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SMA NEWS

Is Healthcare Competition Healthy?

Seated from left to right: *Mr Moses Lee, Permanent Secretary, MOH; Mr Michael Lim, Chairman, NHG; Mr Khaw Boon Wan, Acting Minister, MOH; Mr Lee Seng Gee, Lee Foundation; Dr Della Lee, Lee Foundation.*

Standing from left to right: *Prof Feng Pao Hsii; Mr Chan Chung Ming; Dr Ong Beang Khoon; Mr Tan Tee How, CEO, NHG; Prof Edward Tock; Prof Lim Pin; Dr Au Eong Kah Guan, Chairman, Organising Committee, NHG ASC 2003.*

Editorial Note:

We reproduce the speech by Mr Khaw Boon Wan, Acting Minister for Health and Senior Minister of State for Finance, at the 2nd NHG Scientific Congress Dinner, on 4 October 2003.

KEY ISSUES IN HEALTHCARE

There are many problems which all Health Ministers worry about. But we can generally boil them down to one common problem: "Money no enough."

Patients worry about not having enough money to pay for hospital bills. Doctors complain about not having enough money to raise clinical standard. Hospital CEOs fight for more money so as to balance hospital budgets without having to raise fees.

I heard these pleas 25 years ago when I first joined MOH. I continue to hear them now that I am back to the Ministry.

SIGNIFICANT PROGRESS

Nevertheless, against this backdrop of limited resources, we have made significant progress during the last 25 years.

First, we have more money now than before. We have collectively built up significant reserves to help us pay for medical services in the event we fall gravely ill. Singaporeans now have a total of $28 billion saved in their Medisave Accounts for their old age. Medifund has $900 million in endowment, generating interest income which helps the poor pay for their hospital bills if their Medisave Accounts run out.

Second, we are no longer working in outdated pre-war hospitals. We have completely rebuilt all the hospitals which we inherited from the colonial masters, with the exception of the Alexandra Hospital. Even the AH has got a face-lift and is no longer the British military hospital that it used to be.

Third, we have many more doctors and nurses. There are now over 6,000 doctors and 18,000 nurses. These numbers are more than double or triple the numbers 25 years ago.

These are not trivial achievements. Many countries look at our healthcare system with envy and admiration. My job is to help you build on this strong foundation so that young Singaporeans will inherit an even stronger healthcare system when it is their turn to take over responsibility.

FIGHTING SARS

Our healthcare system was put to severe test during the SARS crisis. We passed the test with distinction. Let me take this opportunity to thank all of you for your dedication and courage.

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SINGAPORE MEDICAL COUNCIL ANNOUNCEMENT

The Singapore Medical Council (SMC) will be holding an election to fill 2 vacancies in the Council. The voting will start on Monday, 10 November 2003 at 8am (0800 hrs) and end on **Wednesday, 19 November 2003 at 12 midnight (2400 hrs)**.

Voting will be conducted via an Automated Telephone System. Voting is **COMPULSORY** for all fully registered medical practitioners under Section 6 of the Medical Registration Act (Cap.174). Those who failed to vote without a valid reason would be fined $500.

Fully registered medical practitioners who have not received the election notice letter by 10 November 2003 are kindly requested to **contact SMC at 6372 3069 / 6372 3070** during office hours.

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I have personally derived inspiration from the way we overcame SARS together. I see useful application of the approach to the other non-SARS problems that we face, whether it is the fight against obesity, the campaign to adopt a healthy lifestyle or the drive to keep healthcare costs low.

The key strategy is to take an inclusive approach, involving all partners and stakeholders, mobilising all public, private and people sectors to work for a common cause.

UNLIMITED DEMAND CHASING LIMITED SUPPLY

This is absolutely necessary because demand for healthcare services, like all other goods and services, tends to exceed limited supply. But unlike normal goods and services which are allocated through pricing and the ability to pay, healthcare is a public good and in economic jargon is "non-excludable". Put simply, this means that we cannot deprive the sick and dying of medical care, even if they are unable to pay for it. Governments all over the world, including Singapore, therefore step in to subsidise, at varying degrees, the provision of healthcare. This complicates matters because, in doing so, price signals and demand get distorted.

Let me give you an illustration. During the SARS crisis, demand for hospital services shrank by a third, as many patients stayed away from hospitals. I was very worried about our ability to meet the pent-up demand that would come, once the patients dropped their fear of hospitals. So when the SARS crisis was over, I was mentally prepared for the long queues of patients who had earlier postponed their visits to the hospitals and their doctors.

But surprise! The huge pent-up demand that I feared never materialised. The deferred demand during the SARS crisis simply evaporated. I can't help wondering how much of this unmet demand is medically unnecessary.

We can never get an answer to this question. But even if only a fraction of that is medically unnecessary, it means a lot of money and resources can be saved if we are able to cut out such unnecessary demand.

Each year Singaporeans spend over $4 billion on medical services. A 10% reduction in demand means a saving of $400 million a year, with no negative impact on our health. This is not a trivial sum. The question is how to cut out such unnecessary demand in order to contain healthcare cost. At the core of this question is how to effectively and equitably ration supply and moderate demand for healthcare as a public good. To rely solely on pricing to do this would be politically and socially untenable. We therefore need to harness the cooperation and understanding of everybody, hospitals, doctors and patients alike.

CUTTING OUT OVER-CONSUMPTION

As providers of healthcare services, we have a role to play in this. After all, patients look to us for advice and recommendations. Do I need an X-ray? Do I need a surgery? Do I need a CT scan?

With Internet and a better educated population, we are already seeing better informed patients who sometimes come to our clinics asking about a particular service, or a particular test. Many are just curious. Some are confused, while others are misled. We must resist temptation to accommodate all such requests, unless there are sound medical grounds, on the mistaken notion that "customer is king", and that "satisfying customer demand is our mission". In healthcare, the relationship between a doctor and a patient is different from that between a car salesman and a car buyer. The crucial difference is that we are professionals. We know more than our patients and we are entrusted to make the judgement call on what services they should receive.

We should therefore counsel our patients and ensure that they understand the course of treatment best suited for their conditions. We should not promote over-consumption, whether deliberately or inadvertently. That is the reason why professional bodies, whether lawyers or doctors, generally take a conservative approach to advertising. The line between providing legitimate public information and encouraging over-consumption is not always clear-cut. Above all, we must not over-service. We must certainly not hype up unnecessary demand.

Patients, too, must play their part. Medicine is not something that can be mastered through the Internet or books alone, but comes with practical experience. I suppose that is why we refer to medicine as a "practice". Patients must therefore learn to trust their doctors. By all means, question and seek clarification. But at the end of the day, recognise that your doctor is professionally competent and has your interests at heart. Trust him.

COMPETITION AND DUPLICATION

Another aspect of containing healthcare costs is avoiding unnecessary duplication and overheads. Before re-joining MOH, I heard many critical comments on cluster competition: that competition between the clusters has led to duplication, higher costs and perhaps, even over-consumption.

After seven years in economic management, my instinct is for competition. Central planning has proven to be an utter failure with the collapse of the Berlin Wall and the Soviet Union. Communism has proven that "no competition" does not work. The economic contest has already been settled.

Indeed, our economic transformation and our prosperity are built on a competitive model. Competition has driven us to be ever more efficient, working smarter and cutting out wastes. To be sure, competition does give rise to some degree of duplication. But provided competition is correctly directed and operates within a rational framework, the efficiency gains will far outweigh the cost of duplication.

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Of course, one must never take a pure doctrinaire approach, and be blind to the practical realities of an imperfect world. In some cases, a large central facility is the most optimal outcome; in others, several small duplicating facilities competing with one another may make the most sense. We should not be wedded to a single approach and expect one size to fit all. Rather, we should choose the arrangement that yields the highest marginal returns.

COMPETITION AND COOPERATION

We must view the clusters in this light. Competition as a concept does not preclude cooperation. Indeed, with globalisation, we are living in a more collaborative world in which countries rarely make the entire products from start to finish. Design, production, distribution and servicing are each split into segments and spread all over the world. Every country has to carve a niche for itself by excelling in some areas, while linking up with the other countries in the supply chain.

At the micro level, companies are also finding value in cooperation among competitors as the correct way to go. This applies equally to our two hospital clusters. They can certainly cooperate even as they compete actively. The key is to embrace cooperation where it leads to mutual benefit.

Indeed the two clusters are doing so. You have a Joint Purchasing Unit to exploit bulk discounts and lower prices. You have a joint programme to promote healthcare careers. You cooperate to facilitate cross-cluster training for our young medical officers. I understand you are thinking of a joint facility to promote clinical trials and joint research.

I think you can also cooperate in two other areas. First, enable your patients, if they wish, to move across clusters with ease. This means allowing medical records to flow seamlessly so that patients do not have to be re-investigated for X-ray or lab tests. This will require you to share information readily.

Second, and related to my first point, enable your computers to talk to one another so that we can more quickly work towards all Singaporeans having their own electronic medical records. Every child already has a health booklet. We should create an Internet version of it for every individual for life. This will transform medical practice in a dramatic way. It is achievable. The technology is already here. But to realise it, clusters should make sure that their IT efforts can provide access to their patients' records through the Internet.

At the same time, there is scope for healthy competition. Clusters should compete to achieve higher productivity and provide more efficient and effective patient care. In short: to do more with less, and to save money for their patients.

In healthcare, the relationship between a doctor and a patient is different from that between a car salesman and a car buyer. The crucial difference is that we are professionals. We know more than our patients and we are entrusted to make the judgement call on what services they should receive.

ENLARGING MARKET SHARE

My observation is that where cluster competition has gone a bit astray is when they compete on enlarging market share.

If the CEO is measured and rewarded for enlarging market share, he would obviously go for more patient-days, more clinic visits, more surgeries, more prescriptions. I am not saying that this is happening in our clusters. But this is potentially a perverse outcome which may materialise.

Hence, on the first day of my duty, my simple message to the clusters was that your mission is not to expand your market share. In fact, it is just the opposite.

If your patient load drops because Singaporeans are getting healthier and less sickly, you have done well. If your patient load drops because you are able to cut out unnecessary demand and over-servicing, I will clap hands. If your patient load drops because more Singaporeans can now afford unsubsidised medical services in the private hospitals and clinics, we should be happy with such an outcome.

In short, we will be happy if you run out of work.

This is in fact, not far fetched. Just last week, the Independent, a London newspaper (September 22) carried an article entitled: "Heart surgeons cut queues and run out of work." It reads: "Heart surgeons are running out of work after scoring spectacular gains against Britain's biggest killer."

It gave reasons why heart surgery rates in London are plummeting. Two of them are worth highlighting. First, more patients are being kept well on drugs, such as statins, thus avoiding the need for heart surgery. Second, the epidemic of heart disease which peaked in the 1970s is heading downwards. Deaths from heart disease have fallen by a third in the past decade and have halved in the last 30 years. It added that "the reasons for the fall are complex, but include improved diets."

I was cheered by this article. I am reassured that our emphasis on healthy lifestyle and holistic disease management, properly executed, can make a difference to our vision of ensuring better health for all and your own corporate vision of "adding years of healthy life".

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I was also encouraged by an email which I received from Tan Tee How after his recent visit to San Francisco for a healthcare conference. He reported a speech by the US Secretary of Health and Human Services, outlining his Department's key priorities. Tee How noted lots of similarities with our eight priorities which I articulated a few weeks ago.

This gives comfort that we are on the right track.

CONCLUSION

And this track runs in the direction of returning to basics and to re-focusing on practising good medicine, finding the simplest way to produce good patient outcomes.

I therefore like your corporate vision: "Adding years of healthy life." It is a worthy and ambitious vision which we all can subscribe to. Let me therefore end with this challenge to the clusters. Compete to add years of healthy life to Singaporeans. Compete to produce programmes that will add the most number of healthy years with the least resources. And may both teams win. ■

Acknowledgement

We wish to thank NHG for providing the photo and caption on the front page.

CHANGE OF ADDRESS

With effect from 1 November 2003, the Singapore Cancer Registry will be located at

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