Role of the Government in Healthcare Provision and Financing in Singapore

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Government White Paper 1993

- Background
  - Rising Health Care Costs
  - Expenditure 3.1% of GDP
  - Ageing Population
  - Government plays a significant role in provision of healthcare
  - High standard of healthcare
  - Concern about financing future burden

Government White Paper 1993

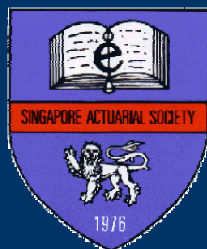
- Singapore Governments‘ Strategy
  - Nurture a Healthy Nation
    - Health monitoring and counselling programmes
  - Promote Personal Responsibility for Health and Healthcare Financing
    - Press campaigns
    - Use of CPF/Medisave for insurance
    - Deductibles and Co-payments for insured

Government White Paper 1993

- Provide Good and Affordable Medical Services
  - Government Hospitals and special centres subsidised
  - Funding since 1999 on casemix (DRG) to manage costs
  - Control/certification of doctors and other medical practicioners

Government White Paper 1993

- Intervene when Market Forces Fail to keep Costs down:
  - Subsidies to public sector
  - Constraint on use of Medisave
  - Private treatment also on DRG basis (planned for 2004)
- Rely on Market Forces to Improve Services
  - Private treatment based on ability to pay
  - Private compete with (subsidised) public sector



- Public Hospital System Dominant (over 80% of hospital beds)
- Reforms in Public Sector
  - Hospital boards corporatised (not for profit basis)
  - Hospital facilities aggregated (integrated services)
- Moves to
  - Step-down and rehabilitation facilities
  - Case management and „clinical pathway“ initiatives
  - Disease Management

- Funding Mechanism
  - Ministry of Health subsidies
  - Co-payment as a driver for patient driven cost management
  - Funding via Medisave, Medishield, Medifund

- Private Hospital System
  - Dominated by one or two large care groups
  - More expensive than public sector (subsidised)

Central Provident Fund Scheme and other Government Initiatives

- Central Provident Fund
  - Statutory, tax-free fund
  - Compulsory savings
  - Three accounts
    - Ordinary
    - Medisave
    - Special
  - Contributions: 20% Employee, 16% Employer
  - Medisave: 6%-8% of Total CPF contribution

Central Provident Fund Scheme and other Government Initiatives

- Medisave
  - Compulsory
  - Covers 2.9 million individuals (US$ 12.5 billion)
  - Health saving scheme, self-funded.

- Medishield
  - Voluntary Major Medical Insurance Scheme
  - Introduced in 1990
  - Protects Medisave being depleted due to prolonged or major illnesses
  - Administered by CPF

Central Provident Fund Scheme and other Government Initiatives

- Premiums paid using Medisave funds.
- Features to induce care with healthcare spending (deductibles, co-insurance, annual/lifetime limits).
- 1.9 million lives covered (60 % of population).
- 78 % in lowest plan (A), 22 % under two higher plans.

- Impact of CPF Schemes
  - Private Health Insurers can offer insurance (subject to approval)
  - Three approved plans offer higher coverage levels
  - Singaporeans now opt for more expensive treatments (cover costs themselves)
  - 3 % of GDP spent on healthcare (S$ 1,347 per capita)

Encouragement Private Health Insurance

- CPF-approved Private Insurance Plans

  Minimum:
  - Minimum deductible 5 times daily claim limit or co-payment at least 15 %
  - Uniform premiums by age/sex. No substand loadings
  - Guaranteed renewability
  - Maximum premium withdrawal from Medisave
  - Certain hospital benefits excluded.

  Private insurers have some basic underwriting.

- Government Objective
  - Encouraging individual rather than group contracts (employee mobility)
  - Flexibility of individual in selecting benefits
  - Problems: Underinsurance, higher cost of individual plans

Provision and Financing of Healthcare for the Elderly

- Singapore has a rapidly ageing population.

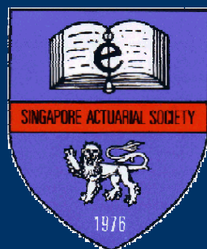
  1997: 7 % over age 65

  2030: 18.4 % over age 65
- Health promotion for elderly (Free annual health screeming)
- Primarily care responsibility of family
- Acute care by hospitals
- Financing via Medisave, Medishield or from own/insurance resources.
- Government help for low income groups (mean test).
- New elder care insurance scheme – Eldershield

  - Government scheme: managed and underwritten by private sector.

Supervision of Health Insurance Industry

- Health insurance under umbrella of life and non-life
- Likely to change
- Industry-wide sales guidelines and standards subject to review by MAS („best advice“)
- Actuaries likely to take on greater responsibilities (design, pricing, reserving)



Opportunities for Private Health Insurers

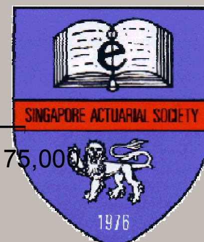
- Medisave – not insurance pool
- Insurance Products
  - Must include individual retention
  - Avoid overutilisation of health facilities
  - Only 3 % of total healthcare expenses
  - Medishield has shortcomings
- Demographic Change
  - Rapidly ageing population

Population Pyramid - 2000

Male Female

90+
85 - 89
80 - 84
75 - 79
70 - 74
65 - 69
60 - 64
55 - 59
50 - 54
45 - 49
40 - 44
35 - 39
30 - 34
25 - 29
20 - 24
15 - 19
10 - 14
5 - 9
0 - 4

175,000 125,000 75,000 25,000 25,000 75,000 125,000 175,000



Population Pyramid - 2025

Male Female

90+
85 - 89
80 - 84
75 - 79
70 - 74
65 - 69
60 - 64
55 - 59
50 - 54
45 - 49
40 - 44
35 - 39
30 - 34
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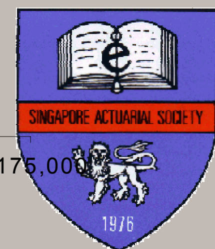

Population Pyramid - 2050

Male Female

90+
85 - 89
80 - 84
75 - 79
70 - 74
65 - 69
60 - 64
55 - 59
50 - 54
45 - 49
40 - 44
35 - 39
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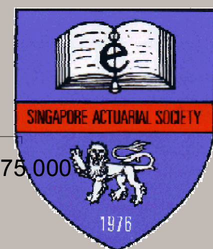

Table

	Inpatient Expenses						Total Expenses					
	2000	2010	2020	2030	2040	2050	2000	2010	2020	2030	2040	2050
Cost per capital	100	113	130	147	161	167	100	110	122	133	141	144
Cost per 20-64 year old	100	114	137	173	203	206	100	111	129	157	178	197

SINGAPORE ACTUARIAL SOCIETY
1976

Costs of Medical Services and Health Care

- Per capita spending S$ 1,347 (US$ 750) in 1999.
- Project future costs
  - Based on projected population development
  - Inflation and medical inflation ignored
  - Uses German age-dependent health costs (Andres Webersinke)

Opportunities

- The German Model

  Actuarial approach as for life insurance
  - Premiums based on entry age („level“ approach)
  - Premiums adjusted for medical inflation
- The South African Model
  - Medical Savings Account (MSA)
  - Annual deductible for non-discretionary care
  - Accounted balances retained
  - Motivation of all parties to minimize expenses
  - Major medical events insured
  - Combine pre-funding, risk pooling and aim to reduce over-utilisation.

Thank You for your Attention

Edward Reiche