RAFFLES INSTITUTION
2019 YEAR 5 PROMOTION EXAMINATION
Higher 2

ECONOMICS 9757/01

Paper 1 Case Study

26 September 2019

1 hour 10 minutes

Additional Materials: Answer Paper

READ THESE INSTRUCTIONS FIRST

Write your name, index number and civics class on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
You may use a soft pencil for diagrams, graphs or rough working.
Do not use paper clips, highlighters, glue or correction fluid.

Answer **all questions**.

The number of marks is given in brackets [ ] at the end of each question or part question.

Name: _____

Civics Class: _____

Economics Tutor: _____

Question	Marks
1	/30

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Question 1: Healthcare in Singapore

Table 1: Prices in Singapore

Consumer Price Index	2011	2012	2013	2014	2015	2016	2017
All Items	92.5	96.7	99.0	100.0	99.5	98.9	99.5
Healthcare	89.8	93.7	97.3	100.0	99.9	101.0	103.5

Source: Singapore Yearbook of Statistics 2018

Extract 1: Supplier-induced Demand in Healthcare Consumption

There is growing evidence that much of the demand in medical care could be generated by hospitals and doctors pressuring patients to opt for unnecessary medical care for certain diseases – a phenomenon known as "supplier-induced demand", which can result in the overconsumption of healthcare.

Consumers are typically reliant on expert opinion of their providers since they are often unable to appropriately decide on the amount and level of medical care. Current doctors' compensation models are not helpful. In this already cost-escalating environment, doctors in Singapore are largely paid on a "fee-for-service" model where the more tests, the more procedures, and the more medicine a doctor orders, the higher his income at the end of the month.

Unless health care providers are subjected to the audit of an effective watchdog body or a system of checks and balances, it is almost inevitable that they could induce increasing consumption and even result in unnecessary spending. In Singapore, the government restricts subsidies to "essential and cost-effective medical treatment of proven value" but insurers are by and large nonchalant.

Adapted from: Today, 8 Jan 2013

Extract 2: Paying for Healthcare in Singapore

The Singapore government heavily subsidises basic medical services for citizens at public hospitals and polyclinics. However, patients are still required to pay part of the cost of medical services which they use *(co-payments).*

Individuals are also encouraged under the 3M (*Medisave, Medishield Life* and *Medifund*) framework to take responsibility for their own health by saving for medical expenses:

- *Medisave* is a national compulsory savings scheme to help individuals save part of their income for routine medical expenses.
- *Medishield Life* is a basic health insurance for catastrophic illnesses.
- *Medifund* is an endowment fund set up by the government to help needy Singaporeans who are unable to pay for their medical expenses after utilising both *Medisave* and *Medishield Life*.

Those who choose to stay in private hospitals or higher-class wards are also covered by *Medishield Life*. However, as *Medishield Life* payouts are pegged at basic B2 or C ward types, patients who prefer more luxurious care will have to pay more of their bill out of their own pocket using *Medisave* or cash to promote responsible consumption of healthcare.
For the lower to middle-income groups, the government provides significant subsidies to keep premiums[1] for health insurance (*Medishield Life)* affordable. In addition to subsidies

[1] Premiums are the price of insurance. This is usually paid at regular intervals, e.g. monthly or annual premiums

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at public hospitals, there are many other schemes like the Community Health Assistant Scheme (CHAS) that offer additional grants to low-income households for routine treatments.

Singaporeans often complain about the quality of public service for the poor and the long waiting lists. They also criticise that subsidised services involve generic treatment instead of the latest technology. As such, the government is in a bind, having to decide between subsidising higher-quality public services or to control escalating costs of healthcare in light of mounting public pressure.

While trade-offs are inevitable in social policy, the problem of longer-term sustainability of the public healthcare system is further exacerbated by concerns of financing. Singapore is pumping in more money than ever on healthcare, but continued spending at current rates will not be sustainable. With shrinking taxes along with the demands of an ageing population, healthcare financing is of national concern.

Various sources

Table 2: Wards and Charges in Singapore General Hospital

Type of Ward	**Standard Ward Class A** • Single room • Air-conditioned • Attached bathroom • Choice of meals	**Standard Ward Class B1** • 4-bedded room • Air-conditioned • Attached bathroom • Choice of meals	**Standard Ward Class B2** • 5 or 6-bedded room • Natural ventilation
Price per Day	S$466.52	S$251.45	S$79

Source: https://www.sgh.com.sg/patient-care/inpatient-day-surgery/type-of-wards-singapore-general-hospital, accessed 26/8/19

Extract 3: Healthcare Provision in Singapore

An important part of Singapore's healthcare system that explains its success is the way it is organised. Initially, Singapore let hospitals compete more, believing that the free market would bring down costs. But when hospitals competed, they did so by buying new technology, offering expensive services, paying more for doctors, decreasing services to lower-class wards, and focusing more on A-class wards.

Today, the government owns the vast majority of hospitals in the country. This provides the government with the leverage to direct the hospitals where needed, while granting operational autonomy to managers regarding day-to-day activities. In turn, the emphasis on autonomy and competition while remaining in public ownership makes hospitals more customer-centred and financially prudent.

Private hospitals provide competition to public hospitals by differentiating themselves through offering niche services. For example, Gleneagles Hospital caters especially to expatriates and provides medical and surgical acute tertiary care services, specialising in cardiology, internal medicine and obstetrics. On the other hand, Mount Elizabeth boasts a wide range of specialties like oncology and general surgery while Thomson Medical focuses on gynaecology and fertility treatment.

Hospitals in Singapore are encouraged to pursue cost-saving technologies, including information technology initiatives such as a national electronic-health-record system and telemedicine[2]. The autonomy of hospitals also reduces red tape and administrative costs.

The government then provides consumers with price-comparison data as well as hospital performance data so people can compare both on price and quality. The result is that providers have to deliver on both quality *and* price if they are going to survive.

The results are startling. Major surgeries cost 62 to 92 percent less in Singapore. For instance, a heart-bypass surgery that would cost $130,000 in the United States costs just $18,000 in Singapore. Overall, Singapore spends 72 percent less per person on health care than the United States and between 46 and 57 percent less than Canada, Japan, France, and the United Kingdom. By empowering individuals to choose and by forcing providers to compete, the healthcare system becomes bottom-up rather than top-down.

Adapted from: Affordable Excellence, The Singapore Healthcare Story

Questions

(a) Using Table 1, compare the changes in general price and healthcare price levels in Singapore between 2011 and 2017. **[2]**

(b) Assess whether making patients pay for different prices for Class A and Class B2 wards (Table 2) is an example of price discrimination. **[6]**

(c) With reference to Extract 3, discuss the extent to which non-price competition is the main mode of competition among private hospitals in Singapore in order to increase profits. **[8]**

(d) *"Trade-offs are inevitable in social policy."* **[4]**

On a production possibility curve (PPC) depicting healthcare and education services, explain the concepts of scarcity, choice and opportunity cost.

(e) Discuss the appropriateness of policies implemented by the Singapore government to deal with the problems of asymmetric information and excessive income inequality in the consumption of healthcare. **[10]**

[Total: 30m]

[2] Telemedicine is the remote diagnosis and treatment of patients by means of telecommunications technology.

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