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Here's what we can do to keep the lid on rising premiums

Insurers need to change the way doctors are rewarded; patients must be taught the dangers of overconsumption.

Wee Hwee Lin

Many people don't understand that their premiums are based on their claims history. This means if they want to get overtreated, their claims history will be higher and they will end up paying higher premiums in the future. ST FILE PHOTO

There is a good chance that MediShield Life premiums will rise again. The signs are evident.

The freeze on premium rates for Integrated Shield Plans (ISPs) was lifted on Sept 1, 2024. Subsequently, five out of seven ISP providers increased their premiums for private hospital plans, while one ISP provider raised premiums across all hospital plans.

Also, since bill sizes have been rising by 5 per cent a year in public hospitals and 7 per cent annually in private hospitals for several years, it seems inevitable that MediShield Life premiums should also go up.

That brings us to the review of the mandatory health insurance plan by the MediShield Life Council, whose outcomes are expected to be announced in the second half of 2024. The very first area it is looking at is providing Singaporeans with greater assurance against large bills. The other two are expanding outpatient coverage, and extending coverage to new ground-breaking treatments.

The proposed expansion in coverage should be welcomed, as it will provide Singaporeans and permanent residents with greater peace of mind against unexpected, large healthcare bills. But this will inevitably result in an increase in premiums.

Conservatively, premiums may rise by 20 per cent to 30 per cent based purely on healthcare inflation and increased healthcare utilisation. But we cannot allow premiums to increase indefinitely. To keep them in check, we need to understand how healthcare financing works in Singapore and then make tweaks to the system so that insurers, healthcare providers and even the patients themselves can play their part.

THE SINGAPORE SYSTEM

MediShield Life is a key component of our mixed healthcare financing system which includes government subsidies (S), MediSave and MediFund, also known as the S+3M system.

This system differs from those in other countries. For instance, England operates a fully tax-based healthcare financing system where most healthcare providers are government employees. Germany uses a social insurance-based system with premiums jointly contributed by employers and employees, and healthcare providers are predominantly private. Canada follows a national health insurance model managed by the government, largely tax-funded and featuring healthcare providers that are mainly private entities, combining elements of the systems in England and Germany.

Singapore's S+3M system mitigates the dual challenges of an ageing and shrinking population by not relying solely on the working population's taxes to finance healthcare. Premiums are calculated based on age cohorts, with older people paying more. This helps to ensure that the younger working population does not end up cross-subsidising the older non-working population.

Deductibles and co-payments are in place to discourage excessive healthcare consumption, often referred to as the buffet syndrome. This keeps the healthcare financing system sustainable for both current and future generations.

However, these design features may no longer effectively hold the lid on rising cost pressures if there are no accompanying changes in the behaviour of key stakeholders: private insurers, doctors and patients. Here are three things that we should do urgently.

SHIFT TO A VALUE-BASED MODEL

First, private insurers need to shift from a fee-for-service model to a value-based model, where doctors are rewarded based on patient outcomes rather than the volume of services rendered. The fee-for-service model often results in unnecessary healthcare utilisation, driving up healthcare expenditure.

A value-based model may include mechanisms such as pay-for-performance, where providers receive bonus payment if they meet pre-agreed outcomes that reflect clinical quality, bundled payment, where providers receive a single payment for all the services required to treat a patient undergoing a specific episode of care, or shared savings and risk-based contracts, where providers receive a portion of the savings generated if they meet quality and cost targets.

These various mechanisms have been implemented in many health systems for more than a decade including in the US and England. Public healthcare institutions in Singapore have also implemented these mechanisms since 2021. Doctors do not necessarily like these mechanisms as there is significant administrative burden and their income (specifically for those in the private sector) may be reduced. However, doctors are also intrinsically driven to deliver the best care for their patients. Hence, most will appreciate the need for such mechanisms.

IF YOU CONSUME MORE, YOU PAY MORE

Second, the Ministry of Health and private insurers must improve public understanding of health insurance. This will help ordinary Singaporeans understand that irresponsible and irrational healthcare consumption behaviours may lead to higher premiums in the future.

Many people don't understand, for example, that their premiums are based on their claims history. This means if they want to get overtreated, their claims history will be higher and they will end up paying higher premiums in the future.

People must also realise that there is a maximum claims limit per policy year. Hence, unnecessary overconsumption at the beginning of the policy year may mean they could find themselves unable to claim for genuine needs towards the end of the policy year.

Apart from the policy year claims limit, there are also limits on specific categories of benefits. For example, the claim limit for implants is $7,000 per treatment. That is why, to avoid bill shock, it is important for patients and their family members to understand the various limits in their insurance plans and to know the cost of a treatment before proceeding with it.

TECHNOLOGY CAN LOWER COSTS

Third, the Ministry of Health, private insurers and doctors must help patients and their family members understand why treatment settings need to shift from hospitals to the community and even homes. Singapore has limited land for building hospitals, and hospitals are expensive to run and maintain. Technology can reduce the need for in-person visits, decrease healthcare manpower needs, and improve the timeliness of care.

Telemedicine digital health solutions can help with this, but they haven't caught on as they should. That's why it's important to raise awareness of the value of technology-enhanced healthcare and put incentives in place so that more people are encouraged to avail themselves of these services.

All stakeholders must work closely together to contain the rising cost of healthcare.

Otherwise we could see taxes rise or more of our Central Provident Fund (CPF) contributions allocated to MediSave. This can eat into our disposable income and affect our retirement readiness. Hopefully, we will act collectively and swiftly to manage rising healthcare costs effectively, sparing future generations the thankless task of fixing the system.

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