

Submission from The Hong Kong Federation of Insurers

PANEL ON HEALTH SERVICE 11 DECEMBER 2010
HEALTHCARE REFORM SECOND STAGE CONSULTATION

- The Insurance Industry hopes to see the successful implementation of a viable and sustainable health care financing scheme for the good of the community. This is long over due and we as an industry are committed to working with all stakeholders to make it happen.
- This is, to all intents and purposes, a voluntary scheme. As such, its ultimate success would depend on how well we can manage a range of critical factors including proper medical cost control, effective risk pooling, enrollment of sufficient number of healthy and young scheme members and, above all, acceptance by the general public.
- We welcome the idea of introducing DRG package charging/benefit limits; however, it needs the firm commitment on the part of the Government to take the lead to work with and secure particularly the support of private doctors and hospitals.
- Basically we support the scheme features as proposed; however, we have reservations on the proposed second-tier regulation of the future operation of the scheme and the participating insurers.
- Since the scheme is a voluntary one, insurers should have autonomy on how to price their products. That said, we support enhancement of the transparency on costing and we have no major concerns on observing reasonable guidelines on premium and benefit adjustment.
- Details and the mechanism of the proposed High Risk Pooling need to be ironed out and agreed upon by the parties involved in order to make it financially sustainable and acceptable to the insurance industry.
- Instead of offering 30% No Claim Discount (NCD) to encourage people of Hong Kong to join the scheme in its first year of implementation, we propose to offer the 30% discount in the form of a **WELCOME BONUS** and pay it direct to the consumer, while leaving the NCD mechanism to work on the basis of claims history as being offered in some present products in the market.
- We have reservations on the proposed alternatives for introducing saving elements in the scheme. And if it were decided that it has to be built in as an integral part of the scheme, the Insurance Authority would need to

review the licensing requirements and make the necessary amendments to ensure that all current medical insurers can participate.

- We have concerns on the capacity of private hospitals as they are currently running almost at full occupancy level. In the circumstances, the Government may wish to invite the Hospital Authority to consider expanding the provision of its private service and to charge DRG package pricing to patients using such service.
- To ensure that the proposed scheme is financially sustainable and actuarially sound from the risk pooling point of view, we should try and enroll into the scheme as a start at least 500,000 young and healthy people who currently do not have any form of medical insurance.
- Finally, for the information of this Panel, the Healthcare Reform Taskforce under the Hong Kong Federation of Insurers is considering the need to produce an industry DRG MANUAL and to engage an actuarial consultant to study the age-band premium ratings set out in the Government consultation paper to ascertain if they are broadly in line with the current rates in the market and, more importantly, whether they are sustainable in the future.