

**JOINT OPINION OF THE:
ACADEMY OF MEDICINE, SINGAPORE (AMS)
COLLEGE OF FAMILY PHYSICIANS SINGAPORE (CFPS)
SINGAPORE MEDICAL ASSOCIATION (SMA)**



To members of the Medical Profession,

TRANSACTIONS WITH MANAGED CARE / THIRD PARTY ADMINISTRATORS (TPAs)

Guiding Principles

1. We refer to the Singapore Medical Council’s “Advisory On The Payment of Fees to Managed Care Companies, Third Party Administrators, Insurance Entities Or Patient Referral Services (Third Parties)” dated 13 Dec 2016.
2. The following sets out the collective opinion of AMS, CFPS and SMA on what may be considered acceptable standards when dealing with TPAs, in order for our members to comply with the ECEG.
3. First of all, the payment of administrative fees to TPAs is permissible so long as it is a genuine reflection of the services rendered to doctors rather than intended as a “commission” or “fee-splitting or fee sharing”.
4. The guiding principle is that doctors who pay TPAs fees must be prepared to justify, when questioned by the relevant authorities, why the fees paid reflect the administrative services being provided by the TPA, rather than constituting fee-splitting or paying of commission for the referral of patients.
5. Therefore, on grounds of prudence, we believe that administrative fees should, wherever possible, be based on a “cost-plus” methodology. The fees charged should include the costs incurred by the TPA for providing the services, plus a profit margin that is appropriate and not out of proportion to the costs of the services provided.
6. As the name “Third Party Administrator” implies, the main costs of a TPA relate to the administrative services it provides to facilitate the patient encounter. Hence it would not be ethical for a doctor to pay a TPA a fee based primarily on what the doctor charges, since the TPA’s services may not bear any direct relation to the doctors’ eventual charges.
7. Under all circumstances, doctors should only work with TPAs that are prepared to be transparent with their fee structure, and are prepared to do the following:
 - a) offer a breakdown of the TPA’s fee to its major components to doctors and patients (i.e. itemised billing), when requested, as this will help to justify that the fee charged is based on a reasonable cost-plus methodology; and
 - b) allow doctors to communicate to patients what are the approximate fees likely to be charged by the TPA at the end of the day.

Guiding Principles for Fees based on Percentages

8. Our position is that TPA fees based on percentages of doctors’ fees is not the preferred way of charging as it may not reflect the actual work done by the TPA.
9. A fixed TPA fee structure which reflects the actual work in handling and processing the patients is ideal, preferable and in line with the ECEG. Having a fixed fee structure that is multi-tiered to cater to different scenarios or putting a cap on fees chargeable may also be useful to allay suspicions of fee-splitting.
10. Nonetheless, we acknowledge that a percentage TPA fee structure may provide a level of administrative convenience, and in very specific and limited circumstances might not be in breach of the ECEG so long as the way in which the percentage fee structure was derived is specifically based on a genuine estimate of the services being provided by the TPA. Thus, if the following very specific caveats/conditions are satisfied:
 - a) The TPA fee represents a small percentage of the doctor’s fee; and
 - b) The doctor’s practice is such that the vast majority (e.g. >80%) of bill sizes fall within a narrow range;

a TPA fee that is based on a percentage of the doctor’s fees may well be permissible.

Yours sincerely,

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