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Healthcare Costs – A Hot Topic By A/Prof Goh Lee Gan



The subject of healthcare costs hits the Singapore headlines once every few years. This year, it was sparked off by announcements by the Ministry of Health (MOH) that prices in hospital care will be increased.

The Ministry of Health's stand is that "to continue to provide quality healthcare, public sector hospitals must be responsive to medical advances, demographic changes and also able to retain good staff by offering competitive remuneration. These initiatives would however inevitably increase their operating costs..... Thus as operating costs increase, they would have to correspondingly increase their fees."

"The increase in running cost is due in part to the rise in manpower cost, which is the single largest component at 60% of total running cost. To keep pace with advances in medical technology, the cost of medical supplies such as drugs, which account for another 15% of the total running cost, will also rise. The cost of replacing medical equipment, utilities etc will also add to the increase in the hospitals' running cost. As such, the hospitals review their fees and charges regularly to ensure that fee increases, if needed, are minimised."

".....The public sector hospitals have adopted the principle of small but regular fee increases instead of a big

increase once every few years. In revising their fees and charges, they seek to ensure a balance between affordability for the patients and the hospitals' longer-term financial viability."

There is the assurance that "for Singaporeans who still cannot afford to pay even the highly subsidised rates due to financial hardship, they can apply for Medifund. They can also approach the hospitals' medical social workers for assistance." The Ministry has given the assurance that "no Singaporeans would be denied essential medical care because of their inability to pay."

The public has been airing their views to the forum pages of the local newspapers. Several Parliamentarians also spoke out during the recent Parliamentary sitting. The following is a selection of the issues aired by the public.

HEALTH COST SUBSIDY

The *Zao Bao Forum Page* (5 Oct) carried a writer's observation that our healthcare costs only took up 3.2% of Singapore's GDP, compared to 5% in other countries. Another writer said that WHO recommended that countries should aim to spend about 5%. Also, our expenditure on healthcare was 5.79% compared to 28.96% for defence and 23.98% for education. The call was for greater subsidy. Whilst this may be of short-term help, there is a need to look for longer-term solutions.

COST EFFECTIVENESS OF HOSPITALS

Several MPs questioned the cost effectiveness of the various hospitals. They cited examples of ineffectiveness in the healthcare system that had led to higher operating costs in hospitals. GPC Chairperson for Health, Dr Lily Neo commented that hospitals could do more to contain their operating costs. There were

also comments that MOH could improve public education on how Singaporeans could utilise their Medisave, Medishield and Medifund for the best possible treatment.

TRANSPARENCY OF HOSPITAL BILLS

Two MPs, one of them the CASE (Consumers Association of Singapore) President, called for more transparency and better disclosure of hospital bills to make public the details of hospital fees. These were welcomed by the Health Minister. It was also reported that MOH would work with CASE to publicise costs of services and items in hospitals, so that patients could decide on the hospital, ward or service that suited them. MOH will co-fund any CASE project to make hospital fees information more accessible to the public (*ST, ZB, CAN and BH, 5 Oct*). The wisdom is of course in having some sense of balance. The picture of a stack of papers in the newspaper is a forceful reminder for not going overboard. Presumably, itemisation of the key expense areas will allow the payer to query. Therefore, those issuing the bill will not be able to pad it so freely.

Dominic Nathan, in a commentary in the *Straits Times* (*ST, 5 Oct*), added more items for transparency to his "wish list": detailed annual reports and fee-hike proposals including the reasons behind the need for these increases. He also asked for financial counselling and also to compare average bill sizes, lengths of stay and mortality rates for common procedures.

EXPLANATIONS

The *Zao Bao Forum Page* (24 Sep) carried a reply from the KK Hospital (KKH) clarifying that its poor financial health arose from healthcare costs, sophisticated



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diagnostic equipment and manpower costs. KKH also assured readers that the fee increases incurred were not a quick fix to address an immediate deficit problem but to correct historical underpricing in its fee structure (*ST*, 25 Sep).

The *Zao Bao Forum Page* (2 Oct) also reported on the Minister of State's mention of the four-pronged approach to minimise the impact of the increase in the healthcare cost on the public. The report highlighted the four approaches: by having small, regular fee increases, by subsidising healthcare for the middle and lower income Singaporeans; by helping Singaporeans to save for their healthcare needs through Medisave; and by providing a safety net – the Medifund.

OTHER SOLUTIONS OFFERED TO MOH

Associate Professor Phua Khai Hong commenting on the local health industry,

said that to a certain extent, supply-induced demand was present in Singapore, as evidenced by the rapid rise in utilisation of specialist and high tech care following the restructuring exercise. It is difficult to pass on more of the cost increases directly to patients and their families. Practical application of cost containment measures and health services research into the efficiency and cost-effectiveness of alternative systems and methods are needed in the search for solutions to rising healthcare expenditure in Singapore.

In response to Prof Arthur Lim's letter on some ways to limit healthcare cost increases (*ST*, 15 Oct), MOH replied that its plan is to keep the Singapore General Hospital and the National University Hospital as the only two tertiary hospitals in Singapore, and for the Northern General Hospital (NGH) to be modelled after the Changi General Hospital. It called for Prof Lim

to propose a plan for the northern region in lieu of the NGH, and explain how privatising the NGH and the Singapore National Eye Centre would bring costs down. It also added that MOH would be happy to consider contracting services to the private sector if it could offer lower costs with the same or better service quality, including the possibility of the private sector treating subsidised patients and building and operating the NGH (*ST*, 25 Oct). Parkway Group had also offered to run the northern general hospital if the government provided the doctors and nurses (*ST*, 21 Oct).

CONCLUSION

The public has been vocal in this round of healthcare cost increase in the hospitals. There is a case to be made that there is a need to take an objective look at the complex situation. What is clear is that there are no quick solutions. ■