



## SINGAPORE MEDICAL COUNCIL

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All registered medical practitioners

### **ADVISORY ON THE PAYMENT OF FEES TO MANAGED CARE COMPANIES, THIRD PARTY ADMINISTRATORS, INSURANCE ENTITIES OR PATIENT REFERRAL SERVICES ("THIRD PARTIES")**

1. We refer to our letter of 13 September 2016 on the 2016 Singapore Medical Council ("**SMC**") Ethical Code and Ethical Guidelines ("**2016 ECEG**") and its accompanying Handbook on Medical Ethics.

2. The SMC held four Medical Ethics Seminars in September and October 2016 to share and highlight the key ethical principles in the 2016 ECEG.

3. A key concern raised by doctors during the seminars related to the payment of fees by doctors to Third Parties. The SMC has received a number of queries from doctors and the media seeking clarification on how the 2016 ECEG will affect doctors who have existing arrangements with Third Parties. The SMC has also received much feedback from doctors that they are keen to ensure that their contracts with Third Parties meet the requirements of the 2016 ECEG. The SMC issues this advisory to clarify and address these concerns.

4. Whether the payment of a fee to a Third Party is prohibited depends on the justification for the fee. What is fundamentally important is reflected in Guideline H3(1) of the 2016 ECEG, which reminds doctors that "[i]n managing your patients, you must always place patients' best interests above your personal interests and any business or financial considerations." Doctors should be referred patients because it is in the patients' best interests, based on the doctors' expertise and reputation, and not because the doctors have paid for the referrals. The fees must reflect the fair work done by Third Parties in handling and processing the patients. The fees must also be transparent to the patient.

5. In including Guideline H3(7) in the 2016 ECEG, SMC is concerned that the payment of fees by doctors to Third Parties will lead to rising medical costs for patients and/or a compromise in the treatment of patients. Therefore, Guideline H3(7) prohibits doctors from paying Third Parties:

- (a) fees that are based primarily on the services the doctors provide or the fees doctors collect;
- (b) fees that are so high as to constitute "fee splitting" or "fee sharing"; or
- (c) fees which render doctors unable to provide the required standard of care.

6. Taking each prohibition into consideration, "*fees that are **based primarily on the services the doctors provide or the fees that doctors collect***" mean fees which do not reflect work done by Third Parties in handling and processing the patients but in fact reflect work done by the doctors. Since the work done by Third Parties in handling and processing

patients does not vary depending on the fees doctors charge patients, paying Third Parties fees that are based on a percentage of what doctors charge patients may be construed as a form of fee splitting between doctors and Third Parties, and inadvertently promote cost escalation.

7. This brings us to the second point – “*fees that are so high as to constitute “fee splitting” or “fee sharing”*”. The payment of fees to Third Parties cannot be allowed to become an incentive to charge patients high fees or over-service patients and enable Third Parties to profit at the expense of patients. Such fees would also lead to an escalation in healthcare costs.

8. The third point – “*fees which render doctors unable to provide the required standard of care*” – means that whatever fees doctors pay Third Parties must not ultimately compromise the proper care of the patients referred to them. Where the fees charged by doctors are diluted by the fees exacted by Third Parties, doctors must ensure that the portion of fees for their own services is not so low as to either render them unable to provide patients the standard of care required or require over-servicing in order to make it financially viable.

9. When the 2016 ECEG comes into force in 2017, the payment of these prohibited fees by a doctor will constitute a breach of Guideline H3(7), **regardless of when the doctor entered into such an arrangement with the Third Party**, *i.e.* even if the doctor signed a contract with a Third Party to pay such fees prior to Guideline H3(7) coming into force. Doctors who have contracts with Third Parties that require them to pay such fees as defined in paragraph 5(a), (b) or (c), and elaborated upon in paragraphs 6-8 above should therefore begin to take appropriate steps, including seeking independent legal advice, to ensure that they will not be in breach of Guideline H3(7).

10. Doctors who have to exit existing arrangements with Third Parties should ensure that their patients will not be left without any care, by providing the patients the means to consult them or other doctors after their exit. The SMC is aware that doctors may require time to modify or exit existing arrangements with Third Parties in order not to be in breach of Guideline H3(7). Accordingly, while the 2016 ECEG will come into force on 1 January 2017 as earlier announced in the SMC’s letter to doctors, the SMC has decided that specifically **Guideline H3(7) will only come into force six months later, i.e. on 1 July 2017.**

11. In conclusion, the SMC would like to remind doctors of their duty to “always place patients’ best interests above [their] personal interests and any business or financial considerations”. Doctors should consider, before entering into any arrangement that requires them to pay a fee to a Third Party, whether it will result in profiteering of the Third Party at the expense of patients or payors. Any fees doctors pay to Third Parties, if passed on to patients or payors, must also be disclosed.

12. Should you have any queries regarding this advisory, kindly direct them to enquiries@smc.gov.sg.



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