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23 February 2016

Prof Tan Ser Kiat  
President  
SINGAPORE MEDICAL COUNCIL  
16 College Road  
#01-01 College of Medicine Building  
Singapore 169854

Dear Prof Tan,

**Administration Fees charged by Managed Care and Third Party Administrator Companies**

The SMA closely monitors the business environment in Singapore and is particularly concerned with business arrangements that have an impact on the practice of medicine in Singapore.

I write to seek SMC's guidance on the business practices of certain Managed Care (MC) and Third Party Administrator (TPA) companies that inevitably involve registered medical practitioners (i.e. doctors).

MC and TPA companies charge an administrative fee on participating doctors when these doctors see patients that are managed/administered under, and referred, by these MC and TPA companies. SMA believes that a reasonable fee can be charged because resources are utilised by these companies in the running of MC and TPA schemes. Patients under such schemes are given a list of 'panel' doctors as part of their employee health benefits. In the case of specialists, these patients could also be policyholders of certain Medishield-related (i.e. integrated shield plans) insurance products.

It is now increasingly common that a percentage fee is deducted from the professional fees charged by doctors for services rendered. They can range from a few percentage points to 15 or even 20 percentage points. In the case of small bills, a 10% deduction may bear some relation to the amount of actual resources utilised and services rendered. For example, a \$10 deduction off a \$70 to \$100 bill may not be unreasonable. However, when the bill is large, as in the case of inpatient surgical procedures, administration of anaesthesia, and professional charges for ward rounds, the total amount may come up to more than \$10,000 per inpatient admission. In this case, a deduction of \$1,000 to \$1,500 will be excessive because the "administration fee" so derived bears little semblance to the resources utilised or services rendered.

A MC or TPA Company that administers a patient who requires an ACL reconstruction does not expend 100 times the resources of a patient that has lower back pain that requires medical attention.

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The SMA is concerned about companies deducting excessive administrative fees from participating doctors, because it sets up a system whereby patient interests may not be best served when they are preferentially directed to panel specialists, even when their insurance plans allow them more choice.

Firstly, we would like to clarify if such an arrangement is considered "fee-splitting".

The SMA is aware of at least one instance when SMC had suspended a doctor in 1981 for "fee-splitting", i.e. giving kickbacks for referrals, and we would like to clarify if this position of SMC still stands. We would be most grateful if SMC could give advice for doctors who are participating or are thinking of taking part in schemes where an administrative fee is derived as a percentage of total fees charged and deducted "at source" (i.e. deducted from the doctor's bill) by the MC or TPA – does this amount to "fee-splitting" and is "fee-splitting" still considered unethical?

Secondly, we are concerned that doctors who allow deduction of excessive administrative fees may be considered as having induced companies to refer patients to them.

The argument lies in the fact that if a doctor does not agree to give the percentage fee to the MC or TPA, he would not have been referred the patient and the MC and TPA would have certainly referred the patient to another doctor who was willing to give up an excessive part of his fees for the referral. There is a conflict of interest if the TPA administers the referral system because there is financial gain if the patients see TPA panel doctors. The patient's best interests is not served when choice becomes limited. Can the large fees that these MC and TPA companies are levying on the participating doctor amount to a commission?

In general, the SMA is of the opinion that a flat or fixed fee should be charged for each patient episode, rather than as a percentage. And this fee paid to the MC and TPA must have a bearing on the work done in facilitating the referral.

We look forward to your comments on the above matters, and I would be most happy to meet with you if you wish to discuss these issues further.

Yours sincerely

Dr Wong Tien Hua  
President  
Singapore Medical Association

cc:  
A/Prof Benjamin Ong  
Registrar, Singapore Medical Council  
Director of Medical Services, Ministry of Health