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Dr Hon Leung Ka-lau
Chairperson
Subcommittee on Health Protection Scheme
Legislative Council
Hong Kong SAR, PRC
15 May 2012

Public Opinions on the Health Protection Scheme

Dear Dr Lau,

We understand that the Subcommittee on Health Protection Scheme (HPS) is deliberating on issues related to the government's proposals on health protection. We are writing to draw the attention of the Subcommittee to the findings of a territory-wide opinion survey commissioned by the Healthcare Policy Forum. The survey was conducted by Lingnan University's Public Governance Programme in mid-2011.

The survey unambiguously shows that

- Hong Kong people prefer public healthcare services funded by progressive taxation to private healthcare insurance.
- Hong Kong people feel public money should be used first and foremost for the benefit of the whole society such as on the public healthcare system or a medical reserve for society's future use, rather than for the individual in for example purchasing personal healthcare insurance.

The government claims that the public prefers voluntary private insurance to other financing options, we take the view that this claim is far from having been convincingly established.

In view of the findings of our survey, we urge the Subcommittee to take steps to gauge and reassess the public's views on healthcare financing reform; at least some public hearings should be organized.

For the Subcommittee's further consideration, we hereby attach an article (both in English and in Chinese) that summarizes our survey findings as well as our response to the second-stage healthcare reform public consultation that details our views on HPS.

We would also like to take this opportunity to reiterate our reservations on HPS, namely, that:

- Private insurance is inefficient and cost-inflationary
- Private insurance harms rather than helps the public healthcare system
- Subsidizing the purchase of private insurance raises the issue of justice.
- Private insurance is not a correct policy tool for easing the pressure on the public system and enhancing the long-term sustainability of Hong Kong's healthcare system

In our view, our worries on HPS have not yet been answered. We urge the Subcommittee to continue to look into the issues and seek satisfactory responses from the government.

Should the need arise, we are ready to meet with Subcommittee members to further present our views on healthcare financing reform. We can be reached via our researcher, Mr Winston Ng, at [REDACTED] or [REDACTED]

Thank you very much for your attention.

Yours sincerely,

Dr George Cautherley
Convenor, Healthcare Policy Forum

Settling on voluntary healthcare insurance?

Last month, the Legislative Council's Panel on Health Services approved the government's proposal to establish a Health Protection Scheme Office. Subject to approval of funding by the Finance Committee, the Office will be established in early 2012. The function of the Office is to implement the private healthcare insurance scheme and to consider how to subsidize private insurance with the \$50 billion earmarked fiscal reserve for healthcare expenditure.

This gives the impression that Hong Kong society has settled on private healthcare insurance as its healthcare financing reform direction. At least, this is what the government is saying. Citing opinion research it sponsored and consultation responses it received, the government repeatedly claims that the public prefers voluntary private insurance to other financing reform options.

An opinion survey commissioned by the Healthcare Policy Forum and conducted by Lingnan University's Public Governance Programme does not support this claim. The Forum survey successfully interviewed more than 1,000 Hong Kong residents aged 18 and above in late June and early July in 2011 with a response rate of 31%. Many of the survey's findings are in fact diagonally opposite to the government's claims about Hong Kong's preferred healthcare financing reform direction.

While the government suggests that only a minority of the community supports a more progressive tax regime for financing healthcare, our survey found the contrary. About three-fourths (73%) of Forum survey respondents supported using a more progressive tax regime to fund public services as a principle; a similar proportion (74%) favoured introducing progressive taxation for funding public services in Hong Kong. Among respondents (65% of the total) who did not find Hong Kong's public healthcare services adequate and who wanted the injection of more resources into these services, 75% picked a more progressive tax regime as the tool for generating more resources.

On the government-proposed private healthcare insurance scheme, consistent with the government's claim, the Forum survey found majority support among respondents (66%). However, it should be noted that analytically, "supporting" does not necessarily entail "participating". Following this logic in our survey design, we found that more than one third (34%) of the scheme supporters had no intention of actually joining the scheme; only one third (33%) indicated they would. This translates into only 22% of the total number of respondents supporting and intending to join the scheme at the same time. Hong Kong people's embrace of the private healthcare insurance scheme is hardly as enthusiastic as the government would have us believe.

Subsidizing the uptake of private healthcare insurance has been the most controversial aspect of the government-proposed scheme, because it raises a question of justice in using public money to subsidize the relatively well-off to enjoy better healthcare services. On this, the government claims that society's views are divergent. Our survey indicates that views are not as divergent as depicted. There is in fact a predominant view. Hong Kong people are very public-minded regarding the use of public money; the predominant view is that public money should be used for the benefit of the whole society rather than for the individual. A very high proportion of Forum survey respondents agreed that if the government was to increase spending on healthcare, the money should be used for the benefit of the whole society like spending on the public healthcare system (84%) or for setting up a population-wide medical reserve for paying future public healthcare expenditures (75%). Meanwhile, a significantly lower proportion of

respondents agreed that the money should be used for the benefit of the individual, such as subsidizing individuals to set up personal medical saving accounts (57%) or to take out individual private insurance (53%).

Such public-mindedness was further corroborated by our respondents' priorities in the use of any increased public funding on healthcare. About 43% of the respondents took spending on the current public healthcare system as the first priority in the scenario of increased public spending on healthcare, 20% opted for setting up a medical reserve for the whole population and 16% preferred setting up personal medical saving accounts; only 13% supported subsidizing private insurance.

Zooming in on respondents who supported the private insurance scheme as a group and compared to the community at large, survey data show that they are no less supportive of funding public services through a more progressive tax regime, nor less public-minded regarding the use of public money. It is worth noting that more than 67% of scheme supporters supported the scheme regardless of whether there would be premium subsidies. For the scheme supporters, then, concern about insurance subsidies is only secondary. It is plausible that they only welcomed the government's proposed private healthcare insurance scheme as a consumer protection measure. If given the choice, they would prefer a public system funded by progressive taxation than private healthcare insurance.

Further analysis of the survey data reveals that income level has little bearing on Hong Kong people's support of progressive taxation or on their public-mindedness. In other words, people in different income groups show similar levels of support for progressive taxation and have similar levels of public-mindedness.

According to our survey, Hong Kong people's preferred option of healthcare financing is unambiguous: firstly, public healthcare services funded by progressive taxation are preferable to voluntary private health insurance; secondly, new public money if any should be used for the benefit of the whole society rather than for the individual.

Scientifically, a single observation cannot verify a hypothesis but it can falsify a hypothesis. Likewise, one single survey may not be sufficient for establishing Hong Kong's preference regarding healthcare financing reform, but the Forum survey stands to call into question the government's various claims in this regard. Hong Kong's healthcare financing reform direction has not yet been settled. Two pieces of advice look appropriate. For the current government, in order not to put the cart before the horse and not to prematurely commit the next government to a policy direction that the community may not endorse, it should suspend the plan to establish the Health Protection Scheme Office. For the new government that will be installed in mid-2012, in order not to add to its democratic deficit which results from small-circle elections, it should reassess what the community actually prefers in connection with healthcare financing reform.

(An abridged version of this article was published in Ming Pao on 29 Dec 2011.)

George Cauterley
Convenor, Healthcare Policy Forum

2011年12月29日 星期四
論壇 > 論壇

高德禮 (George Cauthery)：香港已選定私人醫保為醫療融資方向？

【明報專訊】政府計劃於2012年初設立統籌處落實私人醫療保險計劃，及規劃如何運用500億元儲備為醫保提供資助。這予人香港已選定私人醫保為醫療融資方向的印象。政府認為私人醫保是社會接受的方向，一再重申私人醫保較其他醫療融資方案更為港人歡迎。

一項由醫療政策論壇委託嶺南大學公共管治研究部做的民意研究卻令人對政府的說法存疑。研究於6至7月間成功訪問1033名18歲或以上的市民，回應率為31%。

研究顯示，香港市民其實非常認同一個以累進稅制為基礎的醫療融資方案。受訪者中，有73%原則上支持以較累進的稅制支付公共服務開支，更有74%支持在香港實行這原則。另外，有65%受訪者不認同香港公共醫療足夠，認為政府應增撥資源，當中，同樣有75%認同香港應實施累進稅，以增加政府可用於公共醫療上的收入。

就醫保計劃，研究發現它確實受市民支持：支持者有66%。但「支持」並不等於「參與」。事實上，在支持者中，有34%表示無意購買計劃下的保險或將現有的保險轉到計劃下；只有33%表示會考慮參與計劃。換言之，整體上，只有22%受訪者是同時支持並會考慮參加計劃的。市民對計劃的支持實際上並不如政府表述般熱中。

醫保津貼是醫保計劃中最具爭議的環節，因它帶出以公帑津貼較高收入市民享有較佳醫療是否合乎公義的疑問。在津貼問題上，綜合而言，受訪者認為公帑應匯集運用為社會整體謀幸福，而非只在個人層面提供補助。數據顯示，假如政府增撥醫療資源，絕大部分受訪者認為應用於公共醫療系統上（84%）或設立全民醫療儲備以支付將來的公共醫療開支（75%）；只有約一半受訪者認為應用於資助市民設立個人醫療儲蓄戶口以支付個人的醫療開支（57%）或津貼私人醫保（53%）。假如以優次排序，43%受訪者認為新增資源應最優先用於公共醫療系統上，20%認為應最優先用於設立全民醫療儲備；只有分別16%及13%認為應最優先用於設立個人醫療儲蓄戶口及津貼醫保。在公帑的運用上，我們可說港人顯露一種超越個人的社會意識。

即使對醫保計劃支持者而言，津貼也不是重要考慮。67%支持者對計劃的支持並不取決於有無津貼。

累進稅較私人醫保更為港人支持

最後，不容忽視的是，不同收入組群的受訪者，對累進稅的支持及所流露的社會意識沒有太大差異。

我們的研究結果絕不含糊：第一，作為醫療融資方案，累進稅較私人醫保更為港人支持；第二，公帑應匯集運用為社會整體謀幸福，而非只在個人層面提供補助。

誠然，單一的一個研究未必能確定港人對醫療融資方案的取捨，但它卻道出私人醫保是否港人真正選擇的疑問。為免本末倒置，政府應立即擱置設立醫保計劃統籌處。

作者是醫療政策論壇召集人

Healthcare Policy Forum's response to the consultation document, "My Health, My Choice – Healthcare Reform Second Stage Public Consultation Document"

Healthcare reform objectives that we endorse

- We start with an enunciation of the objectives of healthcare reform that we endorse:
 - containing the costs of care (as we believe that, given the omnipresence of resource scarcity, the healthcare system must possess a built-in mechanism for spending control.)
 - enhancing the quality of care (as we believe that the purpose of a healthcare system is to maximize people's health gain, the system must have the capacity to provide care of good quality.)
 - improving access to care for all (as we are committed to the value of equal access to healthcare)

The voluntary health protection scheme (HPS) as we understand it

- Based on the consultation document, we understand that the purpose of the second stage consultation "My Health, My Choice" is to propose a voluntary health protection scheme (HPS).
- HPS is a scheme for standardizing and regulating voluntary private health insurance, aiming to ensure the quality and value-for-money of private healthcare services and private health insurance.
- HPS - standardized voluntary private health insurance - is proposed by the government as an option for reforming healthcare financing. It is considered as a supplementary healthcare financing arrangement.
- The government's choice of supplementary financing option is based on its understanding of public opinions that 1) the public have reservations about mandatory supplementary financing options in general and 2) the public prefer greater voluntary choice for individualized healthcare and voluntary private health insurance.
- The government proposes to use the \$50 billion earmarked fiscal reserve to support healthcare reform by providing financial subsidies for the uptake of private health insurance.
- By ensuring value-for-money private health insurance and providing financial subsidies, the government seeks to encourage those who are able and willing to pay to subscribe to private health insurance and use private healthcare on a sustained basis as an alternative to public healthcare.
- Through this, the government claims that the pressure on the public healthcare system can be eased.
- The government also claims that HPS can enhance the long-term sustainability of Hong Kong's healthcare system.

The problem of the voluntary health protection scheme (HPS) as we see it

- We see no problem in the government pursuing a policy to regulate the private health insurance market and the private healthcare market in order to protect consumer/patient interests for the following reasons:
 - Intervening into the market when market failure occurs is one of the important functions of government.
 - And, it is well established that market forces do not work well in the healthcare insurance market and the healthcare market.
- We see problems however in the government adopting private healthcare insurance as a healthcare financing reform option and providing financial subsidies to encourage the uptake of private healthcare insurance for the following reasons:
 - dubious understanding of public opinions
 - The government's understanding of public opinions on private insurance on which the proposal of HPS is based appears to be dubious. The findings of one of the focus group researches committed by the government indicate that voluntary private insurance

was next to the least preferred option among middle-class focus group participants and was the least preferred option among participants with chronic illnesses. Instead, the research indicates that a “more progressive taxation system is preferred to the new supplementary financing options” among all focus group discussion participants.¹

- inefficiency and cost-inflation of private insurance
 - The government’s faith in the capacity of private insurance to enhance the long-term sustainability of Hong Kong’s healthcare system is misplaced. Private insurance is not a measure to contain costs or to enhance efficiency or to deal with population ageing. International experience indicates that health systems relying more on private insurance to fund healthcare tend to be more expensive but lacking in evidence of improved health outcomes, whereas systems confining private insurance to the periphery tend to be more able to keep healthcare costs under control.²
- harming rather than helping the public healthcare system
 - The government’s belief in the capacity of private insurance to ease pressure on the public healthcare system is also misplaced. International evidence shows that private healthcare is not only unlikely to help the public healthcare system but may actually harm the system in time.³
- injustice in using public money
 - The government’s proposal to use public money to subsidize the purchase of private insurance raises the issue of justice. Justice demands that everyone be treated equally unless there are good reasons for doing otherwise. However, as the higher one’s income, the more likely one can afford and will purchase private insurance, the government’s proposal amounts to saying that the higher one’s income, the more likely one can enjoy the privilege of better healthcare choices and protection supported by taxpayers’ money. It is counter-intuitive that “earning more” or “being richer” is a good reason for deserving a greater share or higher priority in the use of public money.⁴

The objections we raise to the voluntary health protection scheme (HPS)

- Given the healthcare reform objectives we endorse, we fully support the government’s objectives to 1) ease the pressure on the public system and 2) enhance the long-term sustainability of Hong Kong’s healthcare system.
- Nonetheless, given the available research evidence mentioned earlier, we do not agree that private healthcare insurance is a correct policy tool for achieving the two objectives above.
- On the ground of justice, we also oppose using public money to subsidize the uptake of private insurance. The government’s proposal will only move our healthcare system in the direction of greater inequality in the access to healthcare, which goes against the fundamental value of equal access to healthcare of public healthcare systems in many advanced countries. We find subsidizing this greater inequality by public money unacceptable.
- Notwithstanding our objections, we have no intention to call for an overhaul of HPS.
- We agree that the government should take an active role in regulating the private insurance market and the private healthcare market for better consumer and patient protection.
- What we disagree with is adopting private insurance as a policy tool for reforming healthcare financing and using public money to support the uptake of private insurance.

¹ For more discussion on this, see our article entitled “Findings of Government-Commissioned Opinion Poll on Healthcare Reform & Funding – Omitting Inconvenient Truths?” in Appendix 1.

² For further elaboration on this, see our article entitled “Sustaining the healthcare system by private insurance?” in Appendix 2.

³ For more on this, see our article entitled “Helping or harming the public healthcare system?” in Appendix 3.

⁴ For more discussion on the issue of injustice of the government’s proposal, see our article entitled “The injustice of proposed private healthcare insurance scheme” in Appendix 4.

The possible ways forward

- We propose that HPS should be re-conceptualized as a consumer/patient protection policy rather than a healthcare financing reform policy.
- As regards healthcare financing reform, given the government's objectives of enhancing the long-term sustainability of Hong Kong's healthcare system and easing the pressure on the public healthcare system, we believe the two following research findings may provide some pointers on possible directions:
 - "There is a consensus among most health economists, although the evidence base is incomplete, that single pipeline funding enables effective cost control. Thus, those countries which are single-pipeline financed by taxation can, by control of public expenditure limit cost inflation better than countries where funding is fragmented (for example, the USA). Once funding is fragmented, direct control of one pipeline tends to be compensated by inflation in funding via another."⁵
 - "... a resort to private finance is, on balance, more likely to harm than help publicly financed systems ... For those who would seek to improve publicly financed systems, the locus of reform efforts must remain the public system itself."⁶
- These two pieces of findings suggest that a more effective and efficient use of the \$50 billion fiscal reserve would be to use it on improving the current tax-based public healthcare system rather than on supporting the uptake of private healthcare insurance.
- Such a use of the fiscal reserve can at same time meet the requirement of justice as the improved public healthcare system can be enjoyed by all.
- One innovative supplementary healthcare financing option is to use the \$50 billion fiscal reserve to set up a public healthcare foundation for generating income. The income generated each year is then to be used to finance the public healthcare system.
- Alternatively, part of the income generated can be saved up and re-invested into the foundation for generating additional income. This way, the foundation will be like a medical savings account of the society as a whole, which is also a way of coping with population ageing.
- Depending on the soundness of the government's financial position and the level of financial reserves, more money can be earmarked for healthcare financing and put into the foundation in the future.
- Admittedly, all these suggestions are very preliminary, but they appear to provide a promising way forward.

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⁵ A. Maynard. 2001. Ethics and health care "underfunding". *Journal of Medical Ethics* 27: p. 225.

⁶ Carolyn H. Tuohy, Colleen M. Flood, and Mark Stabile. 2004. How does private finance affect public health care systems? Marshaling the evidence from OECD nations. *Journal of Health Politics, Policy, and Law* 29(3): p. 393.

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