

SINGAPORE AND THE PROVISION OF MEDICAL SERVICES FOR THE REGION

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I was surprised when I was approached by your President to deliver this Lecture. My expertise is primarily in foreign policy, especially in regional political and economic affairs. My immediate reaction was, "What could I say that would be of interest to you which would be directly related to your professional interests?" If I spoke on bilateral Indonesia/Singapore relations, the Growth Triangle concept, ASEAN or Cambodia, it might interest some of your members but most would question its relevance as the Annual Lecture of your Association. This accounted for my initial reluctance.

However, living in Jakarta, I have become aware that the excellent medical services available in Singapore has resulted in the creation of a pool of goodwill towards Singapore. On several occasions, I have been told by Indonesian friends that they have received a positive impression of Singapore because of the capabilities of our doctors, the conscientiousness of our nurses and other supporting staff and the state-of-the-art equipment available in Singapore. This has a broader impact on our ties with our neighbours. Our relationship with our neighbours is not just a result of the role of our diplomats or of contacts between the respective Foreign Ministries. Because we are neighbours, there is a wider range of interests. Your treatment of patients from the region has an impact on their perceptions of Singapore. If these impressions are positive, the cumulative effect would be a beneficial one for Singapore. I would say that you could be as effective in enhancing Singapore's relationship with our neighbours as those of us who are seen as representatives of Singapore abroad.

Let me cite some examples. A few years ago, a former Indonesian Minister was so pleased with the arrangements for his coronary bypass operation in Singapore and the post-operative care which he received that he made the specialist responsible a blood brother in a ceremony in Jakarta. When one of his children married shortly afterwards, the specialist and his wife were given honoured places in the wedding ceremony while I found myself regarded as part of the Minister's extended family.

In another case a few months ago, a prominent businessman in Jakarta attended a major diplomatic reception shortly after returning from medical treatment in Singapore. He and his wife informed anyone who met them about the quality of professional attention from the doctors in Singapore, the sophistication of the medical equipment used which was equal to facilities available in the United States and the excellent supporting services available, whether it was in nursing care or skilled diagnostic services. The advertisement of Singapore's

medical services by this non-Singaporean was more effective than any conscious promotion by me or our Trade Development Board officers. More significantly, this is not an isolated example. During the past four and a half years, I have frequently encountered such cases in Indonesia. Such experiences led me to recognise that your professional interests could mesh with my own interest in Singapore's competitive positioning in the provision of services for the region.

A significant growth area for Singapore in the decade ahead will be the medical and health care service industry. Our medical profession has the capacity to serve not only the people of Singapore but also increasing numbers from our neighbouring countries. As the Economic Survey of Singapore 1990 pointed out, "The increasingly affluent society demands better and more sophisticated medical services. Singapore's potential as a regional medical centre has led to the continuing expansion of private hospitals. The concept of a medical park, to provide one-stop multi-disciplinary services in diagnostic, preventive and clinical medicine, has attracted keen interest from international hospital groups".

The medical profession in Singapore is well-placed to play a broader role. Higher standards of medical care have helped to raise the quality of life in Singapore. For example, infant mortality declined from 34.9 per 1,000 live births in 1960 to 6.5 per 1,000 in 1989. Our infant mortality rate is lower than the rates of 10.5 in the United States and 9.4 in the United Kingdom. Furthermore, life expectancy rose from 63 to 74 years, almost as high as the life expectancy of 75 years in the United States and United Kingdom.

There is scope for continued growth in the medical and health care services industry in Singapore. Total health care expenditures of S\$1.68 billion constituted 3% of Singapore's GDP in 1989, as against 11% of the GNP of the United States amounting to US\$600 billion. Of the total expenditure in Singapore, the public sector accounted for 27.4% and the private sector 72.6% respectively. This means that for every \$1 spent in the public sector, \$3 is spent in the private sector. With the ageing Singapore population and our growing affluence, we could therefore anticipate a continuing trend towards a rise in both public health expenditure as well as private consumption expenditure on medical services, in absolute terms as well as in relation to GDP. A second trend is the significant number of patients from neighbouring countries treated in private hospitals and clinics in Singapore. It is estimated that more than 20% of patients treated by non-government medical practitioners are from overseas, especially the neighbouring countries of Malaysia, Indonesia and Brunei. A third trend is that of multinational medical corporations establishing operations in Singapore. For example, the National Medical Enterprises Inc, the second largest health care organisation in the United States, purchased the Mount Elizabeth Hospital for S\$180 million in

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1985 and the American Hospital (now known as East Shore Hospital) for an estimated S\$50 million in 1989. These trends suggest that Singapore is well-placed to evolve into a key medical centre in the ASEAN and even the Asia-Pacific region.

How does this fit in with Singapore's overall developmental strategy? What should be done to maintain our competitive advantage, given the trend towards a globalization of such services? As increased air services and excellent telecommunications create a smaller world, our competitors in the provision of medical services to the region come not only from within Southeast Asia, but even further afield such as Japan, Australia and even the United States. The issue which has to be considered is "Why should patients select Singapore rather than other alternatives?"

Our approach should be one of identifying our competitive advantages. We should be aware of our strengths and weaknesses as well as those of our major competitors. In a service-oriented industry such as the medical and health care industry, we must offer the capabilities of a developed country while restraining costs so that the targeted audience (the patients in this case) would recognise that Singapore provides the best services for any given level of cost compared to other locations. Singapore's competitive position should be seen in relation to our current league of competitors, the Newly Industrialising Economies (NIEs) of South Korea, Taiwan and Hong Kong. The 1990 World Competitiveness Report has positioned many of Singapore's capabilities ahead of the Newly Industrialising Economies (NIEs) and developed countries. For example, in air transport, telecommunications and port facilities, Singapore is well ahead. In terms of business costs, Singapore is highly competitive in telecommunication charges, transportation costs and utility charges. Our labour cost is higher than those of developing countries, comparable to other Newly Industrialising Economies (NIEs) but lower than the developed countries.

In the medical field, we rank above the NIEs in terms of skills and expertise, investment in equipment and technology and the provision of multi-disciplinary treatment as well as specialised care. The challenge for the medical profession is to maintain the cost effectiveness of treatment in Singapore while upgrading the skills and technology available. If we are able to provide the best quality and service, usually the two most sought-after criteria in health care demand, our competitiveness would depend on our ability to provide services which are good "value-for-money".

I raise this issue for your consideration because a frequent comment I have heard during my tenure in Jakarta is that the medical services in Singapore are excellent. However, there have been increasing criticisms arising from the inflation in charges in recent years, especially compared to charges in other centres of medical excellence. If this trend continues, we would lose our competitive cost advantage relative to our competitors. The problem is exacerbated by the strong Singapore Dollar which has made it more costly, especially for Malaysians and Indonesians to seek medical treatment in Singapore. Already, I am struck by the number of Indonesians visiting Taipei or Tokyo for specialised treatment which is also available in Singapore. This is a new phenomenon. When I was in Jakarta in the mid-seventies, few Indonesians went to Taipei for medical check-ups. Similarly, Indonesians seldom went to Tokyo for medical treatment. Singapore was the preferred choice.

The conclusion which could be drawn is that as the NIEs emerge as significant providers of medical services to the region, we may find ourselves unable to compete with them in terms of cost. However, if we have advanced up the ladder in terms of skills and the provision of state-of-the-art equipment, we can find a new niche providing medical services to those in

the Asia-Pacific region who previously went to the United Kingdom, Germany or the United States. Significantly, the World Competitiveness Report, 1990 ranks Singapore above the United States and the United Kingdom in terms of the extent to which health care facilities are adequate for the individual worker and his family.

Even within the ASEAN region, it will be necessary to upgrade our skills and technology if we are merely to maintain our competitive position. Our neighbours, in particular, Malaysia, Indonesia and Thailand are building their own private hospitals and tertiary speciality centres such as Heart and Cancer Centres. Their aim is to attract their own patients and discourage them from coming to Singapore. Thus, for example, the number of private hospitals and private hospital beds in Kuala Lumpur has been increasing significantly over the past 5 years. In 1990, Kuala Lumpur had 1671 private hospital beds compared to 1835 in Singapore. Similarly, a decade ago in Jakarta, group medical practices were rare and expatriates visited Singapore for routine medical care. Today, the emergence of clinics operating 24 hours a day, seven days a week, has resulted in most routine medical treatment being undertaken in Jakarta with cases being referred to Singapore where there is a need for skilled diagnostic or operative procedures or where high technology equipment is required.

Malaysia is also advancing rapidly. Kuala Lumpur now has a total of 4 Magnetic Resonance Imaging (MRI) machines and a further 2 are on order, one by the Government and another by the University. By contrast, Singapore today has only one MRI in the private sector, one in National University Hospital and another one to be installed in Singapore General Hospital. Again, in high technology sophisticated equipment, Malaysia has 10 CAT scanners in Kuala Lumpur alone, with another 2 in Penang and 2 in Ipoh. This is in contrast to 3 CAT scanners in government hospitals in Singapore and another 3 in the private sector. If Singapore does not keep up with developments in high technology medicine, neighbouring countries will do so and there will be less reason for their citizens to come to Singapore for investigation or treatment.

If we are to maintain our competitive advantage, our approach must be one of focusing on possible improvements, supporting innovations and facilitating changes. The focus will have increasingly to be on an openness to new influences, a willingness to accept different schools of thought and methods of training and a search for the best available expertise from around the world. The effect in the long-run would be a demise of the closed-shop approach to the provision of professional services, whether in medicine or in other professions. For us in Singapore, our increased focus on services in the decade ahead will require a rethinking as we strive to create conditions which will maximise Singapore's competitive advantage.

Current development in the region will create opportunities for the service industries such as the medical and health care industry. When the concept of the Growth Triangle involving Riau, Johor and Singapore takes off, there will be a greater demand for services from Singapore, including medical services. The development of major industrial estates on Batam will provide opportunities for referral services for practitioners of industrial medicine. The development of world-class tourist resorts on Pulau Bintan and in southern Johor will expand the catchment of patients who would turn to Singapore for medical care if the need arises. There will be increased utilization of Singapore's excellent infrastructure and specialized medical services. The trend towards increased cross-border interaction and the need to service multinational clientele will result in a more positive attitude towards joint ventures in service industries such as the medical and health care industry.

Nevertheless, this is only the starting point for us in Singa-

pore. As Singapore is in the heart of what is likely to be the fastest growing region in the decade ahead, we could benefit from our excellent infrastructure as well as the provision of specialised services in advanced areas of medical care. Already, we have attracted significant numbers of patients from the ASEAN region, utilising our services in ophthalmology, cardiology, oncology, obstetrics and gynaecology, to cite a few examples. We are likely to see an expansion in regional demand for medical services as greater affluence results in increased attention to the provision of medical care. The current population of ASEAN is about 330 million. It is likely to increase to around 390 million in the year 2000. Because we are located in a region of rapid economic growth, with average growth forecasts of two to four percentage points higher than the developed countries in the 1990's, we are well-placed to play an expanding role as a regional medical centre. Growing affluence will provide an enlarged market for the medical service industry, provided that we can maintain the practice of affordable health care without compromising on the quality of the services provided.

Moreover, the emergence of Singapore as a leading air traffic hub will mean an expanded market for medical services even beyond the region. As frequency of air services drives down the cost of air travel, we can anticipate increasing numbers of patients, for example, from the Middle East, South Asia or East Asia utilising our medical services. The continued expansion of our tourist industry results in Singapore being well-positioned to benefit from visitors who seek both a holiday as well as a medical checkup. Thus, the quality and cost of medical care in Singapore has become an attraction for a growing number of German tourists visiting Singapore.

This points to another emerging trend. As our skills advance, we become more enmeshed in the global economy. The market for our services is not just our neighbours but we are beginning to look to the world beyond. We will become increasingly aware that there is a broader role that Singapore can play in the international economy. In the 1960's and 1970's, we were a low-cost supplier of manufactured products and services. In the service industries, our focus was only on our immediate neighbours. In the 1980's, as our capabilities developed, we encouraged higher value activities such as product development, industrial design and specialized medical services. For the 1990's, as the Asia Pacific region grows in strategic importance to global businesses and as Singapore builds on its capabilities, we can play a role as a strategic partner in global business expansion. This will mean that we will cooperate with the corporate headquarters of international businesses in developing and implementing broad strategic thrusts. In order to do this, there will have to be an openness to the entry of multinational companies with expertise and a global perspective. Because of our interest in the maintenance of a free market in services and continued global access, we will need to allow the entry of those with recognised expertise.

In the medical and health care field, this will result in the entry of international hospital groups and growing pressure for the registration of specialists who have trained in countries outside the traditionally recognised sources. Thus Japanese companies will be more likely to establish their operational headquarters (OHQ) in Singapore if they knew that there was a hospital operated by a Japanese hospital group and manned by Japanese specialists, consultants and even Japanese nurses. Within Singapore, the trend will be towards larger medical

practices to obtain economies of scale, including the purchase of state-of-the-art equipment, and to enable greater specialisation. Such medical practices would benefit by forming strategic alliances with counterparts in the developed countries so that they can compete with the health care MNCs which will move into Singapore. They could also take advantage of Singapore's location and familiarity with the Asia/Pacific region to establish alliances and joint ventures with partners in the region.

The restructuring of medical care domestically in Singapore and the emergence of health care as a service industry oriented to a regional, even global, environment will raise new issues which have to be addressed by the medical profession. The Government is committed to ensuring that our restructured hospitals and polyclinics will continue to waive hospital fees and medical charges for the poor and indigent. Others can choose hospitalization wards according to their ability to pay. The problem will be to ensure that our citizens enjoy equal standards of professional medical care regardless of their ability of pay.

Our doctors will face the task of reconciling conflicting objectives. Lucrative opportunities created by strong domestic demand and the trend towards reaching out to regional and global markets will have to be balanced against the need to maintain equitable access to medical care for our citizens. It is essential that the fragmentation of health care be avoided. To avoid the emergence of two divergent medical cultures - that of the HDB estate medical practitioner and the Orchard Road medical practitioner, it will be necessary over the next decade for professional groupings linking the medical profession in Singapore to address the question of how to sustain an ethos of service, of the image of the medical profession as a caring community dedicated to the advancement of health care for all.

This is an issue with ramifications for the medical profession. The good reputation of the profession arises from the public perception that medical practitioners are caring individuals who are service-oriented and committed to working in the public interest. Nevertheless, the trend is towards larger group practices and increased specialization. As health care is increasingly perceived as an industry, it is likely that the public image of the medical profession could decline because doctors are seen primarily as profit-oriented rather than as caregivers.

From a regional standpoint, our doctors should not sacrifice the long-term benefits of developing a good reputation based on a highly ethical and professional medical service with reasonable professional fees for the short-term gains and benefits resulting from overcharging foreigners coming for treatment in Singapore. This would create a negative image of the medical service in Singapore.

For the profession, such a perception would be disastrous. Singapore's standing as a centre of medical excellence in the region and beyond lies in our reputation for excellent medical care - not merely the sophisticated medical equipment which is available in Singapore but also the recognition that medical professionals in Singapore have traditionally upheld the best practices of their profession. In seeking a place in an internationally competitive service industry, nothing is of greater benefit than the awareness that you stand for the best available delivery of services in your field.