By Dr Wong Chiang Yin, SMA President

The Limits of Market and Means Testing

The market is a place where services and goods are bought and sold. The medical profession has been and is uncomfortable with the notion that our professional practice is also subject to cold market practices. But as recent events have shown, we have little choice but to believe so as statutory bodies such as the Competition Commission of Singapore impose the market on us. But is the competitive market the panacea for all ills?

Recently, there has been much talk about means testing. Notably, Chairperson of Government Parliamentary Committee for Health, Mdm Halimah Yacob noted that "the subject of means testing has touched a raw nerve". *(Keynote address at the 38th SMA National Medical Convention, 19 May 2007)*

What is means testing?

According to the *Oxford Dictionary of Business* (2nd Edition, 1996), "means test" is defined as "an assessment of the income and capital of a person or family to determine their eligibility for benefits provided by the state or a charity".

Means testing already exists in many instances in Singapore, the most common being that of applicants for HDB housing. If you are above a certain income level, you cannot apply to purchase new HDB flats which are subsidised by the government. In other words, you do not qualify for the housing subsidy. This is one of the oldest means tested benefits in place which practically everyone takes for granted. Social services provided by the Ministry of Community Development, Youth and Sports are commonly means tested as well.

Healthcare is more controversial because of the uncertainty factor. While it is quite easy to plan for and afford private housing if one has good income, healthcare consumption can vary drastically over a short period of time. In other words, even the relatively well-to-do can find private healthcare unaffordable if the disease state is complicated or prolonged.

The fundamental question to ask is not about means testing but rather if Singapore can have a healthcare system that offers subsidies to everyone like the NHS. It is said that healthcare is ultimately a trade off between quality, affordability and accessibility. The NHS guarantees free healthcare by compromising on access – long waiting times (notwithstanding that waiting times have improved with increased spending on healthcare in the last few years by the Labour government in Britain). The other issue is of course affordability. The price of universally subsidised healthcare that is of a decent quality is high taxes – or less spending on housing, education, security and so on – or, if we were to avoid taxes and still give subsidised healthcare to all and sundry, quality usually suffers.

Hence, one oft-stated alternative to high taxes while ensuring everyone gets decent healthcare is a mixture of compunction and subsidy – we subsidise those who cannot afford and we compel those who can – that is, the means test, which theoretically helps us decide who should be subsidised and who should be compelled to pay. But there are practical difficulties in means testing due to the inherent complexity and uncertainty in healthcare. Even a relatively rich person earning $10,000 a month may find it hard to stomach a month long hospitalisation in A Class for his family member. And if complications should arise, treatment for a simple condition may become likewise unaffordable. Generally speaking, means testing will infringe on the privacy of the individual as information needs to be gathered to administer it. In addition, the rules of eligibility for benefits are bound to lead to apparent anomalies at the margin, wherever this is drawn. These and other aspects of means testing make it unpopular.

Another alternative is to differentiate the services provided in the hope that the affluent will on their own volition choose the unsubsidised services so that subsidised services will only be

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Dr Wong Chiang Yin is the President of the 48th SMA Council. He is also Chief Operating Officer in a public hospital and a Public Health Physician. When not working, his hobbies include photography, wine, finding good food, calligraphy, going to the gym and more (non-paying) work.

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consumed by the poor who require them. These differences include absence of air-conditioning in the subsidised wards, inability for a subsidised patient to choose one's specialist, and so on. This has met with some success but it will be interesting to see if this is sustainable in an environment where subsidies distort the market and the patient then behaves rationally in this distorted market.

In 1993, the *White Paper on Affordable Health Care* stated that "Presently (1993), they (C Class beds) form 33% of beds in subvented hospitals. MOH expects this proportion to fall to 25% by the year 2000." It also stated that "Fewer patients are choosing Class C, and more are opting for Class B2 or better. This trend will continue."

However, in a report published in *The Straits Times* on 2 June 2007, it was noted that demand for C Class beds has gone up. The report stated that C Class wards now formed 40% of ward admissions whereas the proportion was 27% five years ago. And this happened in an economy that has been growing quite robustly so people are not poorer now than 15 years ago. The Ministry of Health said that some of this increase was expected and could be attributed to an ageing population. This is definitely so. Could it be also that people are behaving more rationally now than in the nineties?

One actually cannot divorce means testing from the market. In a market economy, the consumer is usually rational and he is king. He is therefore entitled to seek out the best deal for himself. He will have to convince himself that he can afford unsubsidised healthcare after taking into account the uncertainty of healthcare and disease (after he has hopefully insured against some of this uncertainty through healthcare insurance) as well as the differences (mainly creature comforts) between subsidised and unsubsidised healthcare. Each individual goes through these same considerations before he makes a purchase of health services. Collectively, these individual purchasing decisions constitute market demand even as production of healthcare services is organised broadly into subsidised and unsubsidised services. And hence a market economy that buys and sells is formed.

But there is a limit to this market economy in healthcare, especially when the healthcare is necessarily distorted by subsidies and this distortion is not addressed by a means test, or when the market does not speak up for them. The market is neither as ubiquitous as some would like to claim, nor does it always serve the greater good.

Five days after *The Straits Times*' report on C Class beds, one of the greatest exponents of the free market of all time said this about the market:

"…Melinda and I read an article about the millions of children who were dying every year in poor countries from diseases that we had long ago made harmless in this country. Measles, malaria, pneumonia, hepatitis B, yellow fever. One disease I had never even heard of, rotavirus, was killing half a million kids each year – none of them in the United States.

We were shocked. We had just assumed that if millions of children were dying and they could be saved, the world would make it a priority to discover and deliver the medicines to save them. But it did not. For under a dollar, there were interventions that could save lives that just weren't being delivered.

If you believe that every life has equal value, it's revolting to learn that some lives are seen as worth saving and others are not. We said to ourselves: 'This can't be true.' But if it is true, it deserves to be the priority of our giving.

So we began our work in the same way anyone here would begin it. We asked: 'How could the world let these children die?'

The answer is simple, and harsh. The market did not reward saving the lives of these children, and governments did not subsidise it. So the children died because their mothers and their fathers had no power in the market and no voice in the system." – Bill Gates III (Harvard Commencement Speech, 7 June 2007)

We can safely assume that Bill Gates knows more about the competitive free market than most of us. One can only wonder what he would have said about the events that led to SMA's reluctant withdrawal of the GOF. ■