

SINGAPORE HEALTHCARE

By William A. Haseltine, The Fiscal Times

June 17, 2013

In the impassioned debates over healthcare, one fact is often lost—Americans pay more but get less for their health care than residents of other high-income countries. I believe we can change that. We can improve the quality of care and reduce our expenses, saving a trillion dollars or more a year, by making our health care system more efficient.

In my research of health care systems, I have found one country that has the best results at the lowest cost: Singapore. Singapore has developed the most efficient, high-quality health care system in the world, and one that offers us important lessons. While the United States is not about to adopt another country's health system entirely, we can learn from the best.

Our health care bill is staggering—close to \$3 trillion per year. It absorbs almost 18 percent of GDP, more than four times that of Singapore, and more than twice that of western European countries. Even if fully implemented the Affordable Care Act will only reduce costs at the margins. And yet we rank well below the bottom of all advanced-economy nations in most measures of health. Earlier this year, the National Institutes of Health compared measures of health in the U.S. with 16 other high-income countries. Of the countries surveyed, we have the shortest life expectancy for men and women, the highest rates of mortality for newborns and children under five, the highest rates of death from heart and lung disease, and highest rate of sexually transmitted diseases.

Singapore teaches us that patients must understand that health services cost money and that they should pay a portion of those costs. It teaches us that hospital and doctor incentives must encourage them to provide the best service at the best price. Government can create a framework of rules that does that. And it does not have to be a cold-hearted solution. The framework must also assure that people have the ability to pay, and it must provide a safety net for those who cannot. Lastly, all health costs and outcomes should be transparent to the patient and the payer.

Exactly how do we make this happen? Here are some lessons from Singapore.

Price and Outcome Transparency: Singapore requires that all prices for doctors and hospitals be publicly available. This allows the patient and third party payers to shop for the best price. In contrast, pricing in the U.S. is opaque, with the costs of pharmaceuticals, services, and procedures hidden from the consumer. Our way allows the industry to charge what the market can bear, and without competition. The result is confusion and often grossly inflated pricing. Similarly, data regarding medical outcomes is not transparent. I believe price and outcomes transparency will eliminate arbitrary pricing, allow customers to shop for the best services at the best price, and significantly lower health care costs.

Higher Co-Pays: Co-pays are familiar to most of us. They are the fees we pay each time we visit a doctor, pick up a prescription, or go to the hospital. They represent a small portion of the actual cost of the care we are accessing. Higher co-payments are central to Singapore's system. Knowing that they must pay a sizable portion of their medical bills, people are far more careful

in using health services. But Singapore also makes it possible for its citizens to pay by mandating an individual saving program. In many ways it looks like our 401K plans. Singaporeans can use a portion of the savings to pay for their own health needs as well as of their extended family—spouses, parents, and children. I am not recommending such a program for the United States. Instead, our co-payments should be indexed to income—the higher the income the higher the co-payment. No one, except those unable to pay, would be exempt.

Payment by Capitation and Outcome, not Fee for Service: Today most doctors and hospitals are paid for each diagnostic or medical procedure performed. The result has been ever-escalating numbers of tests and procedures and greater costs. I propose a mixed payment plan that considers outcomes and includes capitation. Here's how it would work: Start with a base of capitation, where providers are given a specific amount of money per patient, adjusted for age. A simple form of capitation was tried in the 1990s, but it did not work very well. This time, however, capitation should be supported by additional payments to doctors, hospitals, and other providers based on the diagnosis.

A reasonable amount specific to the diagnosis would be given to the provider as reimbursement for medical treatments associated with that diagnosis. This is called bundled payment or episode-based payment. Fixing a broken leg would trigger one level of reimbursement; treating a heart attack victim another. It's that simple. The reimbursements would be regionally adjusted. Such a hybrid system would allow hospitals and doctors some measure of predictable income while compensating them for unanticipated patient load. Patients win as well: the more efficient the treatment, the better the outcomes, and the lower the cost. I would further suggest that each hospital group propose its own mix of capitation and bundled payments and compete on the best price and outcome.

Differentiated Service: Public hospitals in Singapore offer five different categories of service, all with access to the same doctors and procedures. The differences lie in the amenities. Those who select the lowest level are housed in multi-patient wards. Those who select the highest levels have fully private rooms. The price difference is significant. Offering similar differential service in U.S. hospitals can provide significant saving while allowing those who can afford it to have a higher level of amenities.

Catastrophic Health Insurance: The most common health insurance in Singapore covers catastrophic events that require expensive or prolonged treatment. Nearly every citizen of Singapore has such coverage. The deductibles are high, with the insured paying 20 percent of the cost of care. A government safety net helps those most in need and if the additional costs exceed the ability to pay. Catastrophic health insurance costs far less than the comprehensive, low-deductible health insurance plans typical in the U.S. A shift towards catastrophic plans will help control everyone's costs. On average Singaporeans pay 2 percent of U.S. annual insurance premiums.

Because of the dramatic demographic shifts taking place here and around the world, there is one more reform—an initiative really—needed to meet future healthcare needs without bankrupting our nation.

Transition from Hospital to Home and Community Care: Singapore has recognized that the demands of an aging population on the health care system require a shift from hospital to home- and community-based care. The costs of treating the rapidly growing number of elderly patients in high-tech, multi-specialty hospitals will bust their budget. So Singapore has embarked on an ambitious plan to deliver quality care at home and in community health centers through expanded training and increased use of technology. We should do the same.

I see a future in which the strengths of American business will finally be applied to our health care system. Our businesses excel at innovation and competition to provide high quality goods and services. Given the right incentives, they will produce the best outcomes at the lowest cost of any system in the world. Our current course will lead to fewer available services, lower quality of outcomes, longer waiting times, and restricted access to new medications, procedures and technologies. Our children and grandchildren deserve a better future.

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