THE MONEY PIT

In the first part of a two-part series, **CAROL YIP** looks at the issue of medical bankruptcy

Healthcare costs are on the rise. Given that, is it not safe to assume that such rising costs could lead to the issue of medical bankruptcy?

Being a medical bankrupt means officially declaring that you do not have the money to pay debts and loans related to your medical bills. It also means not having the money, insurance, savings and assets to pay for healthcare, medication, nursing care, and the treatments that may be needed.

DON'T JUMP THE GUN According to tax consultant Khoo Chuan Keat, a senior executive director with PricewaterhouseCoopers, the term 'medical bankruptcy' itself was a general one that referred to the filing for bankruptcy due to medical related debts.

"Medical bankruptcy can be caused by excessive medical bills or loss of income due to illness. In some cases, it is even the result of an individual getting a second mortgage to cover his or her medical expenses," he added.

Khoo said many people believed, mistakenly, that they would never fall victim to medical bankruptcy because they have health insurance.

"In reality, more than half of all bankruptcies filed due to medical debts involved people who had health insurance at the time they began incurring the medical expenses. Having health insurance often provides a false sense of security," he said.

"For those who finds themselves in a dire health situation, be it through illness or accident, the extremely high cost of medical services and pharmaceuticals can make life quite miserable, even if you have medical or health insurance. Not having any or inadequate insurance can also be rather devastating," he added.

However, Khoo said that filing for bankruptcy was pretty much the worst thing one could do. There were several steps that could be taken and/or avoided before officially declaring oneself as a medical bankrupt, he said.

"A first step towards avoiding medical bankruptcy is to basically understand that everything is negotiable. Creditors would normally rather avoid a lengthy recovery process and settle for a portion of the debt than to lose out on all of it.

"Another way to avoid medical bankruptcy is by pre-planning. Amazingly, using a charitable or community-based hospital or medical provider can result in much more understanding and sometimes with partial or complete forgiveness of the debt when a patient is experiencing serious financial hardship.

"Do not attempt to pay your medical bills by taking out a loan or charging to your credit card because this is often one fatal mistake that will force you into bankruptcy that much quicker. An outstanding loan or credit card often carries punitive interest charges whereas hospitals or medical providers normally do not or cannot charge interest on unpaid balances.

"Alternatively, you might consider a health savings account as a pro-active solution to avoid potential future medical bankruptcy," he added.

THE GOOD DOCTOR The whole issue of medical bankruptcy in Malaysia, according to emeritus professor Dr Datuk Seri Khairuddin Yusof, himself a doctor, could be avoided if several steps were undertaken by the relevant parties.

"All patients should have access to both private and non-private hospitals, patients should not be discharged from hospitals just because their medical bill have exceeded their insurance limit, and the government and the private sector should work together to ensure that patients should be treated equitably if they're sick.

"The tragedy is that families and loved ones are affected financially and emotionally when they are not treated equitably. Medical bankruptcy should not be an option! The government and private sectors should discuss in detail on how to manage those patients who cannot afford to settle their medical bills," he added.

According to Dr Khairuddin, the current medical insurance system also does not prevent medical bankruptcy. Solutions should be worked out by both the insurance industry and government to improve healthcare financing so that Malaysians as a whole are not penalised," he said.

"Has the government done enough to protect the people from suffering from medical bankruptcy? No, the government has not done enough to protect people from experiencing difficulties in settling their medical cost, which may lead to bankruptcy.

"There are patients who had to cease treatment because their insurance coverage, personal or by their employer, is insufficient to cover their medical bill. This is already happening in the US and Singapore, so the situation is not unique to Malaysia. All relevant parties should discuss in further detail to come up with agreeable solutions," he added. **SI**

Carol Yip is the founder and chief executive officer of Abacus For Money

BULLISH ON MALAYSIA'S POTENTIAL

With the talk of the PPS still very much on the radar, **TONY GOH** speaks to a federation that is both accepting and wary of what a scheme could bring

The Federation of Investment Managers Malaysia (FIMM) is bullish on the future of the unit trust industry, as the public has begun to realise the importance of having long-term view on investment, said its president Tunku Datuk Ya'acob Tunku Abdullah said.

The introduction of the EPF-Members Investment Scheme (EPF-MIS), which was introduced to provide EPF members the opportunity to invest a part of their savings in approved unit trust funds, was also welcomed by federation, Tunku Ya'acob after the recent 10th annual convention of unit trust consultants in Petaling Jaya on November 2.

He said the EPF-MIS system provided additional safeguards for funds to be sold under the scheme in the interests of EPF Members and was one of the initiatives undertaken by FIMM in discharging its responsibilities and fiduciary duty to the its customers and the investing public.

Going forward, Ya'acob said the way to look at it was to consider the kind of returns EPF contributors are looking for within acceptable risk levels.

"Ultimately, that is the objective of withdrawing the EPF funds for investments. In most instances, achieving higher than fixed deposit rates or even inflation can be achieved through funds that invest locally," he added.

According to FIMM data, the tax incentive of

RM6,000 for the proposed private pension scheme (PPS) would, at maximum only benefit 2.6 million people who are taxpayers and leave about 12.4 million with no protection.

Citing government statistics, the federation said there were about seven million adults that were employed and another eight million that are either self employed or are non-working spouses.

Tunku Ya'acob said, "This 12.4 million people will still need to invest for their retirement even without any government incentive and this is the market that the unit trust industry will have to focus its attention on."

The solution for this, he said, lay in the introduction of the PPS, which was announced in the recent Budget 2011, but, he highlighted the fact that Malaysia's unit trust fund managers were still mainly in the dark about the proposed PPS.

He also stressed that the PPS should be run by existing companies and not by brand new start-ups.

"We still don't know who are this five to six companies are (that will the provide the PPS), but we certainly hope the companies appointed would not be brand new companies because they would create inefficiencies such as higher fixed expenses," he added.

Nevertheless, Tunku Ya'acob believed that any PPS scheme would complement unit trusts. "Whatever the final format of the PPS when it is ultimately rolled out, the federation is confident that unit trust sales will grow," he said.

On another note, Tunku Ya'acob said FIMM was hopeful that the association's effort in getting approval from the government to transform itself into a self regulatory organisation (SRO) would be realised soon. "As an SRO, FIMM will be able to play a much larger role as a public interest body to ensure the healthy growth of the industry," he added.. SI