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MediShield Life review: More to be done on cost control

We need to be ruthless as a country in ensuring Singaporeans get the best value for their healthcare dollar, says the writer, adding that MediShield Life, which has paid out an average of almost $900 million a year, should proactively engage healthcare providers to secure the best rates possible. LIANHE ZAOBAO FILE PHOTO

Protecting Singaporeans from rising healthcare costs is vital. But so is not overburdening the country from carrying those costs.

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For The Straits Times

The Ministry of Health (MOH) earlier this week announced the first major review of MediShield Life since its launch in 2015. A slew of recommendations has been put forward by the MediShield Life Council to balance the health insurance scheme's "benefits and premiums to keep pace with evolving medical practice, healthcare cost inflation and actual claims experience, so that it continues to provide assurance for Singaporeans while remaining sustainable".

Benefits will be enhanced, with higher claim limits for a number of conditions as well as, for the first time, coverage for attempted suicide and addiction disorders.

However, premiums will "rise by up to 35 per cent for some", as one headline noted, and policyholders will, on average – after government subsidies are factored in – pay 10 per cent more in premiums for the first year.

ARE HIGHER PREMIUMS JUSTIFIED?

The council has highlighted that payouts have increased almost 40 per cent over the last four years. But premium collection has also increased since 2016, as MediShield Life premiums are higher than those for the previous MediShield scheme. It is the net effect that is important. Thus, it is difficult to ascertain whether the proposed higher premiums are justified.

What would have been helpful would be to provide the medical loss ratios (MLRs) for the four years since inception.

The MLR, a key metric for health insurers, is determined by dividing the total claims by the total premiums collected. If it is greater than 100 per cent, the insurer has paid out more than it has collected, and over time, will become insolvent.

However, a very low MLR may not necessarily mean the insurer is charging excessive premiums. In 2014, Dr Janil Puthucheary, now Senior Minister of State for Health, clarified in Parliament when queried about why MediShield was paying out only 44 cents in claims for every dollar of premium collected, that this amount referred only to direct claims incurred for a particular year.

He explained that if unpaid claims reserves, change in contract reserves (to account for the value of future benefit payments) and reserves for contingent benefits were also included, MediShield's MLR would have been a very respectable 96 per cent.

In this era of transparency and greater citizen engagement, it would be valuable to share similar statistics on the MLR as well as the Government's formulas and assumptions in working out the amount set aside for claims reserves and future benefits.

GovTech in June organised a "tear down" event to allay privacy concerns about the TraceTogether token, inviting experts to probe the token and independently provide assessments. Perhaps MOH should do likewise with MediShield Life, as public confidence in the fairness of its premium setting is crucial.

Simply stating, as the council did, that it was "adjusting the premiums this round as proposed by the actuary", is insufficient.

What should have been elaborated on also was the impact of lowering the pro-ration factor for private hospitals from 35 per cent to 25 per cent. (The pro-ration factor involves bills from private hospitals being pro-rated before MediShield Life payouts are calculated, to make them comparable to those from a public hospital, and ensures private hospital patients do not receive a larger payout.)

In simple terms, it means fewer MediShield Life dollars will be used to cover private hospital bills, and the shortfall has to be made up elsewhere.

This "elsewhere" is most likely to be the Integrated Plans (IPs) or patients' wallets. Two-thirds of Singaporeans have purchased IPs, and thus it is a matter of public interest to know how lowering the pro-ration factor will affect IP premiums.

CONTROLLING COSTS

The council is to be commended for using MediShield Life strategically to further national healthcare transformation objectives.

The recommendations to increase claim limits for treatments outside the area of acute hospital stays – such as sub-acute care in community hospitals – and reduce the deductible for older Singaporeans undergoing day surgery should encourage more to seek care outside the walls of the hospital. This will help decongest our very crowded acute hospitals.

These measures also help to control costs, albeit indirectly, by shifting care to less expensive facilities.

The recommendations – for which public consultation is now open until Oct 20 – are sensible, but they don't directly address the elephant in the room, which is rising healthcare costs.

During this year's Committee of Supply debate, Health Minister Gan Kim Yong revealed that Singapore's national health expenditure increased from $13 billion in 2012 to $22 billion in 2017, a worrying rise of 11 per cent per annum.

While Singapore's economy has been dealt a body blow by Covid-19, our fundamental healthcare financing challenges continue unabated. The population continues to age even as we are still waging a war on diabetes, which affects many older adults.

We need to be ruthless as a country in driving cost-efficiency and ensuring Singaporeans get the best value for their healthcare dollar. What, then, can MediShield Life do?

Well, MediShield Life has paid out an average of almost $900 million a year, which makes it – other than the MOH, through subsidies – the largest single payer of healthcare in Singapore.

Why should it not use its purchasing power to obtain better prices for all Singaporeans? After all, this is what insurers are supposed to do. AIA, one of the largest insurers here, assures its HealthShield Gold Max policyholders that they will "enjoy pre-negotiated consultation fees" and have the ability to "effortlessly secure an appointment within three working days".

Within the public sector, healthcare logistics firm Alps leverages the scale of its three public healthcare cluster parents – the National Healthcare Group, National University Health System and Singapore Health Services – to negotiate better prices with pharmaceutical and medical device manufacturers.

MediShield Life likewise can, and should, be proactive in engaging healthcare providers in both the public and private sectors to secure for Singaporeans the best rates possible.

MediShield Life is a critical pillar of Singapore's healthcare financing strategy. The review is timely and has highlighted a number of areas to strengthen, but more can be done. Singaporeans need further protection against rising healthcare costs, and Singapore as a nation needs to slow rising healthcare costs. MediShield Life can help address both issues.

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