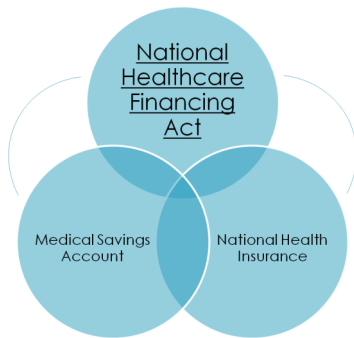


QUICK FACT

The "National Healthcare Financing Act" became law on May 7, 2010. The purpose is to help residents and workers in Palau pay for medical expenses. This program is referred to as the **Healthcare Fund (HCF)** and is Palau's first, responsible step towards financing healthcare.

The HCF consists of two parts:

Medical Savings Account
National Health Insurance



WHAT IS...

... a Medical Savings Account (MSA)?

A medical savings account is designed to help individuals, especially younger people, to save money to pay for future healthcare costs. It provides an incentive for individuals to take ownership of their health as they save for higher healthcare costs in old age.

... the National Health Insurance (NHI)?

The National Health Insurance is designed to complement the medical savings accounts. It is a social health

insurance that pools contributions of many people and is used to cover the costs of catastrophic illnesses or prolonged injuries.

The concept behind the National Health Insurance is based on Social Security: People coming together to help one another.



CONTRIBUTING TO THE HCF

Employee and Employer Contributions:

Beginning October 1, 2010, employers will withhold 2.5% of an employee's earnings every pay period. Employers will transmit employee shares, along with a matching employer share of 2.5% to the Social Security Administration. Self-employed persons will contribute 5% because they are considered both an employee and employer.

How to Contribute:

HCF contributions are paid to the Social Security Administration at the end of each quarter and follows the same payment due dates for filing and paying Social Security contributions. In January 2011, employers will begin to pay their Social Security and Healthcare Fund contributions at the same time, using a revised Quarterly Tax Report Form.

How Contributions Will be Used:

From the combined employee and employer contribution amount of 5%, half is assigned to the employee's medical savings account (MSA), the other half towards the pooled National Health Insurance, and up to half a percent allowed for administrative expenses.

BENEFITS UNDER THE HCF

Scheduled Start of Benefits:

Beginning April 1, 2011, contributing employees may start to use their MSA funds, as well as the National Health Insurance.

Medical Savings Account:

For contributing individual and designated beneficiaries:

- Outpatient medical treatment
- Prescribed Medication
- Private health insurance premiums



National Health Insurance:

- Inpatient medical treatment
- Off-island medical treatment
- Medical transportation for approved off-island referrals

If you receive in-patient care, there is a co-payment of 20% of the total cost, up to a ceiling of \$200 - \$400, depending on your income. If you are approved for off-island referral, there is a co-payment of 20% of the total cost, up to a ceiling of \$1,000 - \$4,000, depending on your income.

FREQUENTLY ASKED QUESTIONS

How can the elderly and disabled who are not working be able to participate in this program?



The National Government will pay subsidized contributions for individual citizens who are 60 years of age and not working, as well as for those who are disabled and not working. From these subsidized payments, they will be able to use the National Health Insurance for inpatient treatment and off-island referrals. However, since they are not employed, they do not have the automatic 2.5% deductions that go into an individual MSA. If they would like to have an MSA, they or their family members may make voluntary contributions on their behalf or if receiving Social Security benefits, can opt to allot a portion of their benefit to their respective MSA account, minimum amount of \$10. Or they can be a designated beneficiary for a working family member's MSA.

I already have private health insurance. Do I still have to participate in this program?



Yes. By law, everyone who pays Social Security taxes is required to contribute to the program. However, you may use your individual MSA to pay for premiums of private health insurance policies. Private insurance policies may be modified to supplement National Health Insurance benefits that will be available to all. And, as a supplement, rather than primary policy, the premiums for private health insurance policies should become more affordable.

DID YOU KNOW?



Palau is not the first country to establish a nationally provided healthcare system. Since 1984, Singapore has successfully operated a program that includes medical savings accounts. The medical savings account provided in the HCF is modeled after Singapore's program.

REPUBLIC OF PALAU

HCF

HEALTHCARE FUND



CONTACT US

The Medical Savings Account and National Health Insurance established under the HCF is just the beginning of an improved, comprehensive healthcare financing system. It is the **FIRST STEP** in addressing many of Palau's healthcare financing concerns. If you have any questions or suggestions about the program, please feel free to contact the Social Security Administration:



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**Republic of Palau
Social Security Administration**

**An Introduction to
THE HEALTHCARE FUND**



REPUBLIC OF PALAU

HCF

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