.

“The growing number of controllable disease claims mean employers need to redefine their role and shape the healthcare market to meet their strategic objectives.

“How can employers ensure their benefits address the precursors to such claims, mitigate the high-cost of care and create incentives for health maintenance and prevention?”

“The key is to collect the right data to monitor and manage future costs,” Ho says.

Tokio Marine Life Insurance Malaysia Bhd CEO Toi See Jong argues that the low take-up rate of individual insurance policies is widely attributed to cost.

“Our penetration of life insurance is one of the lowest compared to other countries due to affordability.

“Those with lower incomes can’t afford it while the middle-income earners wait on purchasing insurance packages unless they have a friend or relative who is an insurance agent,” says Toi.

The scenario then changes as age, needs, and health conditions come into play. Those who already have life insurance will think about purchasing another policy when they start a family.

Basic coverage

Toi says relying on the company’s EHB is not enough as coverage is usually basic and provided across the board.

The average annual limit for outpatient claims for staff and their dependants stand at RM2,500.

For GHS, room and board are the main differentiators, according to job band with senior level or management given single superior rooms.

“Companies buy insurance for very basic needs, but individuals should buy it for specific needs,” Toi says.

Most companies, he says, generally offer the same benefits – a medical plan (outpatient and inpatient) with various caps, and a group term life insurance which is basically a payout when an incident takes place that results

in death or incapacity.

Toi urges the public to take up affordable insurance policies the moment they enter the workforce.

“As you earn more, you may increase your premium or take up another policy to ensure higher coverage,” he says.

It is advisable to conduct a yearly review of one’s finances and identify which spending areas can be trimmed or funds invested in something beneficial.

“If you wait until 10 years before you retire, for example, the amount you need to put aside is a lot. If you start early, it can be quite cheap. It’s about education and discipline,” says Toi.

Individual insurance policies are useful as the EHB would immediately be terminated should an employee leave a company.

However, there is a new option in the market that allows employees to “port out” their company-provided policy upon resignation.

This means they have the option to continue the policy on an individual basis.

“We are now working on various schemes to help employees realise that their employer helps to a certain level only,” says Ho.

He says there are also instances where employees can purchase an additional package on top of the group insurance scheme provided by the employer.

In such cases, employees may have the option to convert it into an individual one or port the policy out once they leave the company.

Policy portability is a fairly new concept that helps ensure employees continue to enjoy benefits from their company’s group policy.

Better yet, it will not lapse upon resignation, provided such employees pay the premiums themselves.

Not many organisations offer such an option, but Ho believes employees will favour it.

Wellness programmes

The World Health Organisation says ischaemic heart diseases and stroke are the world’s biggest killers, accounting for a combined 15 million deaths annually.

However, such ailments could be prevented or mitigated with better control and responsibility for one’s own health.

As prevention is better than cure, a holistic approach to employee’s health goes beyond providing insurance coverage.

It encompasses the employee’s well-being and best practices that begin from the workplace itself.

“If most of the claims are due to accidents, then that is something beyond control, but can be prevented.

“However, if the claims are lifestyle or behaviour-caused, then that can and should be changed,” says Ho.

Wellness programmes are gaining momentum among Western organisations with a focus on employee wellbeing.

Instead of medical benefits, new approaches such as claimable health screening, gym memberships, weekly office yoga or zumba classes, and a pantry stocked with fruits rather than

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Companies even encourage employees to take part in public runs and other healthy activities organised by third parties

sugary snacks can help employees to make better health choices.

“It may cost companies a little more to embark on wellness programmes, but we notice a reduction in claims when the programme is targeted at the ‘right’ employee,” says Ho.

He says this is because if a

company organises a weekly zumba class, for example, it is likely to attract those who are already into a health and fitness regimen rather than those new to it.

Moreover, it can take a long time to see a behavioural change among employees.

A project by Ho’s team for a banking client took up to three years before it saw noticeable results.

Another new trend in the corporate world is to give out health-tracking watches as a means for staff to monitor their wellbeing. Employees can be enticed with rewards for achieving set goals.

It is unfortunate that many employees remain oblivious of what their company’s EHB entails.

While the human resources department communicates information on medical benefits, employees rarely take it seriously and only ask questions when something unfortunate happens to them.

“Employees may not be able to understand the details of a policy, and when HR organises a lunch talk for an insurance agent to speak to staff, usually no one turns up,” says Ho.

Regardless of whichever route a company takes to deploy EHB, employees must be proactive in understanding how such benefits add value to their lives. **FocusM**