

**For discussion on
12 March 2007**

LegCo Panel on Health Services

Regulation of “Health Maintenance Organizations” (“HMOs”)

PURPOSE

This paper briefs Members on the progress of the Administration’s study on the regulation of “HMOs”, with particular emphasis on how to take forward the medical director concept.

BACKGROUND

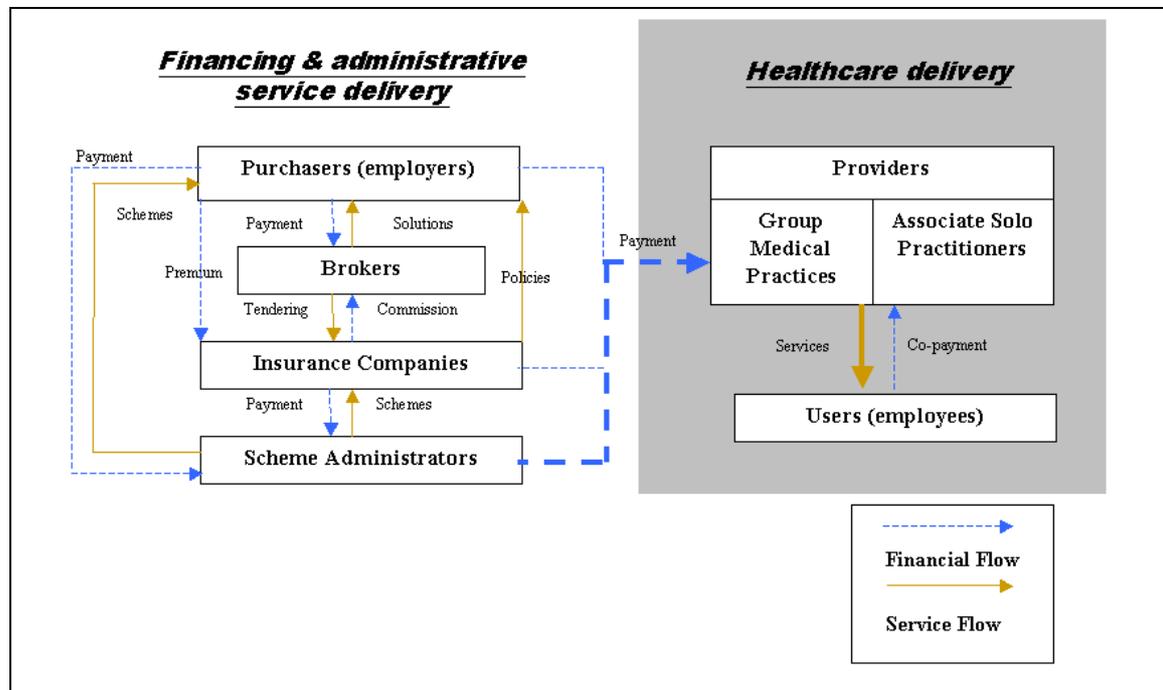
2. The Panel last discussed the subject of regulation of “HMOs” at its meeting on 10 July 2006. Based on the findings and views collected by the Government’s Working Group, Members were briefed on the landscape of the local primary healthcare market, stakeholders’ views and our proposed measures. The main issues discussed are recapitulated in the ensuing paragraphs for Members’ easy reference.

Local Landscape

3. The typical American HMOs whereby an organization, directly or through contracts with providers, furnishes comprehensive healthcare services on a prepaid basis to an enrolled population cannot be found in Hong Kong. Rather, the term “HMOs” has been frequently used here in the past decade to generally refer to a range of heterogeneous groups related to primary healthcare services in the private sector, including group medical practices and scheme administrators.

4. The emergence of scheme administrators, and to a certain extent the consolidation and expansion of group practices, is ascribed to the increasing prevalence of employer-financed medical benefits. Scheme administrators are specialized parties linking up employers and insurers as purchasers on the one hand, and group practices and solo-practitioners as service providers on the other. They liaise for purchasers the most suitable service packages offered by service providers as well as provide administrative support and quality control. Some scheme administrators

also play the additional role of providing medical services themselves. The roles of various parties in the healthcare delivery and financing of employer-financed healthcare is summarized in the following diagram-



Stakeholders' Views

5. Purchasers and users in general reckoned that “HMOs” services have brought benefits in terms of choice, affordability, physical and time accessibility, comprehensiveness, quality, etc., but they welcomed more protection of their welfare. Professional bodies expressed concerns that “HMOs” cost containment drive and commercial interests might compromise patient's welfare and healthcare personnel’s professional autonomy. Some cited cases of employee doctors administering patients with unregistered pharmaceuticals unknowingly and prescriptions being altered without prior notice to the employee doctors as examples.

The Administration’s Views

6. Recognizing the concerns of the professional bodies as well as the impact of quick evolution of group practices and scheme administrators, the Administration agreed that there was scope for strengthening the present regime, which is anchored in the regulation of individual healthcare professionals. The objective of any enhanced regulation should be to provide better quality assurance of medical

services to safeguard patient's welfare while facilitating the further development of the primary healthcare market.

7. Given the complexity of the local healthcare landscape and diverse views on how "HMOs" should be regulated, the Administration considers that adequate time should be allowed to build up consensus and to work out a regulatory proposal carefully. Among other things the medical director concept has found support among stakeholders. It was widely believed that the appointment of a medical director could help uphold the professional standard in the interface between frontline medical practitioners and decisions made by the management.

PROGRESS

8. To take the matter forward, the Government's Working Group conducted literature research, communicated with overseas authorities in Australia, UK and USA, and also paid visits to the Malaysian Ministry of Health and the Singapore Ministry of Health to gain a better understanding of their regulatory frameworks for medical establishments. Meetings were also held with other stakeholders in Hong Kong and relevant parties abroad. The stakeholders which the Working Group has consulted since its inception in May 2006 is listed in the appendix.

Medical Director

9. The primary objective of our proposed enhanced regulation is to safeguard patient's welfare through the assurance of the professional standard of medical services at the service delivery tier. At present, the assurance of the standard is anchored in the regulation of individual healthcare practitioners. We recognize that the management's decision may have certain bearings on the frontline doctors. Hence we propose to request group practices that employ frontline doctors to appoint medically-qualified personnel as medical director (MD) of the group.

10. The MD shall be responsible for overseeing the medical-related aspects of the group practice's operation. Specifically, it shall be the duty of an MD to ensure that –

- (a) the healthcare personnel engaged by the group practice are so qualified by training and experience as to be suitable persons to participate in the organization's relevant activities. While there is no known case of unregistered or unqualified healthcare personnel being employed to provide medical services, this

requirement can address the public's concern;

- (b) proper arrangements are made for the keeping of medical records, so as to prevent any unauthorized entries, including improper alterations of prescriptions, as well as to set a benchmark for promoting best practice in the sector;
- (c) proper medical investigation and treatment are used and any relevant group policies such as clinical protocols, essential drug lists, revisit and referral rates are up to sound healthcare management principles. This would provide additional assurance of patient's welfare and doctor's professional autonomy; and
- (d) the medical-related activities of the group practice comply with the relevant laws of Hong Kong, in particular procurement, use, storage and record of drugs and equipment licensing. In any event, the management shall not misguide employees to act improperly.

MDs are also encouraged to organize continuing medical education with emphasis on medical ethics and medical legislation for employee doctors.

11. As an MD will be a registered medical practitioner, his/her professional standard and conduct should already be assured through the regulation of the Medical Council. Having analyzed overseas experience and consulted local stakeholders, the Working Group considers it necessary for the MDs to possess additional professional requirements. We will approach and work with the Medical Council to see how such could be incorporated into the Council's existing Professional Code and Conduct.

12. To complement the Code of the Medical Council, DH is also prepared to promulgate a guideline to cover those extra requirements for MDs which will not fall under the purview of the Medical Council.

13. DH will maintain a list of group practices that have appointed MDs. If an MD has infringed the relevant codes of the Medical Council or the guideline promulgated by DH, he/she may no longer be eligible to perform the duties as an MD and the respective group shall be de-listed unless it appoints another eligible medical practitioner as MD. If the management of the group repeatedly and unduly interferes with the MDs' professional decisions, the group will not be allowed to be listed again.

The listing could provide valuable information to consumers, third-party purchasers of medical services and insurers to enable the making of informed choices. As part of the initiative, DH will also organize educational campaigns targeted at consumers, purchasers and insurers to help them better understand the role of an MD and the assurance provided by him/her. Demand from the users will be effective incentive to encourage group practices to attain higher standard in medical governance.

WAY FORWARD

14. The Working Group will proceed to make further studies into the details of implementation, consult the Medical Council regarding augmentation to their Code, prepare a complementary guideline, and liaise with stakeholders. Preparation will be made for public education and publicity relating to the listing exercise.

15. Members are invited to note the progress of the study on regulation of “HMOs” of the Working Group and to comment on the proposal to implement the medical director concept outlined in this paper.

Health, Welfare and Food Bureau
Department of Health
March 2007

**List of organizations which Department of Health's Working Group
on Regulation of "HMOs" had consulted**

I. LOCAL

1) Professional organizations

Hong Kong Chinese Medical Association
Hong Kong Dental Association
Hong Kong Doctors Union
Medical Council of Hong Kong
Practising Estate Doctors Association
The Association of Licentiates of Medical Council of Hong Kong
The Hong Kong Medical Association

2) Users

Consumer Council
MTR Corporation (representatives of employees) *
Society for Community Organization
Willis Hong Kong Limited (representatives of employees) *

3) Purchasers

China Light and Power Company Ltd
MTR Corporation*
Shangri-La
Towngas The Hong Kong and China Gas Company Limited
Willis Hong Kong Limited*

4) Providers

808 Medical Centre*
Dr. Jones Fok & Associates*
Global Health Connect Medical Centre*
Human Health Medical Centre*
Humphrey & Partners*
Medinet Services Limited*
New Town Medical & Dental Service Ltd*
Primary Health Care Medical Group*
Private Hospitals Association
Quality HealthCare*
Raffles Medical Group*

Town Health International Holdings Co Ltd*
TY HealthCare*
Union Concordia Medical Group*

5) Insurance Companies

The Hong Kong Federation of Insurers
BUPA (Asia) Limited

6) Scheme Administrators and intermediaries

Dr. Jones Fok & Associates*
Humphrey & Partners*
Medinet Services Limited*
Quality HealthCare*
Raffles Medical Group*
Union Concordia Medical Group*
Willis Hong Kong Limited*

* denotes parties with more than one role

II OVERSEAS

- 1) Australia**
New South Wales Medical Board
- 2) Malaysia**
Federation of Private Medical Practitioner Association (FPMPAM)
Finance Division, Ministry of Health
Medical Practice Division, Ministry of Health
- 3) New Zealand**
Karo Consulting
- 4) Singapore**
Health Regulation Division, Ministry of Health
Raffles Medical Group
Singapore Medical Association
- 5) UK**
Healthcare Commission
- 6) USA**
Executive Healthcare Consulting