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28 February 2007

Mr Ong Beng Lee
Chief Executive
Competition Commission of Singapore
5 Maxwell Road #13-01
Tower Block MND Complex
Singapore 069110

Sent by hand and fax: 6224 6929

Dear Mr Ong

WITHDRAWAL OF SMA GUIDELINE ON FEES (GOF)

SMA understands from our legal advisors that the "Guideline on Fees (GOF) for Doctors in Private Practice in Singapore", of which a copy is attached, may be in contravention of Section 34(2)(a) of the Competition Act¹.

As a preliminary measure, however, we will first discuss the withdrawal of the GOF with the SMA membership at our upcoming Annual General Meeting (AGM) on 1 April 2007. We will withdraw the GOF soon thereafter.

Nevertheless, there are certain concerns and implications regarding the GOF withdrawal that we would like to bring to the attention of the Competition Commission of Singapore (CCS).

¹ Section 34(1):- Subject to section 35, agreements between undertakings, decisions by associations of undertakings or concerted practices which have as their object or effect the prevention, restriction or distortion of competition within Singapore are prohibited unless they are exempt in accordance with the provisions of this Part.

(2) For the purposes of subsection (1), agreements, decisions or concerted practices may, in particular, have the object or effect of preventing, restricting or distorting competition within Singapore if they —

(a) directly or indirectly fix purchase or selling prices or any other trading conditions;

(b) limit or control production, markets, technical development or investment;

(c) share markets or sources of supply;

(d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage; or

(e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

1. **BACKGROUND**

Following many public complaints of overcharging in the early 1980s, the Ministry of Health, together with SMA and the Association of Private Medical Practitioners of Singapore (APMPS), agreed on the need to publish a fee schedule for medical practitioners so as to provide patients with greater transparency and allow them to make an informed choice.

Hence, in consultation with the medical profession, SMA published the GOF first in 1987 and subsequently in 1992, 2001 and March 2006. The GOF has served the needs of the healthcare profession, the public and many other professional bodies for important information over the past 20 years. (Please see Annexes 1-4.)

2. **REDUCING INFORMATION ASYMMETRY**

Back in 1993, it was noted in the Affordable Healthcare White Paper published by the Ministry of Health that healthcare was an example of market failure.

SMA believes that a significant contributory factor to this is the very palpable information asymmetry that exists between providers and patients, and the high costs of information search prevalent in healthcare. It is also our opinion that the GOF protects patients' interest by serving to diminish the information asymmetry between patients and doctors, and has as such contributed to keeping healthcare costs down in the private sector and the market competitive.

This can be evidenced by two points:

- (a) In the *Straits Times* article on 23 February 2007 "Getting a grip on health-care needs of a greying population" (please see Annex 5), the Minister for Health said:

"Summing up his philosophy for a new era in health care, he says: 'I think the whole story of health care is about giving more relevant information to the patients. That should be the underlying theme. I mean not just financial information, but also clinical information, complication rates, leveraging on this changed generation. We should start doing this now.'"

- (b) In a recent study of inpatient hospital bill sizes over a 16-month period, it was found that the act of publishing bill sizes has led to less information asymmetry among providers, thereby facilitating more competitive behaviour among hospitals and lower bill sizes. (Please see Annex 6.) This study was also widely reported in the press.

3. **IMPACT OF WITHDRAWAL OF THE GOF**

With the withdrawal of the GOF, the following scenarios may ensue:

- (a) Consultation fees for GPs and private specialists
- There will be no local guidelines or recommended range of fees which doctors and patients can refer to.
 - Similarly, fees for housecalls, after-office hours, medical reports and court appearance fees may also be impacted.

- (b) Medical report fees
 - The insurance industry may be impacted.
- (c) Doctors' court appearance fees for civil cases
 - The legal profession may be impacted.
- (d) The SMA Complaints Committee will no longer handle complaints about overcharging.
 - The SMA Complaints Committee, which uses the GOF as its primary reference, will no longer be able to handle complaints about over-charging from the public. The Complaints Committee will also no longer accept referrals of such nature from CASE, the Singapore Medical Council (SMC) or Ministry of Health (MOH).
- (e) SMA will also withdraw its guidelines on drug mark-ups.
 - There will be no guidelines or recommended range of charges which doctors and patients can refer to.

Accordingly, with the withdrawal of the GOF, SMA will have to advise affected organisations of this change, including SMC, MOH, CASE, Law Society, the insurance and pharmaceutical industries and so on.

The withdrawal of the GOF and the resulting increase in information asymmetry will mean that patients' interests might not be better served, especially amidst rising concerns of increasing and unaffordable healthcare costs. We would like to quote that there were even concerns raised by the public about clinics "supposedly overcharging" during the recent Chinese New Year period (please see Annexes 7 and 8 – *Straits Times Forum* letters on 23 and 26 February 2007) when it was already stated in our GOF (meant only as a guide) that consultation fees could be increased by 10 to 20% during public holidays. It would be difficult to determine overcharging by a doctor without a fee schedule or yardstick to benchmark against.

With all the possible implications raised above, we deeply regret that the SMA GOF might have to be withdrawn because:

- (i) SMA has been advised that the GOF may be in contravention of Section 34(2)(a) of the Competition Act; and
- (ii) SMA is a non-profit association and does not have the financial resources to formally apply to the Competition Commission of Singapore for guidance (\$23,000) or a decision (\$45,000), much less the legal fees which we have been advised will amount to \$120,000 and above.

Nevertheless, to facilitate our discussion of the withdrawal of the GOF at our AGM, we would be grateful if you could let us have your comments by 15 March 2007 so that we can include them in our discussion papers. We apologise for this tight timeline as we have only been advised recently that our previous attempts to informally resolve this on our side have proven unfruitful, and we do have to keep our membership informed at the upcoming AGM.

Alternatively, if you would like to meet representatives from the SMA Council for a discussion, we would be happy to meet before 21 March 2007.

We look forward to hearing from you.

Thank you.

Yours sincerely,



Dr Wong Chiang Yin
President
47th SMA Council

Cc: Mr Khaw Boon Wan, Minister for Health
Ms Yong Ying-I, Permanent Secretary for Health
Prof K Satkunanatham, Director of Medical Services

Encs:

- Annex 1 – “Anatomy of a fees guideline” in President’s Column. SMA News 1986; 16(8).
- Annex 2 – First Edition of SMA Guideline on Fees for Doctors in Private Practice in Singapore published in 1987.
- Annex 3 – Letter dated 2 April 1987 from then Permanent Secretary for Health and Director of Medical Services Dr Kwa Soon Bee.
- Annex 4 – Report of the GOF Committee in the SMA Annual Report 1987-1988.
- Annex 5 – “Getting a grip on health-care needs of a greying population” in The Straits Times Review section, 23 February 2007.
- Annex 6 – Wong CY, Wu E, Wong TY. Examining the effect of publishing of bill sizes to reduce information asymmetry on healthcare costs. Singapore Med J 2007; 48(1):16.
- Annex 7 – “Clinic charged \$42 for consultation over CNY” in The Straits Times Forum section, 23 February 2007.
- Annex 8 – “\$68 for consultation alone on public holiday” in The Straits Times Forum section, 26 February 2007.