Managed Care and Third-Party Administrators: *Perspectives from a GP*

Text by Dr Wong Tien Hua

The SMA used to have two major events on its annual calendar (besides the SMA Annual Dinner) – the SMA Lecture and the SMA National Medical Convention. These events certainly seem like they should be relegated to an irrelevant and distant past, now that our "regular programming" has been severely interrupted in the era of Zoom meetings and safe distancing, thanks to COVID-19.

One particular annual convention, the 37th SMA Convention, took on the topic of managed care, and I was asked to speak on the economic considerations for GPs when joining a managed care scheme. In my presentation, I said that the problems with managed care included the low remuneration for GP consultations, complex claims procedures and increased administrative burden. Margins for drugs and procedures were low and late payments for services rendered were a common experience, exposing the practitioner to financial risk.

This convention was held in 2006, some 14 years ago, and the situation with managed care does not seem to have changed very much.

When I became SMA President in 2015, the issues of managed care and third-party administrators (TPAs) came to a head.

Concerns with fee practices

In February 2016, based on feedback and a series of surveys conducted by the SMA, the SMA Council wrote to seek the Singapore Medical Council's (SMC) guidance on the business practices of managed care companies and TPAs that charged excessive administrative fees from panel doctors. It was the norm at that time that an administrative fee was charged as a percentage of the doctor's bill, and SMA felt that such arrangements might be considered a form of "fee-splitting", which would be detrimental to the doctor-patient relationship. Percentage fees may seem reasonable when bills are small, such as routine GP consultations, but when it came to large amounts such as specialist procedures, the administrative fees no longer had any semblance to resources utilised or services rendered by the TPA, and it then became difficult to differentiate from fee-splitting.

SMC replied in a letter in September 2016, with an important statement: *"The fee paid must not be based primarily on the services doctors provide or the fees they collect from patients".*

On 13 December 2016, SMC issued its "Advisory on the payment of fees to Managed Care Companies, Third Party Administrators, Insurance Entities or Patient Referral Services". This letter was a preamble to the new 2016 SMC Ethical Code and Ethical Guidelines (ECEG), which was slated to come into force on 1 January 2017.

The advisory reminded doctors that the soon-to-be enforced ECEG had stated in Guideline H3(7) that it prohibits doctors from paying third parties:

(a) fees that are based primarily on the services the doctors provide or the fees doctors collect;

(b) fees that are so high as to constitute "fee splitting" or "fee sharing"; or

(c) fees which render doctors unable to provide the required standard of care.

Specifically, it expanded on point (a): *"Since the work done by Third Parties in handling and processing patients does not vary depending on the fees doctors charge patients, paying Third Parties fees that are based on a percentage of what doctors charge patients may be construed as a form of fee splitting between doctors and Third Parties, and inadvertently promote cost escalation."* [1]

The advisory urged doctors who were in any such financial arrangements to exit these contracts before the ECEG came into force, which was only two

weeks away. SMC later made the unusual but welcome move to delay the enforcement of this section of the ECEG till 1 July 2017.

The relevant section of the 2016 ECEG came into force on 1 July 2017 and by then, most TPAs had revised their contract terms and agreements to comply with the legislation that regulated doctors. The guidelines changed the way TPAs could charge, from a percentage fee to that of a tiered administrative fee to better reflect their work done.

The process took place over a period of more than a year and involved numerous emails, meetings and feedback sessions from practitioners. Ultimately, the profession was able to come together and collectively decide that fee-splitting in the healthcare market should not be allowed.

Three years have passed and the ground is again rumbling with grievances about the persistence and pervasiveness of TPAs. Old grouses have resurfaced, with some new ones that reflect the changing and fluid nature of the market. These include the anxiety regarding the rising use of telemedicine – which is embraced by some TPAs, unfair contract terms such as non-disclosure agreements, and accusations of unilateral changes in payments.

Reflection and lessons learnt

The exercise in 2016 in trying to influence business practices taught us some important lessons.

Multiple stakeholders

The private healthcare market is highly complex and involves many stakeholders; from insurance providers and TPAs, to the client companies that purchase medical benefits for their staff. Even doctors are not a homogeneous group, as each practice has its unique requirements and operate on very different structures. In addition, a GP who has just started his/her practice will be more willing to sign on with a TPA for the hope of more patient load, compared to an established GP who deals mainly with a pool of regular chronic patients.

Fluid nature of the market

Adding to the complexity of multiple stakeholders comes a very fluid market that responds quickly to the ebb and flow of economic demands. The business world has no respect for the ethical requirements imposed on doctors, and businesses will find ways to maximise profits, sometimes at the expense of the doctor and patient. Short-term payouts become more attractive than long-term gains that run counter to the ethos of the family practitioner, who depends on a lasting relationship with the patient over time.

As a result, market practices will always be changing and the ethical challenges doctors face will inevitably be a recurrent theme. Previously, the problem was about fee-splitting and commissions paid to TPAs, but this did not prevent them from continuing to pressure GPs to accept lower fees and narrower margins to remain competitive. Today, many grouses and anecdotal complaints about TPA charges and practices are once again resurfacing.

Rather than perceiving that nothing has changed, the doctor should perhaps think of it in terms of constant change, with new schemes and new challenges necessitating adaptation.

Role of the SMA

The SMA, representing the interests of doctors in Singapore, continues to play a critical role in the healthcare landscape. As individuals, GPs often find themselves powerless to negotiate with businesses, and lacking the skills and administrative support to engage them. Doctors need to come together under a common purpose if they want to improve their situation. The process however, may take time and may even seem too slow for some, but with persistence, it can be done. The SMA needs the continued support of its membership.

The doctor-patient relationship as the key

The doctor-patient relationship is the fundamental unit of clinical medicine. A strong relationship based on trust fuels the therapeutic alliance. Our ethical framework sets out the boundaries for the relationship to function. Business practices that push ethical limits threaten the doctor-patient relationship and need to be brought to light. The best approach to lobbying for change is for doctors to be strong patient advocates and to always act in the patient's best interest. Doctors should continue to provide feedback to SMC and ask for guidance on good ethical practice. This can be done via the professional bodies, such as the SMA, the Academy of Medicine, Singapore, and the College of Family Physicians Singapore.

Regulation

The SMC regulates the behaviour of all registered doctors, but it is not able to regulate TPAs nor influence how business entities operate. Trying to change market practice through the regulation of doctors is therefore taking an indirect route, and it has to be done with a delicate balance in order not to over-regulate medical practitioners. TPAs play a significant component in the healthcare environment and their practices affect the cost of healthcare and health outcomes in the population. It is therefore in the interests of stakeholders such as the Ministry of Health to come up with new legislation in the medium term to regulate TPAs. ◆

Reference

1. Singapore Medical Council. Advisory on the payment of fees to managed care companies, third party administrators, insurance entities or patient referral services ("Third Parties"). Available at: https://bit.ly/3kHYcJJ.

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