By Dr Wong Chiang Yin, SMA President

Free Lunch?

(*In remembrance of the recently departed Nobel Laureate Professor Milton Friedman.*)

"A doctor who had just finished his internship contacted the XX Medical Association for assistance. He was employed by an HMO. On the first day of his practice, the management distributed free rice-packets to patients attending the clinic. A long queue lined up. The incident was reported in the press. A photograph of the queue was sent to the Medical Council of XX together with a complaint. Consequent to this complaint, his registration with the Medical Council of XX was withheld and he was unable to practise medicine for three months. That he was an employee not being able to control the act of his employer was finally accepted as a defense by the Medical Council of XX. Nonetheless, the present legislation has no power to prevent HMO from repeating such acts."

We will come back to this free lunch issue later.

A professor of medicine once summed up to me his take on healthcare economics in one line: "If you take good care of your patients, they will take good care of you."

Those were the days when Managed Care had not really taken root in Singapore. But whether doctors like it or not, Managed Care is here to stay in various forms; the most common being that of HMOs (health maintenance organisations).

The philosophical question to ask is: "Why do we need HMOs if we manage patients well?"

The simple but dreary answer to this question is that HMOs exist because they serve a need and HMOs make a profit. If there is no demand for HMO services and if HMOs cannot make profits just like any other commercial company, then HMOs will cease to exist.

It is heartening to note that individuals who subscribe to HMO schemes are a rare minority. Most HMO schemes are supported by employers who have outsourced employee medical benefits operations to HMOs. In other words, many individuals (even those without employment healthcare benefits) do not see the value proposition of having a middleman by becoming a member of some Managed Care scheme.

But Managed Care and HMOs are not likely to ebb away. Indeed, the number of schemes being offered in the market seems to have grown in the last three years. What is more disturbing is that the trend of late payment by some HMOs as evidenced by SMA's 2003 and 2006 Managed Care in Singapore Surveys continues unabated. Of course, going by experience in Singapore, the tenebrous prospect of a HMO failing and defaulting on payment is certainly very real.

The doctor traditionally assumes the lion's share of professional risk and responsibility and this remains unaltered with Managed Care. With HMOs, he assumes greater financial risk as well. In fact in many cases, the autonomy of the doctor is compromised by Managed Care as well. It is small wonder that doctors do not usually take to Managed Care enthusiastically.

Imagine a situation whereby a doctor is made to practise under such constraints (without the knowledge of the patient):

- Maintain the repeated visit rate of the general practitioner service below 10%.
- Maintain the repeated visit rate of the specialist service below 15%.
- Maintain specialist referral rate below 10%.
- Maintain diagnostic test referral rate below 5%.
- Maintain medication prescription rate below 5%.
- At any time, there should be only one doctor-in-charge. If the disability belongs to the other specialty, the patient should be transferred completely to that specialist.

Sounds incredulous and deplorable? Well, these terms were found in various Hong Kong Managed Care Schemes and were reported in a Cantonese documentary [铿锵集(Keng Qiang Ji)] produced by a publicly funded Hong Kong television company (RTHK) and aired on SCV Channel 48 (TVB International) on 12 November 2006. Such terms were also highlighted in a circular sent out by the Medical Council of Hong Kong to all doctors on 31 July 2006.

In the same programme, it was reported that the Hong Kong Doctors Union estimates that of the 5000-plus doctors in private practice, about 40% are involved in Managed Care contracts with unreasonable terms that do not adequately safeguard doctors' or patients' interests.

The situation in Hong Kong may not apply to Singapore now but is certainly not too far-fetched.

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In fact, the regulatory environment for Managed Care in Hong Kong is more stringent than in Singapore. The Medical Council of Hong Kong (MCHK; the Hong Kong statutory body equivalent of our Singapore Medical Council) Ethical Code has a specific section relevant to Managed Care and excerpts are given here.

Contract medicine and managed care[1]

A doctor who is an owner, a director or an employee of, or in a contractual relationship with, an organisation which, either directly or indirectly, provides medical services or administers medical schemes, may only continue such association provided that the organisation conforms to the following principles:

14.2.2 Doctors should exercise careful scrutiny and judgement of medical contracts and schemes to ensure that they are ethical and in the best interests of patients. Doctors should dissociate themselves from organisations that provide substandard medical services, infringe patients' rights or otherwise contravene the Professional Code and Conduct.

14.2.3 When administrators, agents, brokers, middlemen etc. are involved in medical contract, information pertaining to the financial arrangements must be readily available to all parties on request.

14.2.4 Medical schemes and contracts often involve administrative costs. Doctors should do their best to ensure that these administrative costs are reasonable. Nevertheless, each doctor is to retain 100% of the professional fees which he charges the patient. Where payment is by credit card, remission/deduction of the amount due to the credit card company is acceptable.

14.2.5 Commercial pre-paid capitation chemes (whereby a doctor or a group of doctors undertake certain insurance-type financial risks) which may be incompatible with a high standard of medical practice should not be entered into.

14.2.6 Doctors in accepting contracts to provide service should avoid taking on unreasonable financial risk as in the case of low capitated payment. It will be unacceptable for doctors who provide substandard service to use any capitated medical scheme which they joined as their excuse.

The SMC Ethical Code does not offer such specific guidance on Managed Care.

The MCHK also made the following formal representation to the Legco (the Hong Kong equivalent of Parliament) on regulation of HMOs in March 2006[2]:

"The Medical Council sees the urgency to take a proactive approach to deal with the regulation of health maintenance organisations (HMOs). It is suggested that new laws should provide for control over these organisations to the effect that they should have the following in place -

- Quality Assurance System and Procedures, (which in particular stated that compliance with the following are necessary:
  - compliance with the Medical Registration Ordinance, Cap. 161, Laws of Hong Kong
  - compliance with the (HK) Medical Council Guidelines on ethical practice.
- Financial provision for people enrolled in its plans and panel doctors in the event the HMO goes bankrupt.
- Deliverables are clearly spelt out and made available to the public."

The Hong Kong Consumer Council, a statutory body entrusted with protecting consumer interest also made a formal submission to the Legco Panel on Health Services on 30 March 2006 on Managed Care[3]. It noted that "But for HMOs which are operated according to commercial principles, profit making is a major drive for success. HMOs being profit-oriented will seriously hamper doctor-patient relationship. In order to control cost and boost profit, chances are that some HMOs may choose less effective but cheaper drugs for use by their patients. There is a concern about substandard medical care being received by patients." It proposed the following:

- Establishing a licensing system (for all HMOs).
- Requiring registered (experienced) medical practitioner(s) to be on the boards of directors of HMOs.
- Implementing a Code of Practice for HMOs; adherence to the Code would be a prerequisite for the issuance of a HMO licence.
- Insurance Protection to be purchased by HMOs so that HMOs can compensate patients in the event of medical accidents.

Back to the television documentary I have referred to earlier. The programme perorated with several vignettes illustrative of HMO-related issues:

- An interview with a HMO subscriber-patient; she stated that she only reveals her identity as a HMO subscriber after the doctor has prescribed medication and treatment for her.

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- A doctor managing a HMO who refused to renew his MCHK registration so that he can avoid MCHK's purview over him as a registered medical practitioner.
- An interview with a HMO spokesman who said that having some regulation of HMOs is better than having none at all. At least the HMOs then knew where the OB markers were. The problem at hand was that everyone was pretty lost and was finding their way around – both doctors and HMOs. Amid all this searching around without a guiding framework for HMOs and doctors, it is the patient that suffers most in the end.

We now return to the free lunch issue. This is a factual account of a real incident that happened in Hong Kong in 2005 and it was reported by the Hong Kong Medical Association (HKMA). And despite the MCHK Ethical Code's section of Managed Care, the HKMA notes that the MCHK has no powers to stop the HMOs from doing the same again. It can only act against doctors, not HMOs.

The scenario is unlikely to happen in Singapore in the near future because most HMOs here do not employ doctors directly to operate clinics. In addition, our Private Hospitals and Medical Clinics Act (PHMC Act) already requires licensing for all hospitals and clinics, something which currently Hong Kong does not have, except for hospitals[4]. But we are similar to Hong Kong with respect to HMOs – today, anyone can register a company under the Companies Act and start a HMO business. Such HMOs are not subject to the guidance of the SMC Ethical Code or the requirements of the PHMC Act. They may hold large amounts of funds but are also not regulated as financial institutions by the Monetary Authority of Singapore.

More and more companies are outsourcing medical benefit administration to these HMOs. Employers play a big part in healthcare. In fact, it is estimated that 30% of National Health Expenditure in Singapore is borne by employers[5]. How many patients actually know the fine print of the HMO schemes they are subjected to? How many employers and HMO subscribers know the percentage of their payment to a HMO that ends up as administrative fees retained by the HMO? And how many doctors actually know what proportion of monies paid by the HMO subscriber actually ends up as payment made to doctors? Most doctors (and patients) do not even know what benchmarks the HMO uses to analyse the performance of doctors and clinics in the HMO scheme.

Recently, a GP friend of mine told me that there is a new breed of HMOs in town – the independent brokers that act on behalf of large companies and MNCs. They are given a budget by the company's HR to purchase medical services for the staff. These independent brokers deal with insurance companies, other 'traditional' HMOs, large GP groups and so on and take a cut. The contracts offered by these brokers get leaner and leaner every year as the brokers try to take a bigger cut and also save more for the companies they represent. This seems to be perfectly acceptable in a market economy like ours until my GP friend tells me that due to pre-capitation constraints, he now dishes out as few as four tablets of piriton to a patient! The patient accepts this because four 'free' tablets is better than none. My GP friend is seriously thinking of not renewing the contract next year – four tablets of piriton is not unethical but terribly unsatisfying.

This is not to say that most HMOs' interests are not aligned with the doctors, patients and employers. But it is important that all stakeholders are reassured that they indeed are, through greater transparency and with the establishment of a sound ethical and regulatory framework for HMOs.

The common defence against regulation of HMOs is that HMOs are a variegated lot: they come in all shapes and sizes and with a myriad of tortuous financial arrangements. Most HMOs are good, some are not-so-good. Hence there is no need to separately regulate HMOs.

Doctors also come in all shapes and sizes and have a myriad of financial arrangements with patients. Most doctors are good, some are not-so-good. But ALL doctors are regulated by SMC to safeguard patients' interests. So why should HMOs be any different?

The Hong Kong documentary ended on this sombre remark: patients may think they are getting adequate medical care coverage after purchasing HMO plans, but that may not actually be the real case.

I think we have no reason to be much less sombre. At the end of the day, Managed Care is about the apportionment of risk and responsibility as well as the conflict between accountability and autonomy. Managed Care is *not* a Free Lunch. ■

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