

SMA's Advocacy Efforts on MANAGED CARE

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 here.

Managed care has been a feature of our healthcare business landscape for many years and a number of third party administrators (TPAs) have come and gone. SMA thought that this was a matter of sufficient concern and dedicated our 37th annual national convention in 2006 to the topic of managed care (<https://goo.gl/vz2Q63>). SMA also conducted surveys on managed care in 2003, 2006 and 2015, with the latest survey results published in the May 2016 issue of *SMA News* (<https://goo.gl/k6E28F>). The August 2016 issue (<https://goo.gl/QiYQpM>) was also dedicated to the discussion of various aspects of managed care.

On 23 February 2016, the SMA Council wrote to seek the Singapore Medical Council's (SMC) guidance on the business practices of certain managed care companies and TPAs that inevitably involve registered medical practitioners (ie, doctors). 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 options. We wrote to SMC to clarify if, firstly, such an arrangement is considered "fee-splitting", and secondly, if doctors who allow deduction of excessive administrative fees may be considered as having induced companies to refer patients to them.

In general, SMA is of the opinion that a flat or fixed fee should be charged for each patient episode, rather than a percentage of the bill. This fee paid to the managed care company and TPA must also have a bearing on the work done in facilitating the referral.

Though we understand that the regulation of managed care companies and TPAs do not come under the ambit of the SMC, the Association feels that doctors in Singapore need guidance from SMC on whether they can participate in such practices, or if engagement in such practices would constitute unethical behaviour or professional misconduct.

We reproduce below SMC's reply, and a Parliamentary Question and Answer on managed care companies which was first published on the Ministry of Health website (<https://goo.gl/MpAUu0>).

SMC's Letter to SMA

8 September 2016

Dear Dr Wong,

RE: Fees Charged by Managed Care Companies and Third Party Administrators

1. We refer to the letters of the Singapore Medical Association dated 23 February 2016 and 22 March 2016.
2. The role of the Singapore Medical Council (SMC) under the Medical Registration Act is to regulate the doctors' professional standards and behaviour.
3. In an earlier draft of the revised SMC Ethical Code and Ethical Guidelines (ECEG), the Working Committee for the review of the ECEG had labelled such percentage fees as "fee-splitting" and was of the view that it should not be allowed. What followed in the first consultation was feedback from stakeholders, including SMA members that SMC should not to interfere with business arrangements, especially when such fees are not deemed to be "fee-splitting" in some jurisdictions (extracts of SMA members' collated feedback are appended below).



Date	Name	Feedback
28 Nov 2014	SMA (collated responses from individual members of SMA)	<p>It is better to state the broad ethical dilemma of fee-splitting.</p> <p>Private medical service providers do make it a business to source for patients and refer doctors. How can SMC tackle such behaviour if they have no jurisdiction to control these for-profit companies?</p> <p>The business methods and ways of charging can vary and there are many ways of creatively side stepping any rules that SMC may impose.</p> <p>Does SMC have any idea how the Managed Care systems and the Insurers and Third Party Administrator system works? Almost all insurance claims have to be through TPA who charges an administrative fee as a percentage of the total fees. If SMC is to make this work, SMC would have to work with the insurers and TPAs to sort out this issue, and ban such administrative fees imposed on the doctors. Otherwise, such agreements will always exist, doctors will be tempted and "PUT THEM AT RISK OF UNETHICAL BEHAVIOUR"</p>
28 Nov 2014	SMA (collated responses from individual members of SMA)	<p>Summary points, bullet 2:</p> <p><i>"If you have decision-making responsibilities in your practice or company or benefit directly from such disallowed dealings, you will be held professionally accountable."</i></p> <p>Intruding on Companies Act.</p>
28 Nov 2014	SMA (collated responses from individual members of SMA)	<p>summary points, bullet 4</p> <p><i>"Administrative fees of amounts commensurate with the real cost of administration may be paid to third parties such as managed care organisations, but it must not be based on a proportion of fees, charges or bill size as this would be fee-sharing."</i></p> <p>Managed healthcare organisations perform bill collection on behalf of panel doctors. They routinely charge percentage of doctors' bills as administrative costs.</p> <p>While this can be termed as fee-splitting, it has been an exempted from the general ban on fee-splitting in the State of Illinois.</p> <p>It is a convenient system which allows doctors the leeway to keep their fees low if they wish, as the admin fee will be proportionately low. The system is not perfect but it is logical. Usually charges are already capped by the managed healthcare organisation so risk of overcharging is low and the range of admin fees is limited.</p> <p>The alternative would be to charge a fixed administrative fee, but this has its own moral hazards. If this fee is set too high it will encourage the doctor to over-service the patient and charge more in order to recover back the costs.</p> <p>http://virtualmentor.ama-assn.org/2009/05/hlaw1-0905.html</p> <p>http://dermatologytimes.modernmedicine.com/dermatology-times/news/modernmedicine/modern-medicine-now/can-outsourced-billing-be-considered-illeg?page=full</p>
28 Nov 2014	SMA (collated responses from individual members of SMA)	<p><i>i) You shall not share your fees (sometimes called "fee-sharing" or "fee-splitting"), make payments or offer gifts or any other consideration for patients referred to you from any source.</i></p> <p>This statement is too general. But I agree we should prohibit paying percentage referral fee to licensed clinics and agents. These sources do not place a restriction on doctors' charges and the temptation is to over-service and overcharge the patient in order to recover the referral fee. The referral fee has no upper limits and bears no correlation to the amount of work done by the referring source.</p>
28 Nov 2014	SMA (collated responses from individual members of SMA)	<p>Para (iv):</p> <p><i>"You are not allowed to pay a percentage of professional fees, total charges or bill size to any third party payer (e.g. managed care organisation or insurance company) for the privilege of receiving patients referred by them. Administrative fees may be paid, but this must be a reasonable, pre-determined, fixed sum for each patient, commensurate with the real cost of administration, and fees must not vary with your charges, fees or bill size, otherwise you will effectively be 'fee sharing' or 'fee splitting' with a party who has not rendered a commensurate part of the services."</i></p> <p>As this is well entrenched, any changes cannot happen overnight. 3rd party payers should be engaged in the discussion. In the meantime, we should not pre-judge them.</p>

4. The SMC agrees with you that the regulation of these managed care companies and third party administrators (TPAs) does not come under the ambit of SMC. Neither can SMC identify business patterns that are of such high risk to professionalism that they ought to be prohibited on grounds of medical ethics, since the range of options is wide and there will always be creative ways to circumvent specific prohibitions.
5. The approach and SMC's stand on this are as follows:
 - (a) Doctors who participate in managed care or TPA contracts must not allow any financial constraints or pressures inherent in such schemes to influence the objectivity of their clinical judgment in managing patients, such that the required standard of care is not provided. Should doctors be challenged as to whether they provided appropriate care, it is not a defence that the contracts they have entered into did not allow them to provide the necessary standard of care. Patients should not get differential treatments just because they are from companies which are involved in such contracts with doctors.
 - (b) Paying of fees is in and of itself not necessarily disallowed, provided in general, the sums reflect the actual work of the managed care companies or TPAs in handling and processing patients and that such fees must not be based primarily on the services doctors provide or the fees they collect from patients. SMC would deem unethical the sharing or splitting of fees with a referring doctor, merely for the privilege of being referred a patient, with no commensurate work done justifying such fees. Both doctors would then have behaved unethically. If a doctor splits fees with a third party who is not a doctor and has done nothing commensurate with the payment, the doctor would be deemed to have behaved unethically.
 - (c) Doctors must not pay fees that are so high as to constitute "fee-splitting" or "fee-sharing", or which impact their ability to provide the required level of care. Therefore, doctors need to give due consideration to any contract before signing. Where the boundary is between a reasonable fee and "fee-splitting" is a matter for judgment.
 - (d) If doctors pass such fees onto patients, doctors ought to be transparent about this with their patients and disclose this to them.
6. SMC is of the view that patients' best interests are compromised when:
 - (a) Patients are sent to doctors inappropriate to their needs, due to the doctors agreeing to pay fees to managed care companies or TPAs;
 - (b) Doctors under-treat patients due to financial pressures;
 - (c) Doctors over-treat patients to make higher revenues to cover the fees they must pay; and
 - (d) Doctors grossly over-charge patients in order to redeem high business costs due to such fees.
7. SMC understands why SMA prefers a "fixed fee", but is of the view that however fees are constructed, what is important is that the fee paid must not be based primarily on the services doctors provide or the fees they collect from patients. We believe this addresses the problem sufficiently without a need to specify how the fee should be derived.
8. We encourage SMA, as the profession's advocate, to engage the industry to bring about fairer practices as well as engage and educate doctors on how to handle such contracts without breaching their obligations to patients.

Thank you.

Yours sincerely,
Prof Tan Ser Kiat
President
Singapore Medical Council

Parliamentary Q&A on Managed Care Companies



13 September 2016

Mr Desmond Choo
MP for Tampines GRC

Question No. 583

To ask the Minister for Health (a) whether the Singapore Medical Council is aware that some managed care companies require doctors to pay administrative fees for the “referral” of patients and, if so, what is their response; and (b) whether this practice will result in patients having to pay more.

Written Answer

- 1 Managed care has been a feature of our healthcare landscape for many years. Managed care companies serve to provide intermediary services to various stakeholders such as insurers, corporations, healthcare providers and patients.
- 2 In recent months, the Ministry of Health (MOH) and the Singapore Medical Council (SMC) have received feedback from individual doctors and the Singapore Medical Association (SMA) regarding managed care companies, or third party administrators (TPAs), entering into contracts with doctors, where the doctor would commit to pay a fee for each patient referred by the TPA.
- 3 This raises concerns that TPA’s decisions on patient referral may be influenced by the fee arrangement rather than the interest of the patients. The doctor may in turn pass on the cost of the referral fee to the patient through higher charges. In some cases, the patient may not be aware of this, especially if his bills are fully covered by his insurance plan or employee benefits. It is of particular concern if the fee is determined as a percentage of the doctor’s charges, without relation to the actual services rendered by the TPA.
- 4 The SMC is revising its current Ethical Code and Ethical Guidelines, which already addresses fee-sharing between doctors, to also address fee-sharing between doctors and TPAs. The revised guidelines will explicitly state that doctors must not allow financial arrangements in managed care to lead to any compromise in the care of the patient.
- 5 MOH is also working with the medical professional bodies and associations to raise doctors’ awareness of appropriate arrangements with TPAs. We will continue to work with the Life Insurance Association to remind the Integrated Shield Plan (IP) insurers to ensure that their appointed TPAs, if any, should not have any conflict of interest and should disclose to policyholders any financial arrangements they have with the doctor. ◆