What Drives Healthcare Costs? – A View from the Coalface

By Dr Tan Chi Chiu

Two significant pronouncements in recent weeks have given me pause for thought. One was the Court of Appeal's verdict on Dr Susan Lim's appeal against the Singapore Medical Council (SMC) Disciplinary Committee's finding that she had egregiously overcharged her patient. The court's three judges upheld SMC's verdict as well as the penalty of a three-year suspension of practice, in a written judgement that was nothing short of scathing. The press articles and opinion pieces that followed thick and fast argued over the principle of an "ethical limit" for doctors' fees, but were unanimous in that the profession needed to undergo some introspection in the light of this case.

Just as the dust settled on Dr Lim's case, our honourable friend and colleague Dr Vivian Balakrishnan, Minister for the Environment and Water Resources, told a graduating cohort at a commencement ceremony held at the National University of Singapore that "the key cost drivers in any healthcare system actually are the doctors", as part of a wider speech on professionalism (see page 24).

Although the two events are unrelated, when juxtaposed, the public is unsurprisingly going to think that doctors are at fault for driving up healthcare costs, some by overcharging. And doctors might well feel that these comments unfairly lay the full blame on themselves for unnecessary healthcare cost escalation, through eschewing professionalism for profit.

I think Dr Balakrishnan's statement is reasonable when taken in context. It is indeed the decisions taken by doctors that determine the cost of healthcare to individual patients and to society at large. But do doctors make decisions in vacuo?

Healthcare costs may be rising all over the world, but there are many different systems and reasons. Where there is universal coverage (such as Canada and the UK), or in markets which are heavily dominated by third party payers (like the US), there is little out-of-pocket payment, leading to overconsumption.

Yet not only does Singapore top the charts in terms of outcomes, it also tops the charts in terms of efficiency because our healthcare system uses fewer resources per patient than any other healthcare system in the world. In 2009, USA spent 17.6% of its gross domestic product on healthcare, while Singapore spent merely 3.9%. This is currently a happy state of affairs and not something we want to ruin through reckless discharge of our professional duties.

What pressures are there in our local scene? Well, our population demographic has changed. We are ageing, and we know that the elderly utilise more and more complex healthcare services such as prosthetics, chemotherapy or intensive care. We also need more nursing homes and hospices. New technology in Medicine is not particularly designed for cost efficiency, but more for therapeutic efficacy. New treatments may prolong elderly patients' lives and improve their health, but they are more expensive. Doctors must no doubt be judicious in their use of such treatments, but the increase in demand for them is very real and will only continue to grow as the population ages further.

Next, our people are more highly educated, have greater expectations and are more demanding of the healthcare system today. Armed with knowledge from web research and global media, patients now know what new treatments are available and demand them. We do well not to allow drug or device companies to advertise directly to the public, but people still know what's out there and they want it. "Patient autonomy" therefore also drives healthcare costs.

More sophisticated patients also translate into more litigation and complaints to SMC. This increases the cost of malpractice insurance, which in turn contributes to healthcare costs. The "risk premium" also finds its way into fees. Furthermore, the practice of defensive Medicine means that doctors' sound clinical judgement is no longer sufficient, as they would tend to order more tests to be cautious.

Who sets benchmarks for healthcare costs? The Government actually determines charges for services

as well as doctors' remuneration in the public sector. It has been responding to the exodus of doctors by ramping up the pay of public service doctors over the years, making them some of the best paid in the world. Nurses' pay has also escalated. In addition, the profit motive is alive and well in public institutions, with roaring full-paying business, sometimes in private venues and overseas marketing departments with resources that private hospitals envy. Pay and career prospects for public service doctors are known to depend in part on how much private revenue they can generate. Applying the "Robin Hood" principle to public service, where paying patients subsidise poorer patients, has served us well, but it is certainly a driver of healthcare costs.

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Bill sizes for various treatments provided by public hospitals are listed on the Ministry of Health website (http://www.moh.gov.sg/content/moh_web/home/costs_and_financing/HospitalBillSize.html). Such transparency is helpful in moderating healthcare costs. It was actually found that certain treatments in the public sector were much more expensive than in the private sector, a revelation which led to a prompt change to bring those charges into line.

Singapore is palpably more expensive to live and do business in nowadays, largely due to rising costs of property, cars and salaries. Public health services must compute the value of real estate into their cost structure. GPs in the heartlands have seen rents skyrocketing. Anecdotally, in 2006, most GPs paid between $2,000 and $6,000 in rent, with the top end at about $12 to $15 per square foot (psf). In 2012, a record of sorts was set by a GP firm which bid $59 psf. Younger GPs are known to be struggling. 14 years ago, I paid a rent of $4 psf for a specialist clinic. Today, at premier clinics, it is in excess of $20 psf. This translates to an average rise of 29% per annum. If one had bought clinic space 20 years ago, it was perhaps $800 psf. Today, it is easily $7,000 psf in premier locations. This translates to an average increase of 39% per annum. Real estate and salaries are the biggest costs of providing medical services. The fact that fees across the board have not increased in proportion to real estate and salaries is evidence of burgeoning subvention by government in the public sector and enormous restraint in the private sector.

There is also a "generational inequity" in the private sector. Those who started their practices 20 years ago continue to charge fees based on their low cost base. Younger doctors face competitive pressures not to charge much more than their seniors. One must consider how equitable this is, considering the vastly different costs of doing business between generations. Senior doctors in public and private sectors have made a comfortable living and secured good homes for their families at a time when homes were relatively cheaper. Young private doctors are expected to moderate their expectations and not only earn less, even in inflation-adjusted terms, but also aim lower in terms of quality of life for their families.

It is unsurprising then, that a good number of doctors, both GPs and specialists, are turning to aesthetic practice to boost their income. Such services no doubt feed a genuine and growing need in modern society. But because beauty is essentially priceless, the sky is the limit for aesthetic charges, and it is harder to imagine an ethical limit for services that are entirely elective, and unrelated to illness and physical suffering. This growing sector also drives healthcare costs.

So how can doctors help to contain healthcare costs in Singapore, in the face of all these? The best way is to practice ethically and always act in patients' best interests. I believe healthcare costs will continue to rise. Many of the reasons are beyond doctors' control. But it must never be because doctors are unethically upselling their services, overservicing their patients and taking advantage of patients' ignorance and vulnerabilities, to treat more and charge more. Doctors are entitled to fair remuneration for their work, but we need to remember that we are professionals and therefore we should have, as our first consideration, society's interests. **SMA**

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