

Correspondence with Competition Commission of Singapore



(I) Letter from SMA to CCS, dated 28 February 2007

Mr Ong Beng Lee
Chief Executive, Competition Commission of Singapore

Dear Mr Ong

WITHDRAWAL OF SMA GUIDELINE ON FEES (GOF)

SMA understands from our legal advisors that the *Guideline on Fees (GOF) for Doctors in Private Practice in Singapore*, of which a copy is attached, may be in contravention of Section 34(2)(a) of the Competition Act.

As a preliminary measure, however, we will first discuss the withdrawal of the GOF with the SMA membership at our upcoming Annual General Meeting (AGM) on 1 April 2007. We will withdraw the GOF soon thereafter.

Nevertheless, there are certain concerns and implications regarding the GOF withdrawal that we would like to bring to the attention of the Competition Commission of Singapore (CCS).

1. Background

Following many public complaints of overcharging in the early 1980s, the Ministry of Health, together with SMA and the Association of Private Medical Practitioners of Singapore (APMPS), agreed on the need to publish a fee schedule for medical practitioners so as to provide patients with greater transparency and allow them to make an informed choice.

Hence, in consultation with the medical profession, SMA published the GOF first in 1987 and subsequently in 1992, 2001 and March 2006. The GOF has served the needs of the healthcare profession, the public and many other professional bodies for important information over the past 20 years. (*Please see Annexes 1-4.*)

2. Reducing Information Asymmetry

Back in 1993, it was noted in the *Affordable Healthcare White Paper* published by the Ministry of Health that healthcare was an example of market failure.

SMA believes that a significant contributory factor to this is the very palpable information asymmetry that exists between providers and patients, and the high costs of information search prevalent in healthcare. It is also our opinion that the GOF protects patients' interest by serving to diminish the information asymmetry between patients and doctors, and has as such contributed to keeping healthcare costs down in the private sector and the market competitive.

This can be evidenced by two points:

- (a) In *The Straits Times* article on 23 February 2007 "Getting a grip on health-care needs of a greying population" (*please see Annex 5*), the Minister for Health said:
"Summing up his philosophy for a new era in healthcare, he says: 'I think the whole story of healthcare is about giving more relevant information to the patients. That should be the underlying theme. I mean not just financial information, but also clinical information, complication rates, leveraging on this changed generation. We should start doing this now.'"
- (b) In a recent study of inpatient hospital bill sizes over a 16-month period, it was found that the act of publishing bill sizes has led to less information asymmetry among providers, thereby facilitating more competitive behaviour among hospitals and lower bill sizes. (*Please see Annex 6.*) This study was also widely reported in the press.

3. Impact of Withdrawal of the GOF

With the withdrawal of the GOF, the following scenarios may ensue:

- (a) Consultation fees for GPs and private specialists
 - There will be no local guidelines or recommended range of fees which doctors and patients can refer to.
 - Similarly, fees for housecalls, after-office hours, medical reports and court appearance fees may also be impacted.

- (b) Medical report fees
 - The insurance industry may be impacted.
- (c) Doctors' court appearance fees for civil cases
 - The legal profession may be impacted.
- (d) The SMA Complaints Committee will no longer handle complaints about overcharging.
 - The SMA Complaints Committee, which uses the GOF as its primary reference, will no longer be able to handle complaints about overcharging from the public. The Complaints Committee will also no longer accept referrals of such nature from CASE, the Singapore Medical Council (SMC) or Ministry of Health (MOH).
- (e) SMA will also withdraw its guidelines on drug mark-ups.
 - There will be no guidelines or recommended range of charges which doctors and patients can refer to.

Accordingly, with the withdrawal of the GOF, SMA will have to advise affected organisations of this change, including SMC, MOH, CASE, Law Society, the insurance and pharmaceutical industries and so on.

The withdrawal of the GOF and the resulting increase in information asymmetry will mean that patients' interests might not be better served, especially amidst rising concerns of increasing and unaffordable healthcare costs. We would like to quote that there were even concerns raised by the public about clinics "supposedly overcharging" during the recent Chinese New Year period (*please see Annexes 7 and 8 – The Straits Times Forum letters on 23 and 26 February 2007*) when it was already stated in our GOF (meant only as a guide) that consultation fees could be increased by 10 to 20% during public holidays. It would be difficult to determine overcharging by a doctor without a fee schedule or yardstick to benchmark against.

With all the possible implications raised above, we deeply regret that the SMA GOF might have to be withdrawn because:

- (i) SMA has been advised that the GOF may be in contravention of Section 34(2)(a) of the Competition Act;
- (ii) SMA is a non-profit association and does not have the financial resources to formally apply to the Competition Commission of Singapore for guidance (\$23,000) or a decision (\$45,000), much less the legal fees which we have been advised will amount to \$120,000 and above.

Nevertheless, to facilitate our discussion of the withdrawal of the GOF at our AGM, we would be grateful if you could let us have your comments by 15 March 2007 so that we can include them in our discussion papers. We apologise for this tight timeline as we have only been advised recently that our previous attempts to informally resolve this on our side have proven unfruitful, and we do have to keep our membership informed at the upcoming AGM.

Alternatively, if you would like to meet representatives from the SMA Council for a discussion, we would be happy to meet before 21 March 2007.

We look forward to hearing from you.

Thank you.

Yours sincerely,

Dr Wong Chiang Yin
President, 47th SMA Council

Cc: Mr Khaw Boon Wan, Minister for Health
Ms Yong Ying-I, Permanent Secretary for Health
Prof K Satkunanatham, Director of Medical Services

Encs:

- Annex 1 – "Anatomy of a fees guideline" in President's Column. *SMA News* 1986; 16(8).
- Annex 2 – First Edition of *SMA Guideline on Fees for Doctors in Private Practice in Singapore* published in 1987.
- Annex 3 – Letter dated 2 April 1987 from then Permanent Secretary for Health and Director of Medical Services Dr Kwa Soon Bee.
- Annex 4 – Report of the GOF Committee in the SMA Annual Report 1987-1988.
- Annex 5 – "Getting a grip on health-care needs of a greying population" in *The Straits Times Review* section, 23 February 2007.
- Annex 6 – Wong CY, Wu E, Wong TY. "Examining the effect of publishing of bill sizes to reduce information asymmetry on healthcare costs." *Singapore Medical Journal* 2007; 48(1):16.
- Annex 7 – "Clinic charged \$42 for consultation over CNY" in *The Straits Times Forum* section, 23 February 2007.
- Annex 8 – "\$68 for consultation alone on public holiday" in *The Straits Times Forum* section, 26 February 2007.

(II) Reply from CCS, dated 9 March 2007

Dr Wong Chiang Yin
President, 47th SMA Council

Dear Dr Wong

WITHDRAWAL OF SINGAPORE MEDICAL ASSOCIATION GUIDELINE ON FEES

I refer to your letter of 28 February 2007 informing the Competition Commission of Singapore (CCS) that the Singapore Medical Association (SMA) intends to withdraw the *Guideline on Fees (GOF)*.

Section 34 of the Competition Act provides that agreements between undertakings, decisions by associations of undertakings or concerted practices which have as their object or effect the prevention, restriction or distortion of competition within Singapore are prohibited unless they are exempt. Paragraph 3.5 of the CCS Guideline on the Section 34 Prohibition states that “Recommendations of a trade association in relation to price.....may be considered to be price-fixing, regardless of the form it takes”. Annex A of the Guideline further states that “any recommendation as to prices and charges, including discounts and allowances is likely to have an appreciable adverse effect on competition”.

The CCS notes that SMA has received legal advice that the GOF may contravene Section 34(2)(a) of the Competition Act.

Yours sincerely,

Ong Beng Lee
Chief Executive

Cc: PS (Health)
 Attn: Mr Yee Ping Yi
 Dr Lee Chien Earn

(III) Letter from SMA to CCS, dated 10 April 2007

Mr Lam Chuan Leong
Chairman, Competition Commission of Singapore

Dear Mr Lam

WITHDRAWAL OF SMA GUIDELINE ON FEES (GOF)

We wish to thank you for your clarifications at the CCS press briefing on 5 April 2007.

We are grateful that CCS plans to work with the Consumers Association of Singapore (CASE) to address all complaints about overcharging. In this regard, we would like to request for more information about the following:

- The procedure for handling complaints about overcharging, in particular for consultations (regular and house calls), medications, investigations, medical reports and court attendances.
- The standards by which complaints about overcharging would be determined to be valid or otherwise.

We look forward to your reply so that we can inform our membership accordingly and advise them how to avoid overcharging.

Thank you.

Yours sincerely,

Dr Wong Chiang Yin
President, 48th SMA Council

Cc: Ms Yong Ying-I, Permanent Secretary for Health
 Prof K Satkunanatham, Director of Medical Services
 Prof Raj Nambiar, President, Singapore Medical Council

(IV) Reply from CCS, dated 16 April 2007

Dr Wong Chiang Yin
President, 47th SMA Council

Dear Dr Wong

WITHDRAWAL OF SINGAPORE MEDICAL ASSOCIATION GUIDELINE ON FEES

I refer to your letter of 10 April 2007 addressed to the Chairman of the Competition Commission of Singapore (CCS).

CCS will not issue guidelines on overcharging as this would constitute another form of fee guidelines. Instead CCS would encourage bodies such as SMA to collect information on fees charged and have this information widely available so that the public is aware of the range of fees charged. This would enable the public to know where a particular doctor's fee stands in relation to the fees charged in the market.

The CCS has agreed that it would help work with CASE to review the complaints that it may receive on doctors' fees. CCS would take action only if the provisions of the Competition Act are violated.

Yours sincerely,

Ong Beng Lee
Chief Executive

Cc: PS (Health) Ms Yong Ying-I
 Prof K Satkunanatham, Director of Medical Services
 Prof Raj Nambiar, President, Singapore Medical Council

SMA's letter to CCS on 10 April 2007 was also sent to the Consumers Association of Singapore (CASE) to seek their input. Their response dated 23 April 2007 is as follows:

Dr Wong Chiang Yin
President, SMA

Dear Sir

WITHDRAWAL OF SMA GUIDELINE ON FEES (GOF)

We refer to the above and your letter dated 10 April 2007.

Complaints on overcharging are handled in the same way as other complaints. We would advise consumers of the various options available, which would include settling the dispute on their own or authorising us to handle the matter on their behalf. If we are representing the consumer, we would write to the company-in-question to explore means to settle the dispute amicably. If written correspondence and telephone conversations fail to address the issue, we would propose mediation.

We advocate transparency in dealing with consumers. In receiving a complaint, we would enquire whether there was an estimate cost/fee given to the consumer. If so, companies should not charge the consumer more than what was quoted, unless the consumer was informed before that and had agreed. One other yardstick will be whether material information has been omitted, for example, hidden costs.

Yours faithfully,

Seah Seng Choon
Executive Director, Consumers Association of Singapore