M Ramesh

Case Study in Good Governance: Health Care in Singapore

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Outline

- Introduce Market and Government Failures in Health care
- Describe Singapore's key healthcare achievements
- Chronicle health care reforms in Singapore
- Examine how the reforms address
  - Market failures
  - Government failures
- Conclusion
  - The Goal of healthcare reforms should be to steer clear of both government and market failures
  - Healthcare reforms require constant tweaking of market and government arrangements

Market and Government Failures in Healthcare

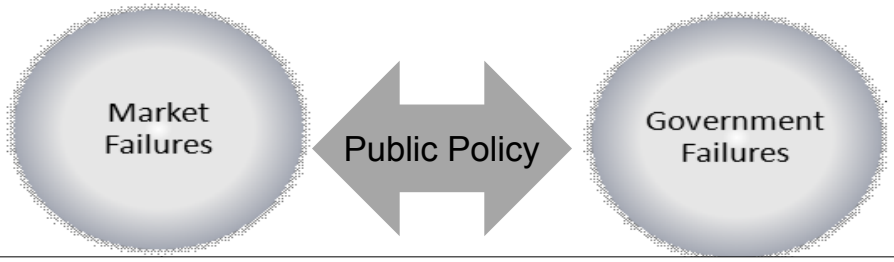
Market failures prominent in health care sector:

- Externalities,
- Imperfect information,
- Non-competitive markets.

Government failures prominent in health care sector

- Principal-Agent problem,
- Rising Costs
- Stagnant and/or deteriorating quality,

Chal[illegible]ome both



State of healthcare in Singapore

- WHO (2000) ranked Singapore's health care system 6th among 192 countries
- Infant mortality rate (IMR) of 2.1 per 1000 births in Singapore is less than half the OECD average
- Life expectancy of 80.6 years is higher than the OECD average
- Singapore spends little on healthcare
  - Per capita health spending is PPP$ 1,536, compared to average of PPP$ 2,920 in OECD
  - Total health expenditures formed 3.3% of GDP, compared to 8.9% in OECD
  - Healthcare CPI lower than general CPI in recent years!

The healthcare system in Singapore

- Singapore's achievements may be partially explained by its youthful population (albeit ageing rapidly)
- The Health care system explains much of the achievements
- Key features of the healthcare system
  - Provision:
    - 80.7 % of all hospital beds are in the public sector
    - 55% of all physicians in the public sector
  - Financing
    - Government expenditure on health care forms only 33% of THE
    - Almost all of private expenditures is from non-insurance sources

Healthcare Reforms in Singapore

- Began in the mid-1980s
  - In the face of worries that traditional public institutions and processes were too inflexible and lacked sufficient incentives for improvements.
- Mid-1980s
  - Privatization of public hospitals and adoption of new public management techniques in the hope of improving servicing quality and lowering costs.
- Early 1990s
  - Reassertion of state's role
- Current arrangement
  - Market- based tools used to address government failure
  - State-based tools used to address market failures

Healthcare Policy Components and their target failures: **Provision**

MARKET FAILURE	GOVERNMENT FAILURE
• **State ownership of hospitals and polyclinics**	• Competition among public providers
• **Large hospital clusters**	• Public hospitals registered as private firms, but entirely owned by the government.
• **Quality accreditation for hospitals**	• Autonomy for managers of public hospitals
• **Transparency in healthcare price, bill, and outcomes**	• Private hospitals compete with public hospitals
• **Integrated information technology platform**	

Healthcare Policy Components and their target failures: **Payment System**

MARKET FAILURE	GOVERNMENT FAILURE
• **Block and Casemix funding for public hospitals** • **Fixed salary for physicians in public hospitals** • **Government oversight of billing practices and bill sizes**	• Public hospitals allowed to retain surplus revenues • Bonus for physicians in public hospitals • Clinical standards

Healthcare Policy Components and their target failures: **Financing**

MARKET FAILURE	GOVERNMENT FAILURE
• **Subsidy for public hospitals and polyclinics** • **Medisave** • **Medishield** • **Mediffund**	• User charges at all public hospitals and clinics

Conclusion

- Comprehensive and incessant reform efforts
- Singapore's turn to market-centred mechanisms to address failings of the government-centred system in the mid-1980s had wide-ranging impacts
  - Promoted cost consciousness and improved service quality
  - But also worsened affordability and raised total expenditures with increasing share accounted by OOP payment.
- The trends necessitated corrective actions to address market failures.
  - Constant tweaking of the system In the following years, encompassing provision, provider payment and financing of health care.

Conclusion

- Provision
  - The key to containing market failures is the government's continued ownership of hospitals.
  - Complemented by measures to promote international accreditation for hospitals and transparency in pricing and performance information with the purpose of improving quality while containing costs.
  - To offset the associated government failures, public hospitals required to compete for patients and revenues.
  - Managers given operational autonomy, but under government watch.

Conclusion

- Provider Payment
  - To check the the flipside of competition for revenues:
    - Public hospitals are paid on a block grant or Casemix basis, not FSS.
    - Physicians are employed on fixed salary and not the volume of services they provide.
  - To contain the moral hazards entailed in fixed income, the government
    - allows hospitals to retain surplus revenues within permitted range and
    - pays physicians a modest bonus based on performance.

Conclusion

Financing

failures addressed through

Subsidy to public hospitals.

- Necessary to offset the adverse effects of user charges in place to address government failures.

Medisave. Individual Medical Savings account

Medishield. Catastrophic insurance.

Medifund. Means-tested public assistance

The 3Ms play a relatively small role.

Warrant reconsideration of their use

Government failure addressed through user charges at public hospitals.

Has equity effects