

Increasing healthcare costs becoming a concern economics essay



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Rising health care costs has become a concern for many nations, societies and even individuals. The ability to cope with this issue and its implications will be greatly looked into in this report. In order to understand how to tackle this challenge, there is a need to first understand the root causes, in other words, what causes health care costs to rise. After having looked at some of the common beliefs of rising health care costs, the report will then look at the strategies implemented to tackle this challenge. To do so, the report will make use of a few journal articles to critically discuss on the effectiveness of Singapore's healthcare financing system and recommend measures that will help solve the issue better.

Literature Review

A very common and simple reason that people give for the increase in healthcare costs often fall on the fact of aging population and the increased vulnerability of the population to health issues, leading to more medical consultations, both inpatient and outpatient. This in turn, causing healthcare costs to rise. Another common reason that many people give for the increase in healthcare costs is inflation. Inflation causes the prices of goods and services to rise. When such happens, the costs of health care will rise because the salary of the workforce employed in the healthcare industry increases, the costs of medication increases and the costs of health insurance increases, for example. (Cockerham, 2010)

The Organization for Economic Co-operation and Development noted a significant increase of average ratio of health spending to GDP in its 31 member countries. The report also suggested that while technological

advancement brought about improvement in diagnosis and treatment, this also contributed to the increasing of health spending (OECD Health Data 2010, 2010).

In another report, rising health care costs was attributed to greater use of innovative medical technologies. However, the report suggested that rising health care costs could also be due to the market power of health care providers. In the report, however, it seemed to suggest that the extent of the increase in rising health care costs in developed countries like the United States in terms of the market power of health care providers are more significant than that in developing countries. (Annals of Internal Medicine, 2005)

It is undeniable that no country is able to guarantee accessible healthcare for all. However, the situation in low-income countries is far more critical as some are even unable to ensure access to basic healthcare for its citizens. A few options proposed to tackle this issue include governments increasing their budget allocations on health expenditure, raising additional domestic funds for health or diversifying their funding sources (World Health Organization, 2011).

Another interesting cause highlighted for the increase in rising health care costs could be due to our social behaviour in terms of financial prudence when a third party pays our medical bills. It is interesting to note that when our medical bills payment falls on the responsibilities of a third party (i. e. employer, insurance company or government) and we only pay a small and

affordable percentage, we are more likely to seek medical consultation, diagnosis and treatment even for the slightest illness.

A case study on Singapore health care financing system is done to discuss on how these considerations are managed and how it may be further improved.

Case study: Singapore health care system financing

According to one of the research studies, Singapore's ageing population which is estimated to increase by 12% in 2030 to 19% of its population being made up of older Singaporeans aged 65 and above. This is of a concern in ensuring provision of affordable healthcare especially where responsibility of the healthcare bill often falls on the children of this segment of the society.

Singapore's health care system focuses on developing independence and interdependence of its people on the nation. In order not to create total reliance and dependence on the nation, " Singapore's health care system begins with building a healthy population through preventive healthcare programmes and promoting a healthy lifestyle (Ministry of Health, Singapore, 2007)".

Singapore's health care system then ensures affordability of healthcare to its people through offering universal coverage and multiple layers of protection. In this strategy, this is done through (1) " heavy government subsidies of up to 80% of the total bill in acute public hospital wards, which all Singaporeans can access", (2) " , a compulsory individual medical savings account scheme which allows practically all Singaporeans to pay for their share of medical

treatment without financial difficulty”, (3) “ Medishield, a low cost catastrophic medical insurance scheme, which allows Singaporeans to effectively risk-pool the financial risks of major illnesses. Individual responsibility for one’s healthcare needs is promoted through the features of deductibles and co-payment in Medishield. Eldersshield, a severe disability insurance, is also available for subscription by Singaporeans to risk-pool against financial risks of suffering a severe disability.” and (4) “ Medifund, which is a medical endowment fund set up by the Government to act as the ultimate safety net for needy Singaporeans who cannot afford to pay their medical bills despite heavy subsidies, Medisave and Medishield” (Ministry of Health, Singapore, 2007).

To promote competition and transparency so as to counter further unwarranted rise in healthcare costs, “ in 2004, the Ministry of Health began to publish hospital bill sizes to show the variation in costs among our hospitals, with a view to push our hospitals on this effort to “ do more with less”. There have been some successes since then in spurring improvements, e. g. LASIK prices dropped by more than S\$1, 000 per eye and the competitive price wars continue to this day, at great benefit to consumers. The Ministry has also progressively published health outcomes on the website to encourage further improvements and help patients make more informed choices.” Singapore’s success was further supported by its statistics on government spending in 2008, when “ Singapore spent about S\$ 10. 2 billion or 3. 9% of GDP on healthcare. Out of this the Government expended S\$2. 7 billion or 1. 0% of GDP on health services” (Ministry of Health, Singapore, 2007).

Discussion: Effectiveness of Singapore's strategies in managing rising health care costs

Singapore's focus on the ideology that prevention is better than cure helps managing rising health care costs by encouraging its population to reduce the need of seeking medical attention and thus reducing substantially incurring of such expenditure. Its preventive healthcare programmes such as free or subsidized community health screening programmes and activities aimed at promoting active living and healthy lifestyle makes being healthy a simple way of life which is possible to achieve. Moreover, this ideology will continue to tackle the lasting problem of aging population and the increased vulnerability of the population to health issues, which is said to be a cause for rising health care costs.

With stressors of a fast-paced meritocratic society such as stress at school at a very young age, stress of work upon working life and the stress of supporting and maintaining a family, this often causes one to become sick and have to turn to medical attention for relief. As such, Singapore would need to consider strategies on how to tackle such non-health issues that may lead to healthcare expenditure, in order to further assist its population to manage rising health care costs.

Next, having discussed the preventive strategy taken by Singapore, the Medisave and Medifund benefits would be discussed. It is important to first understand that only Singapore Citizens and Singapore Permanent Residents contributing to the Central Provident Fund (CPF) as well as his dependents (i.

e. spouse, children, parents and grandparents) would be able to benefit from the Medisave.

In addition to subsidizing healthcare expenditure, the Medisave can also be used to pay the premiums of MediShield, which covers up to 80% of a large medical bill at the class B2/C level or any appropriate integrated shield plans from approved private insurers (Ministry of Health, Singapore, 2007). This allows the individual and his dependents who are subscribed to the MediShield or the integrated shield plans to have the most, if not all, of the inpatient and outpatient healthcare expenses, including co-insurance and deductible to be taken care and omits the individual's stress of having the need to seek sufficient cash funding for such a purpose. This in turn, helps to minimise the social stressor of healthcare need.

While this may prove to be helpful to its population, it is important to note that as the benefits is still fairly limited. Compared to its entire population being able to benefit from such initiatives, there is a burden created on the CPF-contributing individual to look after both his personal and dependents' healthcare needs and expenditure, using the Medisave. Should the CPF-contributing individual be the sole breadwinner of the household, this would inevitably create further psychosocial stressor on him which may pose potentially cause health deterioration and create unwarranted expenditure on healthcare needs. Therefore, Singapore would need to relook into providing healthcare financial subsidies to its population who are do not contribute to the CPF, in order for its approach to manage rising healthcare costs to be effective and complete.

On top of the Medisave, the Medifund scheme exists to help ensure needy Singapore citizens who are unable to pay for their medical bills, are still provided with the necessary medical care. In order to benefit from the Medifund, a list of basic requirements needs to be met, such as the patient and his family having difficulty affording the medical bill despite heavy government subsidies, MediShield and Medisave (Ministry of Health, Singapore, 2007). While the Medifund scheme shows the government great concern and active efforts to ensuring medical care is catered to the needy of its population, the initiative is still not wholesome and thus need to be relooked into, such as in a situation where a patient meets most of the criteria stated but comes from a broken family and has a family member who is able but refuse to pay for the patient's medical bill, he may then be unable to benefit from the Medifund. In such an instance, further implications and repercussions to the patient's psychological and physical health may worsen his existing medical condition. Not only will his medical bill continue to snowball, his physical health problems may continue to deteriorate as well.

Indeed, Singapore's strategies in managing rising health care costs through its present healthcare system seem comprehensive and complete. However, there are still some areas that Singapore would need to relook and focus on in order that the strategies would be effective for its population. With the known fact that change is the only constant, a review system would thus need to be in place to improve strategies implemented to manage rising health care costs effectively.

A recommended approach for Singapore to review and implement more wholesome, comprehensive and effective strategies to managing rising <https://assignbuster.com/increasing-healthcare-costs-becoming-a-concern-economics-essay/>

health care costs may be that of implementing differential healthcare financing schemes that would assist the various socio-economic segments of its population.

Secondly, as rising health care costs due to inflation has yet to be tackled by its current strategies, Singapore may need to review its employment assistance and salary compensation strategies to better assist its population in managing rising health care costs, such as ensuring its population who are unemployed to be able to seek employment or reemployment within a short time frame as well as ensuring that the salary compensation for each occupation or profession would be appropriately accorded based on skills, abilities, experience, performance as well as inflation.

Conclusion

The Singapore government should not micromanage the issue of rising healthcare costs by superficially managing direct influence on rising healthcare costs. The need to prepare its population to accept the change to an ageing population society is crucial in ensuring that every individual is responsible for the