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Legislative Council
of the
Hong Kong Special Administrative Region

Delegation of the
Panel on Health Services

Report on the duty visit to study Singapore's financing models for healthcare services

27 to 28 July 2006

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Chapter 1 – Introduction

Purpose of report

1.1 A delegation of the Panel on Health Services of the Legislative Council visited Singapore on 27 and 28 July 2006 to study the country's financing models for healthcare services. This report presents the main findings and observations of the delegation.

Background

1.2 The Panel on Health Services is tasked to monitor and examine the Government policies and issues of public concern relating to medical and health services.

1.3 Various consultation documents on healthcare reform, including options for financing healthcare, had been published by the Government. In his Policy Address delivered on 12 January 2005, the Chief Executive announced that the advisory framework for health services would be reformed to facilitate the tendering of advice to the Government on long-term healthcare policies and financial viability. Pursuant to the announcement, the Health and Medical Development Advisory Committee (HMDAC) was reconstituted in March 2005 and tasked to review and develop the service model for healthcare in both the private and public sectors and propose long-term healthcare financing options. The aim is to ensure that Hong Kong's healthcare system would be sustainable in the face of challenges, such as an ageing population and rising medical costs.

1.4 On 19 July 2005, HMDAC issued a discussion paper entitled "Building a Healthy Tomorrow" which set out its recommendations on the future service delivery model for healthcare in Hong Kong for public consultation. It was stated in the concluding chapter of the paper that as a next step, HMDAC would proceed with discussions on the possible financing options and would put forth recommendations in this regard by the end of 2005/early 2006. As the Administration has not yet reported to the Panel on Health Services on the subject, members have urged the Government to conduct studies on financing options without delay and work out a clear timetable as soon as possible.

1.5 To facilitate members' consideration of the healthcare financing options, members agreed that the Panel on Health Services should conduct a visit to Singapore to learn about the operation of the country's medical saving account system, visit some public and private hospitals and hold discussions with the relevant organisations. The Panel also agreed that the visit should be open to non-Panel Members.

1.6 On 7 July 2006, the Panel obtained the House Committee's permission to undertake the visit to Singapore.

Membership of the delegation

1.7 The delegation comprised the following Members -

Dr Hon KWOK Ka-ki (Panel Chairman and leader of the delegation)
Dr Hon Joseph LEE Kok-long, JP, Deputy Panel Chairman
Hon Fred LI Wah-ming, JP
Hon Vincent FANG Kang, JP
Hon WONG Yung-kan, JP

1.8 Miss Mary SO, Senior Council Secretary (2)8, accompanied the delegation on the visit.

Visit programme

1.9 The delegation visited Singapore on 27 and 28 July 2006. During the visit, the delegation received a briefing by the Ministry of Health and the Great Eastern Life Assurance Co Ltd, and visited two public hospitals, namely Singapore General Hospital and Alexandra Hospital, and one private hospital, namely Raffles Hospital. The delegation also paid a courtesy call to the Singapore-Hong Kong Parliamentary Friendship Group.

1.10 Further details of the visit programme are in **Appendix I**. A list of the Government officials and representatives with whom the delegation met is in **Appendix II**. A list of the reference materials obtained during the visit is in **Appendix III**.

Chapter 2 - Overview of Singapore's healthcare system

General

2.1 The Ministry of Health (MOH) has the overall responsibility for the formulation of healthcare policies and regulation of healthcare services.

Healthcare delivery system

2.2 In Singapore, 80% of hospital care and 20% of primary care are provided by the public system and vice versa by the private system, whereas step-down care is provided entirely by the private sector through voluntary welfare organisations. Two public corporations, namely the National Healthcare Group and the Singapore Health Services, coordinate a network of healthcare service organisations to deliver services within their respective geographical areas.

2.3 In the public hospitals, patients can choose different classes of ward accommodation ranging from one-bedded room to an open dormitory with six or more beds. Subsidy is tiered by class type of ward as follows -

(i) 0% subsidy to Class A (one-two bedded) ward;

(ii) 20% subsidy to Class B1 (three-four bedded) ward;

(iii) 65% subsidy to Class B2 (six-bedded) ward; and

(iv) 80% subsidy to Class C (more than six-bedded) ward.

The average bill size after subsidy in 2004 is S$3,246 for Class A ward; S$2,448 for Class B1 ward; S$1,054 for Class B2 ward; and S$786 for Class C ward. Public health services for acute care and step-down care are subsidised through general taxation.

2.4 To ensure that the subsidy goes to those who need it, means test was introduced in 2000. Subsidy for step-down care is tiered according to patient's per capita monthly household income as follows -

Per capita monthly household income	Rate of subsidy
S$0 – S$300	75%
S$301 – S$700	50%
S$701 – S$1,000	25%
More than S$1,000	0%

2.5 As regards primary healthcare, it is provided at outpatient polyclinics and private medical practitioners' clinics. Patients pay the full cost or part of the cost of primary healthcare services if they have insurance plans covering such services.

2.6 The cost of medicines is usually included in the medical fees and charges. It is, therefore, covered when a patient pays for the hospital or doctor's bill.

Healthcare expenditure

2.7 The nominal GDP in Singapore in 2005 is S$194 billion of which about 3.8% is spent on healthcare. The per capita national expenditure on health is S$2,126 per Singapore resident.

Healthcare financing philosophy

2.8 The financing philosophy of Singapore's healthcare delivery system is based on individual responsibility and community support. Patients are expected to co-pay part of their medical expenses and to pay more when they demand a higher level of service. At the same time, Government subsidies help to keep basic healthcare affordable.

2.9 Currently, Government healthcare expenditure accounts for 27.4% of the national health expenditure, whereas employer-sponsored medical schemes account for 30%, Medisave for 8.8%, MediShield for 1.9% and out-of-pocket payment for 31.9%.

Healthcare financing framework

2.10 To help Singaporeans pay for their medical expenses, a hybrid healthcare financing framework consisting of the following is in place -

(i) Government subvention: funding through subsidised medical treatment at public hospitals and step-down care facilities;

(ii) Medisave: individualised savings introduced in 1984 which allows patients to save up for their healthcare costs;

(iii) MediShield: insurance introduced in 1990 which protects patients against large medical bills and reduces the need to over-save for catastrophic (low probability but high costs) events; and

(iv) Medifund: an endowment fund of S$1.1 billion, set up in 1993 and target to increase to S$2 billion, which acts as the safety net for the poor.

Healthcare manpower

2.11 Singapore currently has about 6 292 doctors, giving a ratio of one doctor to 670 population; 48% of the doctors are in the private sector. About 35% of the doctors are trained specialists with postgraduate medical degrees and advanced speciality training. There are 1 183 dentists, giving a ratio of one dentist to 3 454 population; about 77% of the dentists are in private practice. The nurse to population ratio is 1:220, and 55% of the 18 763 nurses work in the public sector.

Chapter 3 – Singapore's healthcare financing system

Visit programme

3.1 The delegation visited the MOH and received a briefing on Singapore's healthcare financing system. The delegation also visited the Great Eastern Life Assurance Co Ltd, one of the five private insurers for providing the Medisave-approved integrated insurance, and exchanged views on the Integrated Private Medical Insurance Scheme under MediShield.

Presentation of souvenir to Mr Yee Ping Yi, Director of Planning & Development Division and Healthcare Finance, Ministry of Health

Presentation of souvenir to Mrs Boon-Gek Mudelier, Head (Corporate Communications), Great Eastern Life Assurance Co Ltd.

Medisave

3.2 Medisave is a compulsory savings scheme introduced in April 1984 to help Singaporeans build up sufficient savings for their hospitalisation expenses, especially during old age. Under the scheme, every employee contributes 6% to 8% (depending on age group) of his monthly salary to a personal Medisave account.

3.3 Medisave is primarily for hospitalisation expenses, but covers also step-down care and certain expensive outpatient expenses. As a new initiative in 2006, MOH is allowing the use of Medisave to co-pay costs of chronic disease management programmes at outpatient settings for diabetes, hypertension, lipid disorders and stroke.

3.4 Medisave savings can be withdrawn to pay the medical bills of the account holder and his immediate family members.

Contributions to Medisave

3.5 The Central Provident Fund (CPF) Board is the statutory agency for collecting the CPF Fund contributions and crediting the relevant proportion of the funds collected into the corresponding Medisave accounts. The following table lists the contribution rates of the CPF and the allocation rate among the sub-accounts in 2006 -

<table>
<tr><th rowspan="2">Age of employee (years)</th><th rowspan="2">Contribution by employer (% of wage)</th><th rowspan="2">Contribution by employee (% of wage)</th><th rowspan="2">Total contribution (% of wage)</th><th colspan="3">Credited into</th></tr>
<tr><th>Ordinary Account %</th><th>Special Account %</th><th>Medisave Account %</th></tr>
<tr><td>35 or below</td><td rowspan="3">13</td><td rowspan="3">20</td><td rowspan="3">33</td><td>22</td><td>5</td><td>6</td></tr>
<tr><td>36 – 45</td><td>20</td><td>6</td><td>7</td></tr>
<tr><td>46 – 50</td><td>18</td><td rowspan="2">7</td><td rowspan="3">8</td></tr>
<tr><td>51 – 55</td><td>9</td><td>18</td><td>27</td><td>12</td></tr>
<tr><td>56 – 60</td><td>6</td><td>12.5</td><td>18.5</td><td>10.5</td><td rowspan="3">0</td></tr>
<tr><td>61 – 65</td><td rowspan="2">3.5</td><td>7.5</td><td>11</td><td>2.5</td><td rowspan="2">8.5</td></tr>
<tr><td>66 or above</td><td>5</td><td>8.5</td><td>0</td></tr>
</table>

3.6 The salary ceiling for the CPF contribution is S$4,500 per month for an individual for the year 2006. Singaporeans earning more than the ceiling are not required to contribute to the Fund in respect of the additional income. The following table lists the maximum amount of contribution that an individual can make to the CPF and the corresponding distribution among the sub-accounts in 2006 -

<table>
<tr><th rowspan="2">Age of employee (years)</th><th rowspan="2">Maximum contribution by employer</th><th rowspan="2">Maximum contribution by employee</th><th rowspan="2">Total maximum contribution</th><th colspan="3">Credited into</th></tr>
<tr><th>Ordinary Account</th><th>Special Account</th><th>Medisave Account</th></tr>
<tr><td>35 or below</td><td rowspan="3">S$585 (HK$2,779)</td><td rowspan="3">S$900 (HK$4,275)</td><td rowspan="3">S$1,485 (HK$7,054)</td><td>S$990 (HK$4,702)</td><td>S$225 (HK$1,069)</td><td>S$270 (HK$1,283)</td></tr>
<tr><td>36 – 45</td><td>S$900 (HK$4,275)</td><td>S$270 (HK$1,283)</td><td>S$315 (HK$1,496)</td></tr>
<tr><td>46 – 50</td><td>S$810 (HK$3,848)</td><td rowspan="2">S$315 (HK$1,496)</td><td rowspan="3">S$360 (HK$1,710)</td></tr>
<tr><td>51 – 55</td><td>S$405 (HK$1,924)</td><td>S$810 (HK$3,847)</td><td>S$1,215 (HK$5,771)</td><td>S$540 (HK$2,565)</td></tr>
<tr><td>56 – 60</td><td>S$270 (HK$1,282)</td><td>S$562.5 (HK$2,672)</td><td>S$832.5 (HK$3,954)</td><td>S$472.5 (HK$2,244)</td><td rowspan="3">S$0 (HK$0)</td></tr>
<tr><td>61 – 65</td><td rowspan="2">S$157.5 (HK$748)</td><td>S$337.5 (HK$1,603)</td><td>S$495 (HK$2,351)</td><td>S$112.5 (HK$534)</td><td rowspan="2">S$382.5 (HK$1,817)</td></tr>
<tr><td>66 or above</td><td>S$225 (HK$1,069)</td><td>S$382.5 (HK$1,817)</td><td>S$0 (HK$0)</td></tr>
</table>

3.7 On top of the mandatory contributions jointly made by employees and employers, employees may choose to make voluntary contributions to their CPF accounts which are in turn credited into their sub-accounts. However, the combined mandatory and voluntary contributions cannot exceed the annual contribution level of S$25,245 for 2006.

3.8 As a means to reward employees, employers may also choose to contribute more to their employees' Medisave accounts through the Additional Medisave Contribution Scheme. Under this voluntary scheme, employers decide how and to whom the additional contributions are to be made. The limit of additional contribution to be made is S$1,500 per employee per year.

3.9 All self-employed individuals who earn above a certain salary, currently at S$6,000 a year, must also make contributions to their Medisave accounts. The amount of Medisave contribution is capped at an annual income ceiling of S$60,000.

3.10 The Government may offer cash grants, known as "Top-Ups", to the Medisave. The "Top-Ups" are usually announced in the annual budget speech.

3.11 Medisave savings will earn interest at the prevailing CPF interest rate. The Medisave savings, together with the earned interest retained in the Medisave account, are tax-deductible.

<u>Ceiling on contributions to Medisave</u>

3.12 Accumulated savings in a Medisave account are subject to a contribution ceiling, which is the maximum amount of savings permitted to be retained in the account before retirement. Savings beyond the ceiling will

overflow to the Ordinary Account to give members the flexibility of using the savings for housing, education and investment purposes. The Medisave contribution ceiling for 2006 is S$32,500.

Withdrawals from Medisave

3.13 A CPF member can use his Medisave savings to pay the hospitalisation expenses incurred at any hospital in Singapore for himself as well as his immediate family members, subject to the withdrawal limits of up to S$400 per day for hospital charges and between S$150-S$5,000 for surgical operations. Nine out of 10 Singaporeans use Medisave to pay for their hospital bills.

3.14 MOH has informed the delegation that the Medisave withdrawal limits are necessary to ensure that members' Medisave savings are conserved for future medical needs, especially during old age. The limits are considered to be generally adequate to cover most of the charges incurred in the Class B2 and C wards. However, for expenses incurred in the private hospitals and Class A and B1 wards of public hospitals, the patient usually has to pay cash out-of-pocket for the part of the bill which exceeds the withdrawal limits.

3.15 When a CPF member reaches 55, he is allowed to withdraw savings from his Medisave account, subject to the retention of a minimum of S$27,500, or the actual Medisave balance, whichever is the lower.

MediShield

3.16 MediShield is set up in 1990 as a low-cost catastrophic medical insurance scheme and run by the CPF Board to help Singaporeans pay for large hospitalisation bills at the lower-class wards, i.e. Class B2/C wards, in public hospitals.

3.17 In 2005, MediShield was enhanced to protect Singaporeans against the financial burden of large hospital bills at the Class B2 and C wards through higher payouts and an increase in maximum coverage for policyholders aged between 80 and 85. In addition, a policyholder gets a 10% discount on premiums for every 10 years he is on MediShield, up to a maximum of 40% discount, if he is above 70. It was estimated that a patient’s share of a large Class B2 or C hospital bill would be halved to about 30% as compared to 60% previously.

3.18 The 2005 reform also saw the integration of the then existing private medical insurance plans with the MediShield to offer enhanced plans to Singaporeans who wanted and could afford private hospital and Class A/B1 facilities in public hospitals as one single product. In order to participate in the integrated private medical insurance scheme under MediShield, the private insurers must meet the minimum regulatory requirements set down by MOH in

that their medical insurance plans must consist of minimum deductible and co-insurance elements.

3.19 In addition, MediShield Plus has been set up in 1994 by MOH as a high-cost catastrophic medical insurance scheme to allow Singaporeans to upgrade the MediShield benefits. In the 2005 reform, MediShield Plus was transferred en bloc from the CPF Board to a private insurer through open tender and renamed IncomeShield.

3.20 At present, there are five private insurers providing 15 integrated private medical insurance plans under the MediShield commonly known as Medisave-approved integrated insurance plans.

3.21 The CPF Board and health insurance companies have become the joint insurers for an integrated MediShield plan. The insured of an integrated MediShield plan is eligible for the MediShield benefits plus additional benefits, such as upgrading to higher-class wards. While the CPF Board is responsible for the provision of MediShield benefits, health insurance companies offer a variety of packages of additional benefits for different levels of premiums.

Eligibility

3.22 MediShield is an opt-out scheme for all Medisave account holders. When one starts contributing to Medisave, the CPF Board will send a MediShield auto-cover package to the CPF member and he will be covered automatically under MediShield as long as he does not opt out.

3.23 The MediShield maximum entry age is 75 and the maximum coverage age is 85.

Coverage

3.24 MediShield covers medical expenses incurred during hospitalisation, including normal ward charges, intensive care unit charges, medications, investigations, surgical implants and surgical procedure fees. It also caters for certain approved outpatient treatments, such as kidney dialysis, chemotherapy and radiotherapy for cancer treatment.

Premiums

3.25 The annual premiums for MediShield range from S$30 for those below 30 years old to S$705 for those between the age of 84 and 85. Medisave can be used to pay MediShield.

MediShield reimbursement

3.26 MediShield reimbursement is determined by three parameters -

(i) Claimable Limits: the portion of the patient bill that is eligible for reimbursement, or the claim amount, is determined by the maximum limits per day of hospitalisation/surgical procedures/ surgical implants/approved specific treatments and outpatient treatments;

(ii) Deductible: this is the claim amount below which no reimbursement would be made from the MediShield; and

(iii) Co-insurance: MediShield will pay between 80% to 90% of the claim amount in excess of the deductibles (if applicable) and the insured will pay the remaining 10% to 20%.

3.27 According to MOH, deductibles and co-insurance are necessary to avoid the problems of excessive demand for medical services which fully pre-paid insurance schemes tend to encourage. Both deductibles and co-insurance can be paid through Medisave.

Medisave-approved integrated insurance plans

3.28 Apart from the MediShield scheme run by the CPF Board, a MediShield policyholder can also choose from other Medisave-approved plans offered by private insurers. All CPF members who were on the MediShield scheme prior to the MediShield reform in 2005 were transferred automatically to the restructured MediShield plan after the reform, and they can continue to use their Medisave to pay for their MediShield premiums. They do not have to subscribe to the enhancement plans offered by private insurers if they do not wish to. While a CPF member can subscribe to more than one private Shield plan, such multiple coverage is considered unnecessary by MOH, as the total reimbursement from all the plans is limited to the amount that has been actually incurred. Furthermore, Medisave can be used to pay for the premiums of one private Shield plan only.

3.29 The withdrawal limit of the Medisave-approved integrated insurance plan is S$800 per policy per year. Currently, more than 90% of the working population subscribe to the MediShield and the Medisave-approved integrated insurance plans.

Employer-sponsored schemes

3.30 Apart from the mandatory requirements for making contributions to the Medisave accounts of their employees, employers can also implement the Portable Medical Benefits Scheme (PMBS) or the Transferable Medical Insurance Scheme (TMIS) to provide continual inpatient medical coverage for their employees when they change jobs or during periods of unemployment.

3.31 Under the PMBS, employers make an additional contribution to employee's Medisave account every month for the employee to purchase a personal medical insurance to cover his inpatient needs under the MediShield or other Medisave-approved medical insurance scheme. Contrary to the voluntary Additional Medisave Contribution Scheme, the PMBS is an institutionalised scheme consisting of a contribution rate negotiated between employers and employees or unions. Contributions to this scheme is limited to S$1,500 per employee per year. As regards the TMIS, it is an enhancement to the existing employer-sponsored group medical insurance plans whereby an employee receives an extension of inpatient coverage up to a maximum of 12 months when he leaves his job for whatever reasons. Within the 12-month period, when the employee joins a new employer who also has a TMIS, the employee is deemed to be continuously insured.

3.32 Employers implementing the PMBS or the TMIS enjoy a tax deduction of up to 2% of total payroll, as opposed to only 1% deduction of total payroll if they provide medical benefits to their employees.

Medifund

3.33 Medifund is an endowment fund set up by the Singapore Government as a safety net of last resort to help those patients who, despite heavy Government subsidies, as well as Medisave and MediShield, are unable to pay for their medical expenses. Patients receiving inpatient treatment in B2 or C Class wards or subsidised outpatient treatment in the public hospitals may apply for help from Medifund. With effect from 1 April 2001, the scheme has been extended to voluntary welfare organisation-run residential step-down care facilities.

3.34 Singaporeans who are in financial difficulties can approach medical social workers in the hospitals for assistance. Medical social workers manage various assistance schemes such as Medifund to help patients in financial difficulties pay their medical bills. They will assess the applicants' circumstances and recommend the appropriate financial assistance. Applications for Medifund can also be made through the medical social workers.

3.35 Applications for Medifund assistance will be considered by Medifund Committees. Medifund committee members are individuals who are actively involved in community or social work and who would be familiar with the needs and problems of the lower income groups. The amount of help each applicant receives from Medifund will depend on individual circumstances.

3.36 In 2005, a Medifund grant of about S$39 million was provided to hospitals and voluntary welfare organisations to assist patients in financial difficulties to pay for their medical expenses. As high as 99% of Medifund applications are approved each year. Medifund currently stands at S$1.1 billion, with a target to increase to S$2 billion.

ElderShield

3.37 ElderShield is a severe disability insurance set up by MOH in 2002 to provide financial protection for the elderly who are unable to perform basic activities such as eating, dressing and toileting. Two private insurers are currently appointed by MOH to run ElderShield.

3.38 ElderShield is an opt-out scheme for all Medisave account holders who are Singapore citizens or permanent residents. Singapore citizens or permanent residents who reach age 40 and who have Medisave accounts will be covered automatically under ElderShield if they do not opt out. The maximum age for joining ElderShield is 69.

3.39 ElderShield provides a monthly cash payout of S$300 for a maximum of 60 months to help the policyholders to pay for their medical bills or home care. Policyholders can either choose to pay yearly premiums until 65 years of age, or a single lump sum premium. Policyholders will be covered for the rest of their life once they have paid the premiums in full.

Chapter 4 – Public and private hospitals

Visit programme

4.1 The delegation visited two public hospitals, namely the Singapore General Hospital (SGH) and the Alexandra Hospital (AH), and one privately-run Raffles Hospital (RH) to receive briefings on the provision of medical services in Singapore. Tours were also taken after the briefings to observe the facilities at these hospitals.

Singapore General Hospital

4.2 SGH is the public sector's flagship hospital. Established in 1821, SGH is Singapore's oldest and largest acute tertiary hospital and national referral centre for 36 clinical services. With about 1 600 beds, SGH accounts for about 25% of the total acute beds in the public sector and about 20% of acute beds nationwide.

Class A ward at Singapore General Hospital

Alexandra Hospital

4.3 AH is a 400-bed acute care general hospital providing comprehensive services for the patients, except in the areas of obstetrics and gynaecology. Originally built to serve the British military just before World War II, it became one of the largest hospitals in Singapore in the 1970s. Over the years, as more and more hospitals were restructured in Singapore, AH began to lag behind the other hospitals in the areas of facilities and clinical services. AH underwent major restructuring in 2000 to focus on being a patient-centre hospital. Since then, it has regained its place as one of the well-regarded hospitals in the public

sector.

Presentation of souvenir to Mr Ng Kian Swan, Deputy Director of Operations, Alexandra Hospital

Raffles Hospital

4.4 RH is a 380-bed tertiary care hospital offering a full complement of specialist services. Currently, 34% of RH patients are foreigners, the majority of whom being from Indonesia and Malaysia. While staying competitive with regional countries such as Thailand in offering "health tourism" packages, which are mostly low-cost surgeries combined with holidays, RH also aims to maintain Singapore's leadership as a regional healthcare hub by providing more complex procedures such as renal transplants, cancer treatment and heart surgeries.

Presentation of souvenir to Dr Loo Choon Yong, Chairman, Raffles Medical Group

Chapter 5 - Observations

General

5.1 The delegation is of the view that the information obtained during the visit has provided useful reference for Hong Kong in the area of healthcare financing. The observations of the delegation are given in the following paragraphs.

Healthcare financing system

5.2 The delegation has noted that in Singapore, much emphasis is placed on individual responsibility in funding the healthcare system in that they have to co-pay part of the medical bills in public hospitals and bear the full costs in private hospitals. Singaporeans well understand that they need to take out health insurance plan when they are in good health to meet their future medical needs. Of the total healthcare cost, 42.6% is shouldered by individuals. Organisations providing medical benefits for their employees come second in the share of total healthcare cost comprising 30%, and the remaining 27.4% is shouldered by the Government. As such, the medical savings account system has provided resources for individual healthcare spending and reduced the Government's public spending in healthcare.

5.3 The delegation has observed that Medisave has been designed to prevent the moral hazard of over-consumption by patients. Medisave also provides patients with the freedom to spend their money where they want and make providers more responsive to patients' needs and promote price competition as a result. Similarly, MediShield, with built-in deductibles and co-insurance, prevents over-consumption by patients and over-servicing by providers.

5.4 Five private insurers which met the regulatory requirements of deductibles and co-insurance were selected through a Government tendering exercise to offer Medicate-approved integrated insurance plans to CPF members. While a range of 15 Medisave-approved integrated insurance plans are now made available to CPF members and also the older population and the premiums are kept affordable, the delegation has noted that the five private insurers are secured in their source of clients.

5.5 Although MediShield is an opt-out scheme, the delegation has noted that over 90% of the working population have subscribed to MediShield and/or the Medisave-approved integrated insurance plans. This could be attributed to the proactive effort put in by MOH to encourage Singaporeans to subscribe to MediShield at an early age. While a CPF member can opt in and out of MediShield or the Medisave-approved integrated insurance plan as often as he wishes, he will be subject to medical underwriting at each point of opting-in

MediShield. If he suffers from a serious or chronic illness at that point in time, he may not be allowed to join or will not be insured for that pre-existing illness.

5.6 The delegation also notes that the requirement for employers and employees to make contributions to the Medisave accounts is mandatory. In addition, the Singapore Government encourages employers to implement the PMBS or the TMIS by tax deduction of up to 2% of total payroll in order to cater to the need of the employees for continual inpatient medical coverage when they change jobs or during periods of unemployment.

5.7 The delegation has observed that a CPF member can use his Medisave and MediShield also on his family members. This has the advantage of pooling resources and re-distributing them among family members. The implementation of MediShield, and in particular the Medisave-approved integrated insurance plans, also has the effect of promoting more even distribution of workload between the public and private sectors. The insured can choose the class of medical care which they want in public and private hospitals so long as the costs can be covered by their insurance plans after deductibles and co-insurance. With Medisave and the reformed MediShield, Singaporeans should have no problem with hospital bills at the Class B2/C level.

5.8 Nevertheless, the delegation has observed that certain sector, including the poor and the working poor, as well as the aged requiring long-term care, may be disadvantaged under the family-based self-help concept of the Medisave system. People who are homemakers for most of their lives are particularly vulnerable in that Medisave helps such people only if their working spouses left money in their account or voluntarily funded a Medisave account for them. The alternative of calling on their adult children to help may not be viable if their children are low-income earners themselves, and this group of people will have to turn to Medifund or other charities for financial assistance.

5.9 The delegation has also observed that the Singapore Government has kept its healthcare financing system under continuous review to ensure that the system can aptly meet the ever-changing circumstances. Since the establishment of Medisave in 1984, the Government set up MediShield in 1990, Medifund in 1993, MediShield Plus in 1994 and ElderShield in 2002, and carried out a reform to MediShield in 2005.

Public and private hospitals

5.10 Members are impressed by the high standards of facilities provided at the public and private hospitals which they visited, namely the Singapore General Hospital (SGH), the Alexandra Hospital (AH), and the Raffles Hospital. Wards of all classes are airy, clean and well fitted-out, and are on par with any modern world-class hospitals.

5.11 The delegation has observed that in order to discourage non-urgent patients using the emergency department at public hospitals, a fee of S$80 excluding medications is charged. This is higher than the fee charged by outpatient services at public clinics, some of which operate on a 24-hour basis, and private general practitioners.

5.12 The delegation notes that the distribution of beds in Class A, B1, B2 and C wards of SGH are about 11%, 21%, 51% and 17% respectively. Although there is sufficient number of beds in Class A, B1 and B2 wards to cater to patients' choice, the demand for Class C ward is greater than supply. Patients are uplodged to the next class of ward if their choice of ward is unavailable at admission. To prevent patients who insist on staying at the hospital despite being assessed to be clinically fit to be discharged, SGH will charge these patients Class A ward fees even though they reside in subsidised wards.

5.13 In order to retain good and experienced doctors, the delegation has observed that SGH implements a Faculty Practice Plan (FPP) which allows its doctors to spend up to 20% of their time each week in private practice outside the hospital. Under the FPP, SGH rents consultation clinic space from a private healthcare provider for SGH doctors to see patients and charge market rates for their services. A pre-determined quantum from the doctor's charges is retained by SGH to cover rental and overheads.

5.14 The delegation has also observed that SGH operates an International Medical Service (IMS) which provides a broad spectrum of services for foreign patients and their families from pre-arrival to follow-up care. The number of patients patronising the IMS only constitute less than 1% of the total patient number of SGH.

5.15 The delegation finds the transformation of AH, from being regarded by the public as a cheap, one star hospital for the old and poor to being one of the well-regarded public hospitals through the adoption of a business management approach, particularly impressive. The delegation has also observed that AH has hired a substantial number of nurses from overseas places such as the Mainland to alleviate the shortage of nurses in Singapore.

5.16 The delegation has also noted that hospital bills for Class A/B2 wards in public hospitals are generally only slightly lower than those for the same classes of wards in private hospitals. As such, private hospitals may not view the provision of Class A/B2 facilities by public hospitals as a threat given that the private sector is generally more responsive to the needs of patients, an example being a patient being able to see his chosen doctor and receive his medical report within 24 hours.

Conclusion

5.17 The delegation considers the visit useful in that it has enabled Members to better understand Singapore's financing models for healthcare services. The delegation has also observed the facilities and services provided by some private and public hospitals. Although the relevant factors in Singapore may not be directly applicable to Hong Kong, information obtained from the visit will facilitate Members' consideration of the recommendations to be made by the HMDAC and the Government in respect of healthcare financing options for Hong Kong.

Council Business Division 2
Legislative Council Secretariat
15 September 2006

Appendix I

Panel on Health Services

Duty visit to Singapore
(27-28 July 2006)

Visit programme

Thursday, 27 July 2006	
9:00 am – 10:10 am	**Meeting with Great Eastern Life Assurance Co Ltd** - Presentation on the company profile by Mrs Boon-Gek Mudelier, Head (Corporate Communications) - Presentation on Singapore's healthcare financing system by Mr Colin Chan, Actuary (Accident and Health) - Discussion
10:35 am – 12:30 pm	**Visit to Singapore General Hospital (SGH)** - Presentation of an overview of SGH by Ms Ang Hui Gek, Director, Allied Health Division - Presentation of an overview of SGH's Medical Social Services Department by Ms Crystal Lim, Principal Medical Social Worker - Discussion - Tour of SGH facilities
2:00 pm – 2:40 pm	**Meeting with Ministry of Health** - Briefing on Singapore's healthcare financing system by Mr Yee Ping Yi, Director of Planning & Development Division and Healthcare Finance - Discussion

3:00 pm - 3:45 pm	**Meeting with the Singapore – Hong Kong Parliamentary Friendship Group**
4:15 pm - 5:45 pm	**Visit to Alexandra Hospital (AH)** - Presentation of an overview of AH by Mr Ng Kian Swan, Deputy Director of Operations - Discussion - Tour of AH facilities
7:30 pm – 9:30 pm	**Dinner hosted by Mr K K LAM, Director, Hong Kong Economic and Trade Office, Singapore**
Friday, 28 July 2006	
2:30 pm – 4:00 pm	**Visit to Raffles Hospital (RH)** - Presentation of an overview of Raffles Medical Group by Dr Loo Choon Yong, Executive Chairman, Raffles Hospital Group - Discussion - Tour of RH facilities

Appendix II

List of the Government officials and representatives with whom the delegation met

Great Eastern Life Assurance Co Ltd

Mrs Boon-Gek Mudelier, Head (Corporate Communications)

Mr Tan Hak Leh, Head (Accident and Health)

Mr Johnson Lim, Group Sales Manager

Mr Winson Siu, Actuary

Mr Colin Chan, Actuary (Accident and Health)

Singapore General Hospital

Mr Wong Loong Kin, Chief Financial Officer

Ms Ang Hui Gek, Director, Allied Health Division

Ms Crystal Lim, Principal Medical Social Worker

Mr Wong Sing Wei, Senior Executive, Corporate Communications

Ministry of Health

Mr Yee Ping Yi, Director of Planning & Development Division and Healthcare Finance

Ms Tang Gek Hsien, Health Policy Analyst

Singapore-Hong Kong Parliamentary Friendship Group (SHKPFG)

Mr Chan Soo Sen, MP, Member of SHKPFG

Mr Seng Han Thong, MP, Member of SHKPFG

Mr Teo Ser Luck, MP, Member of SHKPFG

Mr Lee Hui Huan, Secretary, SHKPFG

Alexandra Hospital

Mr Ng Kian Swan, Deputy Director of Operations

Ms Tan Ching Yee, Manager of Medical Social Service

Raffles Hospital

Dr Loo Choon Yong, Executive Chairman, Raffles Medical Group

Dr David M Lawrence, Board Member, Raffles Medical Group

Dr Yii Hee Seng, Deputy Medical Director (Clinic Network Operations) and Director (Hong Kong Clinic Services)

Mr Pay Cher Wee, Chief Financial Officer, Raffles Medical Group

Ms Linda Wills, General Manager, Hong Kong Operations, Raffles Medical Group

Appendix III

Reference materials obtained during the visit

Powerpoint materials on "Singapore's healthcare system" provided by Great Eastern Life Assurance Co Ltd

Benefit illustration of two health insurance plans, i.e. Supremehealth Plan and Premier Health Plan, offered by Great Eastern Life Assurance Co Ltd

Powerpoint materials on "An Overview of Singapore Health Services" provided by Singapore General Hospital

Powerpoint materials on "Singapore's Healthcare System" provided by the Ministry of Health

Powerpoint materials on "Metamorphosis: Alexandra Hospital in Transition" provided by Alexandra Hospital

Press release published by the Raffles Medical Group on 3 May 2006

2005 Annual Report of the Raffles Medical Group