
Doctors in Middle-earth would by now be undoubtedly aware that managed care (MC) companies or third party administrators (TPAs) have taken over large swaths of healthcare delivery in the private sector. They have landed among us much like the big bad mothership in *Independence Day 2: Resurgence*.

MC companies/TPAs have indeed experienced a resurgence in the last two or three years. This is to be expected because MC in Middle-earth is completely unregulated as a healthcare entity. Since healthcare is an example of market failure, anything that is unregulated in healthcare has the opportunity to be twisted and exploited for financial gain.

In this article, your friendly neighbourhood Hobbit will give you a guide on how to start a MC/TPA company, so that you too can make some money out of helpless doctors and patients.

## START WITH A CLASSY ANG MOH NAME

To give your company an air of respectability when it has none, give it a classy, *atas* name, preferably with colonial undertones. For example, you can name them after some dead governor of the Straits Settlements like MacAlister, Farquhar or Anderson. Farquhar Healthcare is an example of a good name that makes you sound exquisite and historic, and it will inspire confidence like a cheap push-up bra.

Having an Asian name, such as Lim Ah Teck Healthcare or Ramasamy Health, just won't do. It will engender as much warmth and respectability as a dental surgeon who has his upper incisors missing.

## KNOW YOUR BUSINESS MODEL

This can be summed up into four elements:

- Sucking up
- Finding suckers to fund you
- Perfecting risk management
- Maintaining opacity

### Sucking up: pitching to the big boys

Squeeze the weakest guy in the food chain and give the big guy the good deal.

In case you are still delusional, the weakest guy in the link and also the lowest organism in the food chain is the doctor. Yup – the sheep in white coat (or clothing).

The big boys are the large corporate and insurance companies that the MC companies/TPAs must suck up to.

Let's start with the companies or large corporates. Times are tough for everyone and the HR manager is trying very hard to cut costs. Actually, the medical benefits arrangement is really a sideshow, if not an irritation, among the more important stuff a HR manager has to do – like staff recruitment, training activities, promotion exercises, and planning of salaries and bonus schemes.

Similarly, medical insurance is also not a priority in the large insurance companies' portfolios and nobody in these insurance companies wants to handle claims from doctors and hospitals. These claims are very technical and really a pain in the butt to process. They also want to keep costs down (who doesn't?).

So, what the wise guys in MC/TPA companies would do is to approach the HR managers and insurance companies with an offer they cannot refuse (for the younger ones, see *The Godfather*). They promise to remove the pain of processing all these employee health benefit claims and medical insurance claims – and they sometimes do so for FREE.

In fact, it's better than FREE. They may tell the HR managers something like this: "From your records, you spent an average of $500 per employee last year on health benefits. I will now promise you savings of 5%. You will only spend $475 this year. If I do not hit this target, I will foot 80% of the difference." So let's say, $525 was spent in the current year ($50 more than what was promised), the MC company/TPA will foot $40 (80% of the difference) and the company pays $485, which is still less than the $500 the company paid the previous year. On the other end of the spectrum, if they saved $50, or spent only $425 this year, the savings is shared and the company and MC company/TPA splits $25 each. They may also finish off by saying: "And guess what, I do all this FOR FREE – you, the company or client, pay me NOTHING."

It is an irresistible offer. It's even better than a free lunch. So the big corporate and insurance companies readily sign up with these MC companies/TPAs. The size of the patient base will number in the thousands, if not tens of thousands.

But remember, someone has to do the following:

- Deliver the actual healthcare service required by patients;
- deliver the savings promised to the insurance companies and HR managers; and
- feed the many staff working in the MC/TPA companies, and the sharks – I mean shareholders – who own and run these companies

After sucking up to the corporate and insurance companies, you now have to sign up the suckers to fund your company.

### Signing up the suckers

That's where the doctor (the aforesaid sheep in white clothing) comes in. That's right, Dr Kambing Kechil, MBBS, GDFM, MMed (Family Medicine) or better still, Dr Mutton Magnus, MBBS, MRCS, FRCS, MMed (Surgery).

Here is the pitch they usually give the doctor:

We have zillions of patients who have signed up with us. If you join us as a panel doctor, we will refer these zillions of patients to you. And here are the terms of the agreement which you must agree to now:

- My pet troll can cut off your precious *ahem* with a rusty sickle any time you, the panel doctor, breach any of the terms of this agreement.
- I shall enslave all the family members in your household, be they Dobby or Leia.
- You will pledge your children's kidneys, corneas and livers to me in case I need a transplant.
- You will also walk my pet troll (could be the same troll with the aforesaid rusty sickle) every day at 7 pm sharp, clean up after it, as well as cook and have dinner with my mother-in-law at 8 pm sharp.

I am joking of course. Such benevolent terms are too kind when compared with reality. Here are examples of some real terms of agreement between the MC companies/TPAs and doctors.

- You, the panel doctor, will give us X% of your bills as administrative fees (X can range anything from 8% to 25%[1]). *Note: the percentage is not just for your consultation fee BUT for the whole bill, including medicines and procedures.*
- I, the almighty MC company/TPA, can change the terms of the agreement anytime.
- You cannot quit this scheme except at certain designated dates per calendar year (maybe twice a year).
- You will abide by the price schedule we provide you, BUT I have the right to moderate your claims anytime, which may include slashing your bill size or increasing my administrative fee percentage cut.
- You will seek my permission before you investigate anything, including a speculum examination or just a full blood count.
- I will pay you only after my clients pay me. And that can take anytime from six to 18 months.
- You cannot communicate with the corporate client or insurance company EXCEPT through me, the MC company/TPA.
- You cannot sue me. In case there is a dispute, we MUST go to arbitration (which can take forever with no definite outcome).

### Perfecting risk management

If one takes the time to think through this, one will realise that these MC companies/TPAs take almost no risk at all. They have passed all the risk to the patients and the doctors.

Firstly, total bill sizes are capped with their miserly fee schedules. From a point of cost-control, one can argue this is not entirely a bad thing unless the fee schedules are so ridiculously low that everyone has to under-service and the patients suffer as a result. But in reality, the patients have to accept the real risk of sub-optimal care.

Secondly, the MC companies/TPAs only pay the panel after they get paid. In fact, they can delay for a long time and in the meantime, earn interest on these funds. They can even run away with the money if they choose to let their company fold. Thankfully, none has folded recently but there are examples of MC companies/TPAs folding up in the past and doctors who were owed money got nothing or close to nothing back. Unlike insurance companies and banks, there is no regulation by a body to ensure that these MC companies/TPAs keep enough cash to pay their debtors; unlike how banks and insurance companies have to pay their deposit holders and policy holders, respectively.

Thirdly, and this is the most brilliant, these MC companies/TPAs will ALWAYS achieve the savings targets they have promised their clients. The "administrative fee" is almost always more than the savings promised. For example, how can they NOT achieve the 5% savings promised when they took a 15% administrative fee from the panel doctors? Even if the low and restrictive fee schedules do not achieve the 5% savings, they can still regurgitate some of the 15% administrative fee they took from the panel doctors to their clients – the corporates and insurance companies – to achieve the promised 5% savings. And if all else fails, they can still "moderate" the bills to squeeze out the promised savings.

This is a triple fail-safe mechanism in place to ensure 100% success.

The entire framework or business model depends on clueless, ignorant or desperate (or all of the above) doctors funding it and underwriting almost all of the risks.

### Maintaining opacity

And all this while, the patient doesn't know that he is seeing Dr XYZ only because Dr XYZ agreed to give these MC companies/TPAs a cut.

Remember, the key to success, other than doctors funding and underwriting this whole thing through fee-splitting, is that the MC companies/TPAs must never let the doctors communicate with the insurance companies and corporates. In fact, other than the clinical consultation encounter between panel doctor and patient, the three groups – patient, doctor and corporate/insurance client – must never communicate with each other EXCEPT through their MC company/TPA. This only works if the MC company/TPA controls the (especially financial) information flow.

As long as opacity is maintained, you can easily tell each party different things. This is also called "mushroom management" – keep them in the dark and feed them organic waste. And if they dare to grow up, chop them off.

## SUCKING UP, FINDING SUCKERS AND REAL WORK

To recap: what has the MC company/TPA actually done? The real work done includes:

- Signing up company clients and insurance companies to provide them with the patient base ("suck-up").
- Convincing doctors to agree to some terms that are so unfair it would make the Western powers look like saints when they carved up China in the 19th century ("find suckers").
- Processing insurance claims and medical bill claims from doctors and patients (the real work).

## COMPARATIVE BUSINESS MODEL ANALYSIS

If you think about it, illegal moneylenders (aka "*Ah Longs*") take more risk than MC companies/TPAs:

- For one, *Ah Longs* run the risk of borrowers not paying them back. In this case, the MC companies/TPAs will almost always get paid by large corporates and insurance companies.
- *Ah Longs* cannot change their lending terms, such as interest rates, unilaterally once they have loaned the money. MC companies/TPAs can alter the administrative fee rates and fee schedules anytime (*Ah Longs* have a code of conduct).

And to top it off, the MC company/TPA's business model also borrows certain elements from how secret societies and triads operate:

- One can withdraw its membership from them only with much difficulty;
- the triad or secret society can change the terms of engagement anytime; and
- of course, you cannot sue a triad or secret society.

So there you have it folks, wait no longer and set up something that is more lucrative and risk-free than illegal moneylending or triad racketeering. Go set up a MC/TPA company today! ◆

*Further readings*

**1.** Neo CC. Doctors cry foul over 'unfair' practice of third-party agents. TODAY 2016 Jun 10. Available at: http://m.todayonline.com/singapore/doctors-cry-foul-over-unfair-practice-third-party-agents.