By Dr Wong Chiang Yin, SMA President

Who Manages Managed Care?

In 1994, the consultation charge for polyclinics was $7 and medicines were charged at $1.20 per item per week. The subsidy was 45%. The total cost per outpatient care episode (excluding cost of land) was $19.25[1], while the revenue collected was $10.68. Overall, each polyclinic patient was subsidised an average of 54% if we take into account all services provided by the polyclinic[2]. This subsidy was not hypothetical or notional in nature but real and verified by no less than a Select Committee of Parliament and accepted by Parliament when the report was presented on 30 September 1996.

In 2008, the consultation charges vary from $8.50 to $9, depending on which polyclinic you go to. Medication charges have gone up by a mere 20 cents, from $1.20 to $1.40 per item for standard drugs. Given that these increases have gone up over a long period of 14 years, one can safely surmise that the subsidy rate has at least been maintained if not increased. In other words, the cost of consultation should at least be double that of $8.50 to $9 and should be in the range of $17 to $18. And do bear in mind that the workload of polyclinics' doctors are higher than the average GP and hence the unit cost of consultation for polyclinics is lower due to workload driven efficiencies, and that the government has not factored in the land cost into costing or pricing of polyclinic services.

However, today, we have managed care companies limiting GP consultation rates to $7 or even $5. And that is even before they deduct their 10% to 15% administrative charge which means if you have a $7 contract, you collect only $6 for consultation. The GPs make a little from small markups from drugs. These managed care companies provide GPs with long lists of drug prices which GPs will be reimbursed at. These prices are often very low and even out of date and cannot cover the GP's dispensing costs. Some schemes may give GPs a higher consultation of say $10 to $12 but whatever the case, we see total bill size limited to about $10 to $20 (consultation and medicines). Is this possible when we can assume roughly that the cost of consultation in a polyclinic is about $17 (excluding land cost, which is not the case in the commercial rent that a GP pays)? In SMA's 2006 Survey on Costs of Primary Care Practice in Singapore, the practice cost per consultation (excluding doctor's earnings) is already in the range of $22 to $25[3].

I have often asked my GP friends why they take such deals. Most of them answered along these two lines:

- They are already paying fixed costs anyway like rent, utilities and salaries of clinic assistants, so the additional revenue from such contracts less variable costs is still welcome although margins are as the term suggests – marginal.

- They hope the managed care patients bring along their family members, who are not subjected to caps and hence "full-paying". Thus managed care patients are viewed as strategic "loss leaders". Of course, this may not hold true if family members are also participants of the managed care scheme.

There are also some GPs (usually the more established ones) who have progressively weeded out low-reimbursement contracts because the opportunity costs of supporting such contracts come at the expense of their "full-paying" patients or it is simply not worth their while.

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However, the SMA is not overly concerned with this aspect of managed care. If some GPs think they can provide good care to managed care patients for $10 to $20 including medication, then credit goes to them and the patient benefits from lower costs while receiving quality care.

What the SMA is more concerned with are the more subtle aspects of managed care. For example, do GPs know exactly what they are getting into when they sign up with certain managed care schemes? Do these schemes protect the GPs' interests and most importantly, the patients' interests adequately, if at all.

Recently, the SMA submitted copies of a few managed care contracts to several of our learned legal advisors. Their advice was invaluable and I would like to summarise and share their advice with you along three main themes:

PROFESSIONAL RISK AND DUTY OF CARE

Your duty is to the patient. No matter what the contract terms may say or suggest, the primary obligation of the doctor is still to the patient. The existence of a managed care contract does not detract the doctor from this duty:

- The doctor should be free to act in the best interests of the patient. For example, doctors are required to verify the identity of patients or get approval for certain treatment or to make referrals as soon as possible. But there is no requirement for the managed care companies to approve the doctor's requests as soon as possible. Yet, the doctor is still fully responsible for any negative consequences that may arise from delay in treatment or delay in referral.

- Managed care companies often exclude payment for services that are deemed "medically unnecessary" by the managed care company. However, the term "medical necessity" is often not defined. Moreover, the doctor is ultimately responsible and managed care companies are not held to any professional standard although they can unilaterally decide what is "medically necessary", since they are neither a registered healthcare professional nor a licensed healthcare institution care.

- Patient information is confidential unless patient consent has been obtained by the managed care company for information to be released. The fact that a patient has been seen is also confidential information. Some managed care companies have audit clauses in their agreements in that they can audit your records. Have they obtained consent from their enrollees (patient, not just company consent) to do so? Do these managed care companies have a confidentiality clause which prevents them from disclosing information to third parties?

PASSING OF BUSINESS RISKS TO THE GP

There is also the main theme of the business risks that many managed care companies like to pass to doctors which are worded into contracts. The responsibilities and liabilities of managed care companies are often not spelt out clearly. These points include:

- There is often an imbalance in the doctor's obligations versus a managed care company's obligations. For example, one contract states that the GP must inform the patient of the costs the patient may incur when a referral to a hospital is made. That means the GP must know the hospital charges and the managed care reimbursement practices and provide financial counselling.

- Some managed care companies can unilaterally decide on a schedule of fees and change them without consultation with doctors. Some fee structures are complex, yet in some cases, there is no specific fee structure at all. One contract even states that the company can change rules and guidelines, and not limiting to submission deadlines, on reasonable quantities and types of medication, use of laboratory tests at any time and the doctors must cooperate. Our legal advisor has elegantly described such clauses as "potentially oppressive" and that the clause "should be amended to include an element of reasonableness in the PCP's (that is, doctor's) obligation to cooperate and participate in all reviews, rules and regulations".

- Contracts are silent on which party is to bear setup and training costs entailed when a clinic is required to use proprietary software systems demanded by the managed care company.

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- Some contracts involve "caps" or "annual budgetary limits" or services which are not reimbursable and which the doctor has the duty to verify.

- And worst of all, some contracts state expressly that doctors will be paid only if the company has collected payment. There is no obligation of the managed care company to take steps to pursue late payment or bad debts. In other words, the doctor takes all the risk for late or non-payment and the managed care company does not.

- One contract even states that the GP must pay for the costs of an audit which the managed care company wants to conduct!

- Some contracts state that in the event of a dispute between the doctor and the managed care company, the decision of the managed care company is "final and conclusive" or any dispute shall be determined by the managed care company "at its sole and absolute discretion". This is incredibly one-sided.

- Even in termination clauses, the contracts are often unfair in that they provide for the managed care company to terminate the contract immediately for cause while the doctor has no such right.

TRANSPARENCY (OR THE LACK THEREOF)

Many managed care contracts create a wall separating the doctor from his patient or contracting company:

- At least one contract states that doctors cannot tell a third party about non-payment issues, which raises the question as to whether the doctor can even get a lawyer to sue this managed care company for non-payment.

- Some contracts also preclude doctors from getting payment from patients directly. The doctor does not know if the patient has paid the managed care company and likewise, the patient does not know if the managed care company has taken the patient's money without paying the doctor. There is this wall between the doctor and the patient which the managed care company can and do often construct. In fact, there is at least one contract that states that the GP "agrees not to contact contracting companies (corporate customers of the managed care company) directly either to solicit or to make enquiries". While it is reasonable to bar the GP from soliciting business from a contracting company directly, the ban on making enquiries is potentially detrimental to the patient.

- There is often a lack of transparency in the bills presented by the managed care companies to their clients, with the result that clients and patients of managed care companies do not know how much of their money goes to the doctor and how much is retained by the managed care company.

- Along the same vein, patients and contracting companies are often unaware of the many restrictions that managed care companies place on doctors. Why should this be so? I could imagine that if I were a patient, I would rather know what managed care restrictions my doctor is practising under.

In summary, many managed care companies today often pass most, if not all, of the business risk to doctors. On the other hand, it is also clear that doctors still retain all the professional risk and duty of care owed to the patient, despite whatever rules and restrictions that managed care companies have placed on doctors. These companies and the restrictions they impose are not subject to the ethical and legal requirements of healthcare professionals or licensed healthcare institutions. At most, a few of these managed care companies are also insurance companies regulated by Monetary Authority of Singapore as financial institutions but not as healthcare entities. It would appear that managed care companies have all the powers of a healthcare entity or professional to affect standard of care given without the attendant regulations and ethical requirements of being one. In addition, these managed care companies sometimes prevent communication and enforce a shroud between the doctor and the patient or contracting companies on payment and other issues which is in no one's interests except the managed care companies themselves.

How big is the issue associated with certain managed care practices? Frankly, the SMA does

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not know. But let us make an educated guess. There are about 1,300 GP clinics in Singapore and each clinic sees an average of 1,000 patients a month. This is according to the SMA's 2006 Survey on Costs of Primary Care Practice in Singapore. Let's say conservatively about one quarter of these patients belong to managed care companies (This approximates to the 2005 MOH Primary Care Survey, which found that the payment types for 26% of patients at private GP clinics are insurance and employers)[4]. That is 3,900,000 consultations or $78M a year (based on an average total bill size of $20). This excludes the administrative fees and profit that these companies make which are easily another 10% to 15% as well as the other services consumed such as laboratory and x-ray investigations, and regular medical check-ups for workers. Take all that in account and the sum should be nearer the tune of $100M to 120M a year for primary care services.

$100M to $120M is not small potatoes but also not much in the big scheme of things. After all, the health services sector was worth almost $6.3B[5] (total operating receipts) in 2006. The real danger of having bad managed care schemes is that quality of care suffers and the burden of disease and hence cost of treatment is shifted elsewhere to more expensive settings, such as hospitals and specialists. Some of these downstream and supporting facilities are owned by or related to the managed care companies, which can derive further profits from there. For example, a GP in the SMA Council recalled this incident in which a patient should have been investigated for loss of weight. The GP's request for a thyroid function panel and a fasting sugar was refused by the managed care company. The patient was subsequently made to go the health screening arm of the managed care company which charged significantly for the services rendered there. The health screening arm then referred the patient to an endocrinologist. So much for concepts like cost-efficient healthcare, every person should have a family doctor and right-siting.

The term "managed care" implies managed care companies claim to manage the health expenses of patients and contracting companies by managing the way doctors give care. But who manages managed care? Power without responsibility and accountability is a dangerous mix in healthcare.

In the coming months, SMA will issue guidelines to members on how to appraise managed care contracts. The SMA also welcomes all members to give their feedback on business practices of managed care that they find compromise the interests of the patients as well as make the doctor bear an inordinate amount of business risk. All feedback will be treated with the strictest confidence.

By all means, enter into managed care schemes at any price if you want to. But do know your practice costs and the business risks the managed care scheme is foisting on you, and most importantly, know that your duty to the patient remains the same, with or without managed care. ■

References:

1 ***Report of the Select Committee on Verification of Health Care Subsidy of Government Polyclinics and Public Hospitals, Second Session, Eighth Parliament of Singapore, B79 MOH Table 3B***

2 ***Ibid, MOH Table 3A***

3 ***SMA News November 2007 Vol 39 (11) Pages 10 to 19***

4 ***Primary Care Survey 2005, Ministry of Health, Page 16***

5 ***Department of Statistics, Singapore. Economic Surveys Series, Health Sector, released 7 January 2008: http://www.singstat.gov.sg/stats/themes/economy/biz/health.pdf (Accessed 13 April 2008)***