

Perfect Storm of Hospital Land Prices, Bad Insurance Products, No Guideline of Fees,

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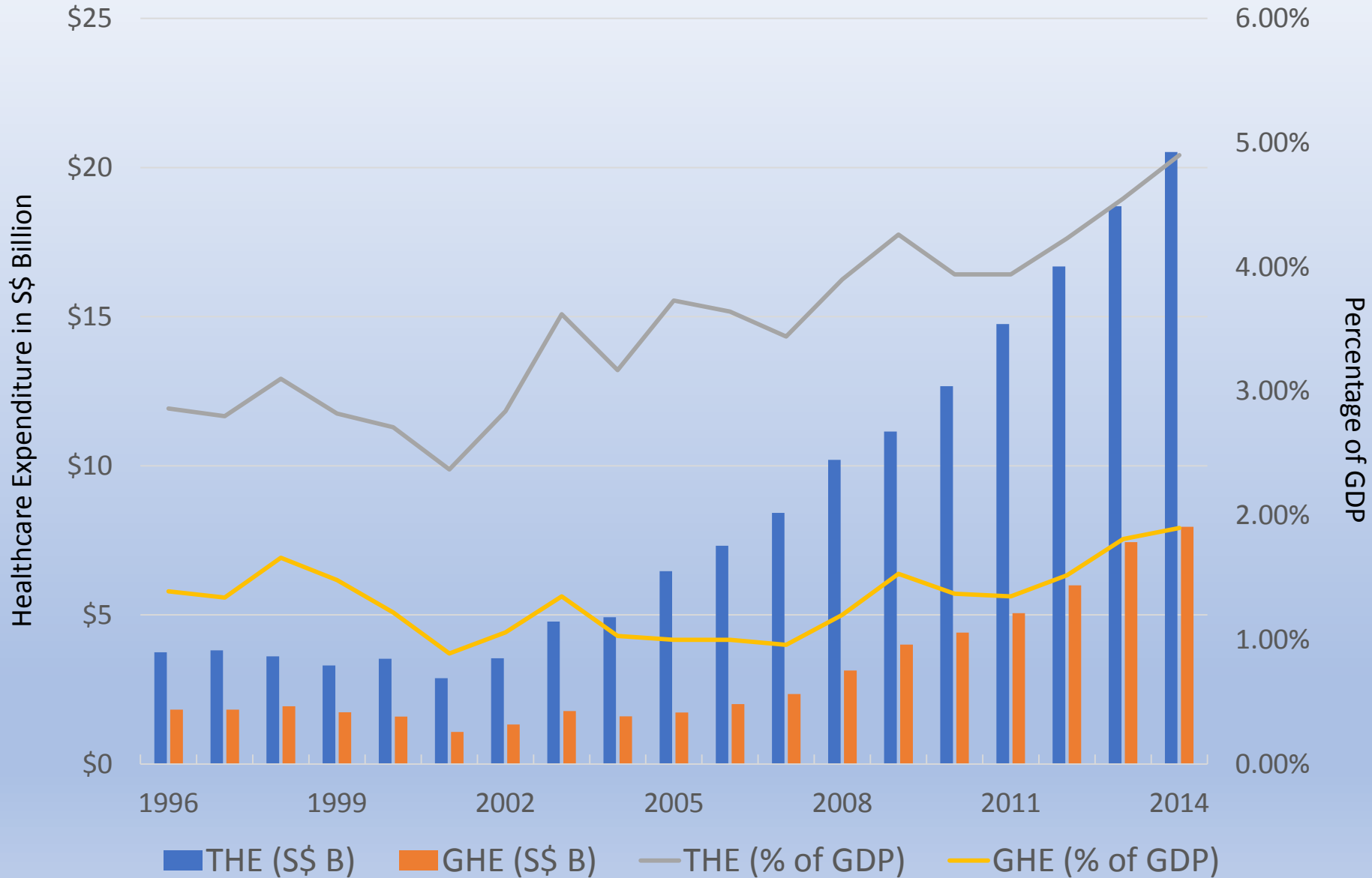
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Overview

- Overview
- Healthcare Property Play
- Insurance Products
- GOF, GOF-less and Fee Benchmark Advisory Committee

THE and GHE in Relation to GDP



Year	NHE	GHE	GHE: Medifund assistance only	Medisave withdrawals	MediShield claims
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
2002	5,916	1,558	26	361	77
2003	6,479	2,070	34	328	77
2004	6,911	1,778	32	367	84
2005	7,437	1,843	39	398	88
2006	8,000	2,010	40	445	113
2007	9,055	2,283	50	517	137
2008	10,100	2,814	59	558	161
2009	11,538	3,734	64	601	215
2010	12,365	3,846	79	678	249
2011	13,141	4,079	91	722	282
2012	16,561	4,671	/	767	/
2013	18,497	5,766	/	799	/
2014	20,516	7,183	/	852	/
2015		8,610	/	900	/
2016		~9,800			
2017		~10,700			

https://www.moh.gov.sg/content/moh_web/home/pressRoom/Parliamentary_QA/2013/healthcare-financing-sources0.html

World Bank

https://www.moh.gov.sg/content/moh_web/home/statistics/Health_Facts_Singapore/Healthcare_Financing.html (as of 15 Jan 2018)

“The health care system is an example of market failure”

Page 3, Executive Summary
Affordable Health Care White Paper, 1993
Singapore Government

Government's Healthcare Philosophy 1993

- To nurture a healthy nation by promoting good health;
- To promote personal responsibility over one's health and avoid over-reliance on state welfare or medical insurance;
- To provide good and affordable medical services to all Singaporeans;
- To rely on competition and market forces to improve service and raise efficiency; and
- To directly intervene directly in the health care sector when necessary, where the market fails to keep costs down

Healthcare as a Property Play

- Another world #1
 - Parkway's winning bid for Novena site – 2008. \$1.25B
 - Most expensive hospital in the world
 - Office rentals vs clinic rentals
- Clinic Suites as a Property Play
 - Clinic suites with 60 year lease sold at \$9,000 to 10,000psf
 - 23 Dec 2014, URA and MOH announced cap on clinic suite space in a commercial building to 3000 sqm or 20% of commercial floor space, whichever is lower
- Rentals and taxes

A comparison

Parkway Novena (2008)	Marina Bay Sands (2006)
One Envelope Bid	Two Envelope Bid
\$1.25B	1.2B
~72,750 square metres GFA	~570,000 square metres GFA (7.8 times larger)
99 year lease	60 year land lease and a 30 year casino concession

Insurance Products

- Medishield introduced in 1990 to cover B2 and C
- 1st Integrated Shield Plan (IP) launched in 1994 by NTUC Income – IncomeShield
- Between 2000 and 2002, AIA and Great Eastern offer IP products
- In 2005, Aviva enters the IP market with “as-charged” plans. Prudential offers PruShield
- 2006, all IP providers come up with as-charged plans. First-dollar or “comprehensive” riders introduced
- Medishield Life introduced in 2014
- August 2016, 3 out of 6 IP providers losing money. Aviva has been losing money for past 5 years
- September 2017, all 6 IP providers in the red. First dollar or “comprehensive” rider premiums increase by up to 30% to 54%
- LIA issues report in 2015. Health Insurance Task Force (HITF) formed
- HITF issues report in Oct 2016
- 2018, SMS Chee Hong Tat announces mandatory 5% co-payment for riders.

HITF recommendations

- Introducing Medical Fee Guidelines and Benchmarks
 - MOH to drive this
 - Of 'paramount' importance
- Clarification on Existing Processes to Surface Inappropriate Medical Treatment
 - LIA to work with MOH and SMC
- Enhancing Insurance Procedures and Product Features:
 - Panel of Preferred Healthcare Providers
 - Promote Co-insurance and Deductibles
 - Pre-approval of Medical Treatment
- Educating Consumers

Outcome

- Rising Medical Inflation
 - 2005 – 2015 Core Inflation was 21.7%
 - 2005– 2015 Medical Inflation was 30.6%
- LIA Report, October 2015
 - 2/3 of Singaporeans have bought Integrated Plans (IP) policies
 - Half of them have bought riders for 1st dollar coverage
 - Incidence rates of claims of those with IP riders higher than those w/o
 - Median inpatient bill sizes for private hospitals double that of A1
 - 2-year compounded annual growth rate (CAGR) for private hospitals is 15%; 3% for A1
 - 2-year CAGR for private hospitals for room charges, surgical fees, surgical implants are 8%, 10% and 13%. Corresponding figures for A1: 4%,1%,0%
 - Medishield Life helps in the payout, but not enough to offset claims growth

Guidelines of Fees (GOF)

- 1987 to 2007 – SMA GOF
- 2007 to 2017 – “GOF-less”
- 2018 – MOH Fees Benchmarking Advisory Committee

The GOF-Less Years: 2007 to 2017

- Healthcare Expenditure grew rapidly
- MOH budget has the fast growing budget in government
- Double digit growth in bill sizes for doctors bills, hospital inpatient bills and implant bills
- Insurance companies offering IP lose money

How To Price Anything....

- Charge nothing (e.g. free parking at state-owned mortuary and crematorium, columbarium etc.)
- Charge a nominal fee (e.g. primary and secondary school education or Class C services)
- Charge at cost-recovery (e.g. Sale of services and products between related parties)
- Charge at cost-plus (e.g. GOF)
- Charge at what market can bear (e.g. GOF-less, free market)

Timeline of Events

- Apr 2007: Withdrawal of SMA GOF by SMA after AGM
- Aug 2010: Competition Commission of Singapore decided that SMA GOF contravened the Competition Act:

“In general, price recommendations by trade or professional associations are harmful to competition because they create focal points for prices to converge, restrict independent pricing decisions and signal to market players what their competitors are likely to charge. This is a common position adopted by many competition agencies in the world, even for the medical sector”
- Oct 2016, Health Insurance Task Force (HITF) Report recommends bringing back guidelines or benchmarks
- Nov 2017 – Announcement of formation of MOH Fee Benchmarks Advisory Committee
- 14 Feb 2018 – Committee holds first meeting

Perfect Storm

- Most expensive hospital land in the world (Still is!) leading to healthcare as a property play
- Bad insurance product design
 - No guideline of fees