

By Dr Chong Yeh Woei, SMA 1st Vice President



Itemisation and the Three Fears

The secondary legislation on bill itemisation was announced on 1 October 2007 and the response was swift from the ground.

Historically, the GPs have always bundled their fees for consultation and medication as a lump sum. In fact, in the long history of Confucian societies, the practitioners of traditional Chinese medicine (TCM) have always regarded consultation as a humane service and therefore only charged for the herbs that were prescribed. Such a perspective from the patient's viewpoint has always led to the perception of value in the medication he leaves the clinic with.

With the advent of itemisation, the GP would have to state clearly the consultation fees and the cost of the medication that has been prescribed and dispensed.

This has struck a raw nerve in most GPs because of the fears that it arouses.

The first fear is that of changes leading to a disruption of income stream. The second fear is that of increased scrutiny. The third fear is actually related to the second and that is the fear of increased competitive pressures.

The first fear comes from the GP having to revise his charging process and possibly disrupting his income. The typical GP has a good idea of the overall fee for a cough and cold or a chronic disease. He has managed to work out how much the market can bear to pay for certain conditions. He now has the challenge of overhauling his charging process such that he is able to arrive at similar fees for most of the simple conditions that he treats. Otherwise he may face a disruption of his income.

Other challenges come into play with the patient asking for a prescription and going out to a pharmacy to collect his prescription. In a free market, choice is important. The right of the patient to ask for a prescription has always existed. The itemisation legislation has merely made this more apparent. The challenge for the GP is how to charge in such a situation. My personal view is that this scenario of patients asking for prescriptions is unlikely to have a huge impact on most practices as GPs offer a one-stop service, which is extremely convenient. But it is that small number of patients who will exercise this right that will keep the GP awake at night.



Dr Chong Yeh Woei is the 1st Vice President of the SMA and a GP in private practice. He is also the Chairman of the SMA Private Practice Committee.

This leads us to the second fear, that of increased scrutiny. The increased scrutiny will come from patients and the fear is that of the perceived value of the consultation fees. Patients may think that the consultation fee is not value for money because of various perceptions. These perceptions can range from the length of the consultation, simplicity of the medical problem, lack of a listening ear to even poor eye contact!

Increased scrutiny will also come from looking at the breakdown of medications. The question of why the GP is charging the patient for generic medication like paracetamol at x dollars for 10 tablets comes into play. The reality is that most patients would be happy paying a certain sum for a consultation including medication. However with itemisation, the patient will start to be unhappy about the pricing of certain generic medications or the consultation fee being not commensurate with the patient's expectation of service.

Further scrutiny will also come from patients when they start to shop around for pricing of patent drugs. As patent drugs are more expensive, they also constitute a sizable portion of the cash flow in the clinic. The pricing of such drugs are critical as they may trigger a shopping comparison with prices at the pharmacy. Hence, with the patient's existing right to walk and get their medication elsewhere armed with a prescription, the GP has fears of disruption of his income stream and fears of his inventory stagnating on the shelves.

Further impact of increased scrutiny would be the third fear of increased competition pressures as patients may compare the GP's consultation rates or prices of patent medication with his nearby GP competitors.

The impact of itemisation will be felt and the important thing is to make sure that the charging principles are correct. The GP practice costs surveys of 1996¹ and 2006² show that the way to break down your costs would be to use professional fees, practice costs and medication / consumables.

Briefly speaking, the professional fees would be the GP's salary, the practice costs are his overheads and the medication and consumables are goods sold that have costs. This way of

Briefly speaking, the professional fees would be the GP's salary, the practice costs are his overheads and the medication and consumables are goods sold that have costs.

breaking down your bills would help the GP to handle some of the situations that he fears. For those patients who wish to collect their medications elsewhere, the GP should charge professional fees and practice costs.

The breakdown in such a manner would stop the cross-subsidies that arise from mark-ups on medications that go to pay the practice costs. As such, the medications can be priced more competitively in line with pharmacies.

The practice costs would accurately reflect the differential in rentals, mortgages and fittings of various clinics. In fact, some clinics may wish to operate in a stripped down and bare bones manner, while keeping within licensing guidelines. These clinics may pride themselves competing on lower practice costs. Others may wish to provide creature comforts and charge higher practice costs.

There may also be certain insurance companies who do not reimburse practice costs and therefore patients may request an itemisation that reflects only consultation fees and medication. It will be likely that quite a number of practices will still follow the consultation fee and medication pricing model.

Some areas of difficulty will persist when the new legislation takes effect. The issue of managed care patients will be one area. The GP has to provide an itemised bill to the patient or to the employer or both.

There will also be a cost to all this itemisation in terms of more paperwork or computerisation for those who have not embraced IT.

