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Singapore's secret to healthcare

Public-private collaboration for cost-efficient, high-quality healthcare

By Meng-Kin Lim

Singapore's unique health financing system combines medical savings accounts, supplementary public catastrophic insurance, supplementary private insurance, government-funded subsidies for the majority who utilize public healthcare, and special grants for the poor and elderly. It includes a complementary health provider system, as well as periodic changes in incentives to encourage patients, providers, and insurers to adapt to changing needs. The results have been impressive, and although the approach is not easily replicable, aspects of it can pave the way for public-private collaboration in other countries.

Is it possible for a nation to enjoy universal access to top-quality healthcare on a shoestring budget? Probably not, but Singapore comes close. Among developing as well as developed economies, Singapore is gaining attention for a healthcare system that costs so little, yet achieves so much.

This tiny island republic was once a British colonial outpost in the backwaters of Southeast Asia, and has grown into a bustling city-state with per capita GDP of $57,200 (PPP, 2010), exceeding that of Britain, Japan, and Korea. In 2010, average life expectancy was 81.4 years, up from 62 years in 1957 (the earliest statistic available) and infant mortality was 2.2 per 1,000 live births, down from an appalling 82 per 1,000 live births in 1950. The World Health Statistics 2010 ranked Singapore second-lowest for infant mortality in the world and ninth-highest for life expectancy at birth.

On the financial front, national health expenditure has remained between three to four percent of GDP in the past four decades, compared to OECD's average of nine percent of GDP in 2009. The WHO 2000 report also gave Singapore high marks, ranking it sixth best in the world for "overall efficiency." And Singapore holds the world record for the highest concentration of Joint Commission International (JCI) accredited hospitals.

SINGAPORE'S "SECRET"

Singapore's success in the healthcare sector is tied to an integrated system where the public and private sectors play critical and intersecting roles in healthcare financing and healthcare provisioning. At independence in 1965, half of national health expenditure was from government coffers; now, it is less than one-third. Coverage then was patchy; now, there is universal coverage. The state guarantees "needed healthcare" to those unable to afford the co-payment levied on all, regardless of income status. In 1960, there were fewer than 50 doctors in the whole country with any higher qualifications, and standards in the decrepit and poorly equipped government hospitals were low. Now, 800,000 foreign patients flock each year to this thriving medical hub to pay for world-class medical care.

Singapore's approach to healthcare holds useful lessons for other countries struggling to balance the roles of the public and private sectors in search of better performing healthcare systems. Like other countries, Singapore faces the multiple challenges of a rapidly aging population, the escalating cost of increasingly sophisticated and high-tech medical treatment, and rising consumer demand in the face of finite resources. However, there are reasons to believe that Singapore is better situated than most to surmount these challenges. Among its advantages: a government willing to make hard-nosed decisions; a population conditioned to cost-sharing; and an incentives regime that encourages demand-side responsibility while discouraging supply-side waste.

The relative ease with which health policies are introduced and implemented in Singapore (even when it comes to interventions aimed at lifestyle or behavior change as in the case of smoking, drug addiction and HIV/AIDS) is not easily replicable elsewhere. Singapore's great advantage is that its democratically elected government has been in continuous power since 1959 and is thus able to pursue pragmatic policies with the longer term "good" in mind, while also garnering continuous public support.

In addition, because there has not been a tradition of state largesse in Singapore, the government did not find it difficult to make the case that free healthcare in the face of potentially insatiable demand was illusory and potentially ruinous. Instead, it convincingly argued that whether the burden falls on taxes, Medisave, employer benefits, or insurance, it is ultimately Singaporeans themselves who must pay. Taxes are paid by taxpayers, insurance premiums are ultimately paid by the people, and employee medical benefits form part of wage costs. In the end, overburdening the state or employers would affect the competitiveness of Singapore's externally-oriented economy as well as individual livelihoods. Citizens understand that, and act accordingly.

COMPETITION IS ENCOURAGED

Singapore's economy thrives on global trade and financial services; its formula for success includes a strong commitment to open markets, minimal regulation, and rule of law. So it is not surprising that Singapore's healthcare sector is highly competitive. Singaporeans enjoy freedom of choice among providers, and the freedom to own shares of the private healthcare providers listed on the Singapore Exchange. The private sector, accounting for 80 percent of daily outpatient attendances and 20 percent of hospital admissions, takes a significant load off the government's back.

At the same time, private providers have to fend off competition from a stable of well-equipped and highly-regarded public sector hospitals and national specialist medical centers for its own share of the high-end, personalized, medical services market. This competition forces both the public and private sectors to deliver more efficient services. The government publishes price and quality indicators of both public and private hospitals on its website to facilitate informed patient choices.

3Ms: MEDISAVE, MEDISHIELD, MEDIFUND

The foundation for Singapore's health financing system—Medisave, Medishield, and Medifund ("3M")—was laid over two decades ago, with the introduction of medical saving accounts in 1984. The underlying policy premise of healthcare financing in Singapore is that healthcare (along with housing and education) should not be provided free of charge. Singapore's unique cost-sharing and risk-spreading system of healthcare financing treats the majority of healthcare consumers as co-paying partners while making special provisions for the minority who cannot afford the co-payment. Such an approach avoids providing the rich with healthcare handouts, as would be the case under a universal coverage system that ignores income status. It also counters the "moral hazard" generally associated with fee-for-service, third-party reimbursement.

THE MAIN ELEMENTS OF THE 3M HEALTH FINANCING SYSTEM

MEDISAVE

- Compulsory individual medical savings account for employees or self-employed citizens or permanent residents; tax exempt and interest-yielding.
- Funded by employee payroll deductions from 6.5 to 9 percent (depending on age).
- Can be used for hospitalization, day surgery and certain outpatient expenses.
- Eight out of 10 Singaporeans admitted to hospitals pay their bills with Medisave.
- Combined Medisave accounts of all Singaporeans amounted to S$42 billion in 2008, six times Singapore's annual national healthcare expenditure.

MEDISHIELD

- Voluntary low-cost insurance plan to protect households from large and unexpected financial losses due to illness.
- Coverage for catastrophic illnesses for which Medisave is unlikely to be adequate.
- Singaporeans who want more benefits or amenities such as nicer hospital rooms are free to purchase enhanced "shield" plans offered by private insurers.
- In 2002, Eldershield was set up to provide supplementary, severe-disability insurance for long-term care.
- In 2008, 84 percent of Singaporeans were covered under the Medishield and related shield plans.

MEDIFUND

- State-funded, administratively decentralized, safety net for the poor.
- Created in 1993 with an initial capital of $200 million; now stands at $1.7 billion.
- Interest is distributed to both public and non-profit hospitals run by voluntary welfare organizations, covering the costs of patients unable to pay their hospital bills.
- In 2000, the ElderCare Fund was initiated for subsidizing voluntary care organizations that offer care to the elderly.
- In 2007, Medifund Silver was set up to provide even more targeted support for Singaporeans over 65 who are unable to pay their bills in public sector hospitals.

CORPORATIZATION OF PUBLIC HOSPITALS

Singapore's patients are well-served by 29 hospitals and specialty centers. Seven public hospitals and six national specialty centers account for 72 percent of the beds, while 16 private hospitals account for the rest. About 12 percent of daily outpatients are seen by traditional Chinese practitioners in the private sector.

Public-sector hospitals and specialist medical institutions were restructured over a 15-year period, between 1985 and 2000, which resulted in their gaining greater autonomy in operational and fiduciary matters. Government ownership was retained through a fully government-owned holding company. Matters such as recruitment and remuneration of staff are decentralized, while more sensitive issues such as increases in ward charges require government approval. In 2000, the restructured institutions were reorganized and consolidated into two "clusters"—Singapore Healthcare Services and National Healthcare Group—each with its own tertiary hospital, supported by specialist medical centers and regional hospitals. Simultaneously, all government polyclinics providing outpatient primary healthcare came under the management of either of the two clusters. Thus, in one fell swoop, horizontal and vertical integration of all the public sector healthcare providers was achieved.

The private sector compares favorably to the public sector in quality of expertise and facilities, and is perceived to be better in terms of responsiveness. Prices are not regulated, and in such a competitive environment, leading physicians and surgeons typically earn considerably more than their public sector counterparts. This differential pay gradient has resulted in a steady flow of talent from the public sector, concerning the government, which has moved to make careers in the public sector more rewarding and satisfying.

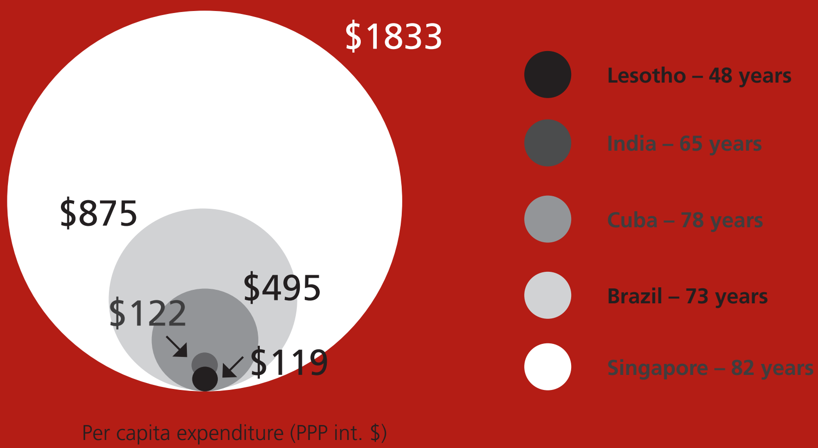
GOVERNMENT BY EXPERTISE

Singapore's proclivity to "government by expertise" is relevant to any serious discussion about the long-term success of its healthcare policies; it is an important reason why the country's approach remains cohesive and consistent despite its ongoing evolution. Often, the Ministry of Health forms committees of experts to study policy issues, and takes these inputs seriously. Typically, these committees also involve the participation of academics, community groups, and the private sector. In recent years, the process has become more consultative, and feedback from the general public is also invited.

There is also an increasing realization of the need to buttress the policymaking process with a credible evidentiary base, resulting in increasing investments in policy analysis. Singapore's government understands it must play a lead role in finding the solutions to the big problems of the day, but that it cannot succeed alone—an excellent milieu for strengthening collaboration between the public and private sectors.

Challenges in health

Usually more money spent means longer lives lived....



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