

**Submission to the LegCo Panel on Health Services at meeting of 8 August 2011  
On the Report of the Healthcare Reform Second Stage Public Consultation**

1. The Hong Kong Confederation of Insurance Brokers (“CIB”) have submitted our views to the Healthcare Reform Second Stage Public Consultation in December 2010 and would like to respond to the Consultation Report as follows, mainly on the guiding principles for the way ahead:-
2. First of all, we agree to the vision of developing our dual healthcare system, which is a tax-funded and subsidized public system complemented by a competitive and transparent private sector. These two constituents of the dual healthcare system are so closely linked that, while the present consultation focuses on the private sector, we consider it necessary, though with political risks, for the Government to take on board an earlier review of the fee structure of the public sector. The starting point shall be the currently flat-rate Private Charges schedule of the Hospital Authority, that it should be revamped to be DRG-based hence be used as the benchmarks for private hospitals when developing their packaged service.
3. Secondly, we recognize the overwhelming public call for strengthening supervision and regulation over the private sector, but some are based upon misconceptions about insurance itself. In brief, medical insurance is a financial vehicle to pool and spread the health-related financial risks among the contemporary and across generation. Insurers are subject to stringent prudential regulation by the Insurance Authority that they are obliged to be careful in underwriting risks, which include cautious design of insurance cover itself.
4. Thirdly, we support the Government to take forward the Health Protection Scheme (HPS) but urge that the HPS shall not be confined to private healthcare services but the coverage shall be applicable for treatments at public hospitals as well – bearing in mind that the public sector is accessible by all Hong Kong citizens, when HPS subscribers who may elect to receive treatments from public hospitals, say for illnesses that entail high cost, advanced technology or multi-disciplinary professional team work (the target area of the public sector!), they will not be benefiting from the HPS to fund the self-financed medical treatments and services at the Hospital Authority, and the Hospital Authority miss the chance to recover costs from the insurance funds.

5. We agree that private healthcare capacity is important to the success of the HPS, and that appropriate supervisory framework and institutional governance shall be put in place, BUT more vital the supporting infrastructure is the development of effective preventative healthcare systems and the check-and-balance against over-regulation.
6. We anticipate there be a fruitful examination and deliberation on the HPS features, as the insurance industry is always feasible and practicable, and most importantly we share the same wish of the general public and the Government, that is, people stay healthy.
7. We appreciate it very much that the Government will be making efforts to facilitate development of the healthcare service market prior to the implementation of HPS. To introduce DRG-based Private Charges in the Hospital Authority is one of our recommendations.
8. CIB would be most pleased to be engaged in upcoming deliberation of the HPS, in particular we are concerned with:-
  - (1) the design of any financial incentives, which should aim at encouraging longer term savings by individuals to fund future HPS premiums at older ages or after retirement than at attracting short-term enrollment of HPS subscribers, who may elect to stop participating when any initial incentive expires; and
  - (2) the funding mechanism of the supervisory framework for HPS – lest it becomes the greatest hurdle to stop people participating in HPS, which remains a voluntary scheme that not only consumers may elect to join but also insurers are at their free will to be involved or not.
  - (3) the interface and relationship between the HPS and group medical insurance programs arranged by employers which currently cover a large proportion of workforce in Hong Kong. Most of the large group medical insurance programs are advised and serviced by brokers.

#### About CIB

The Hong Kong Confederation of Insurance Brokers are a body of professional insurance brokers authorized by the Insurance Authority as a Self-regulatory Organization with 254 corporate members registering 4,104 Chief Executives and Technical Representatives of those corporate members (figures as at 31 July 2011).