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(These minutes have been
seen by the Administration)

Panel on Health Services

**Minutes of special meeting
held on Thursday, 24 November 2011, at 4:30 pm
in Conference Room 3 of the Legislative Council Complex**

Members present	: Dr Hon LEUNG Ka-lau (Chairman) Dr Hon Joseph LEE Kok-long, SBS, JP (Deputy Chairman) Hon Albert HO Chun-yan Hon Fred LI Wah-ming, SBS, JP Hon CHEUNG Man-kwong Hon Andrew CHENG Kar-foo Hon LI Fung-ying, SBS, JP Hon Audrey EU Yuet-mee, SC, JP Hon WONG Ting-kwong, BBS, JP Prof Hon Patrick LAU Sau-shing, SBS, JP Hon CHAN Hak-kan Hon CHAN Kin-por, JP Hon CHEUNG Kwok-che Hon IP Kwok-him, GBS, JP Dr Hon PAN Pey-chyou Dr Hon Samson TAM Wai-ho, JP Hon Alan LEONG Kah-kit, SC
Member attending	: Hon IP Wai-ming, MH
Members absent	: Hon Vincent FANG Kang, SBS, JP Hon CHEUNG Hok-ming, GBS, JP Hon Cyd HO Sau-lan
Public Officers attending	: Dr York CHOW Yat-ngok, GBS, JP Secretary for Food and Health

Mr Richard YUEN, JP
Permanent Secretary for Food and Health (Health)

Mr Chris SUN
Deputy Secretary for Food and Health (Health)
Special Duties

Clerk in attendance : Ms Elyssa WONG
Chief Council Secretary (2) 5

Staff in attendance : Ms Alice LEUNG
Senior Council Secretary (2) 2

Ms Maisie LAM
Senior Council Secretary (2) 5

Ms Priscilla LAU
Council Secretary (2) 5

Ms Sandy HAU
Legislative Assistant (2) 5

Miss Liza LAM
Clerical Assistant (2) 5

Action

I. Health Protection Scheme
(Paper Nos. CB(2)348/11-12(01) and (02))

Secretary for Food and Health ("SFH") briefed members on the Administration's action plan in taking forward the Health Protection Scheme ("HPS") and its proposal of creating two supernumerary directorate posts for leading and overseeing a dedicated and time-limited Health Protection Scheme Office ("HPS Office") to be set up under the Health Branch of the Food and Health Bureau ("FHB"), details of which were set out in the Administration's paper (LC Paper No. CB(2)348/11-12(01)).

Implementation of the HPS proposal

2. Mr Fred LI was of the view that to set up a HPS Office for taking forward the HPS proposal when there was no clear consensus amongst Members of the Legislative Council ("LegCo") and members of the public on the proposed features of HPS was putting the cart before the horse.

Action

3. Mr Albert HO echoed Mr Fred LI's view, adding that the proposed HPS as a supplementary financing option could not achieve its stated objectives, especially in relieving pressure on the public healthcare system with an ageing population. An expansion of the private healthcare sector would also lead to an increasing number of doctors in the public hospitals switching to the private hospitals, thus putting further strain on the already tight manpower situation. He considered that the Administration should use the \$50 billion fiscal reserve earmarked for healthcare reform to improve the existing public healthcare services and address the manpower shortage problem, instead of to support the uptake of private health insurance. Mr Albert HO said that Members belonging to the Democratic Party did not accept the proposed HPS and considered it not opportune to consider the related directorate staffing proposal to take forward HPS.

4. SFH advised that while taking forward healthcare reform, public healthcare would remain the cornerstone of the healthcare system. However, focusing on the public healthcare system alone could not ensure the sustainable development of the healthcare system as a whole. About half of all doctors in Hong Kong, were taking care of over 90% (by number of bed days) of patients requiring hospital services in Hong Kong. This pointed to the need to address the imbalance between the public and private healthcare sectors and seek to make better use of the private healthcare system. In addition, there were more than two million people in Hong Kong covered by private health insurance. Overseas experience revealed that without reforming the private health insurance and healthcare services markets or leaving the private sectors to evolve entirely on their own, private healthcare services might become less and less affordable to the insured.

5. SFH further said that during the first stage consultation on healthcare reform in 2008, there was a lack of public support for further pooling resources to subsidize the population as a whole through a predominant public healthcare system, while there was a relatively stronger preference for choice of private healthcare services apart from public healthcare through voluntary private health insurance. It was against this background that the proposed HPS was formulated. On the appropriateness of using the \$50 billion fiscal reserve to provide financial incentives to encourage the public to participate in the proposed HPS on a sustained basis, SFH said that at present, the public healthcare system was highly subsidized. The Administration considered it reasonable and justified to provide suitable incentives – which would be much less than the subsidization rates for public healthcare services – to those who chose private healthcare under HPS over public healthcare. Given the complex, multi-faceted and inter-woven nature of the tasks under the Administration's three-pronged action plan to take forward HPS for formulating recommendations in the first half of 2013, there was a need to establish a dedicated HPS Office in early 2012 on a time-limited basis for three years to perform the roles and functions as set out in paragraph 14 of the

Action

Administration's paper. The Administration would consult LegCo on the proposals formulated to take forward HPS, including, among others, legislative and institutional proposals, and the use of the \$50 billion fiscal reserve.

6. While not objecting to the strengthening of the regulatory regime over and improving the quality of private health insurance and private healthcare services, Mr Albert HO considered it inequitable to use the \$50 billion fiscal reserve to subsidize people who could afford to subscribe to private health insurance and use private healthcare services and might at any time return to use public healthcare services. He also questioned the effectiveness of HPS to relieve demand on the public healthcare sector.

7. SFH pointed out that private health insurance, either individually-purchased and/or employer-provided, was a growing source of finance for private healthcare service. The Administration considered it reasonable and justified to provide suitable incentives to these people as the healthcare system should not only cater for the needs of the low-income and under-privileged groups through a highly-subsidized public system, but should also take care of the middle class who had already taken the responsibility for their healthcare through private health insurance.

8. Ms Audrey EU said that while the Civic Party did not object to further considering the proposal of HPS, it could not support the proposal of setting up a dedicated HPS Office involving large scale manpower (i.e. three directorate officers and a team of 15 non-directorate staff) and allocating resources to take forward HPS at this stage as the difference in public opinions on the features of HPS had yet to be narrowed to provide a basis for consensus on the implementation of HPS.

9. SFH said that there had been lengthy discussion on healthcare reform over the past years. The outcome of the first stage consultation on healthcare reform in 2008 revealed that the majority of the public had reservations about mandatory supplementary healthcare financing options including taxation and preferred having their own voluntary choices of healthcare protection. In formulating the proposals of HPS as a step forward in enhancing the long-term sustainability of the healthcare system for the second stage consultation in 2010, emphasis had been put on addressing the shortcomings of the current private health insurance and private healthcare services markets by enhancing consumer protection and promoting packaged pricing for common procedures to improve transparency of healthcare services. On the basis of the broad-based community support for taking forward the proposed HPS and reforming the private healthcare system, the Administration would hammer out the details of the HPS proposal for discussion by LegCo before implementation. SFH further said that while the Administration had, among other things, taken into consideration relevant overseas experience on private health insurance when formulating the proposals for HPS, it was important to note that the healthcare

Action

system in Hong Kong was different from that of others. While social or private health insurance played a prominent role in overseas healthcare system, Hong Kong had developed a high-quality and highly efficient public system which offered equitable access to essential public healthcare services.

10. Ms Audrey EU maintained the position that there was at present no public consensus on the proposed HPS and Members belonging to the Civic Party would not support the establishment of the HPS Office and the related directorate staffing proposal at this stage.

11. Mr CHAN Kin-por held the contrary view that the general public, in particular those from middle-income families, was in favour of the early implementation of HPS which aimed at safeguarding consumer interests, among others. When compared with existing health insurance products, the proposed features and design of HPS, such as certainty in acceptance of enrolment and cap on the premium loading, were appealing to the insured as well as those who intended to subscribe to private health insurance. He pointed out that from the perspective of the insurers, Government injection would be necessary to enable the proposed HPS to get off the ground or otherwise it might not be viable for them to participate in HPS. As he saw it, there was no question of inequity of using the \$50 billion fiscal reserve to provide suitable incentives to people choosing private healthcare under HPS over public healthcare as many of them were middle-class and had already paid for public healthcare through tax.

12. Mr CHAN Kin-por further said that while he agreed that there was a need to improve the public healthcare system, the request for increasing public funding for public healthcare services and the proposal of making use of the \$50 billion fiscal reserve to provide incentives to encourage the public to participate in HPS on a sustained basis were not necessarily mutually exclusive. Notwithstanding this, the details and the financial viability of HPS required further study by the Administration before the public and LegCo could decide whether and, if so, how to proceed with the proposal. Hence, he supported the setting up of a dedicated HPS Office to study and take forward the reform initiatives under the three-pronged approach.

The three-pronged action plan for HPS

13. Ms Audrey EU pointed out that a review and assessment of the manpower requirements for healthcare professionals for the formulation of options for strengthening healthcare manpower supply, as well as the strengthening of the regulation over private hospitals, had long been called for by Members and the community. She queried the reason for putting these responsibilities under the purview of the HPS Office.

Action

14. Ms LI Fung-ying concurred with Ms Audrey EU's view that some of the roles and functions of the HPS Office as set out in paragraph 14 of the Administration's paper should not be tied with the implementation of HPS. She sought clarification on whether these tasks would still be pursued without the implementation of HPS.

15. Dr Joseph LEE echoed that irrespective of whether HPS would be implemented or not, it was incumbent upon the Government to conduct a strategic review on healthcare manpower planning and professional development and to facilitate the development of the private healthcare services industry as an integral part of the healthcare system.

16. Mr Alan LEONG noted with concern paragraph 11 of the Administration's paper that the study to formulate supervisory framework for HPS, review on healthcare manpower strategy and facilitate healthcare service development was based on the presumption that HPS would be taken forward. He doubted whether there was still room for the discussion of whether HPS should be implemented or not, albeit the concern raised by members and deputations on a number of issues on the HPS proposal at the Panel meetings on 11 July and 8 August 2011.

17. SFH advised that the scope of study would be different without the implementation of HPS. For instance, it would be difficult, if not impossible, to regulate the private healthcare system in the absence of HPS. SFH reiterated that during the second stage consultation on healthcare reform, there was broad support for the introduction of HPS as a means to strengthen regulation over the private healthcare market to enhance transparency, competition and efficiency. While the Government would continue to expand the health budget for improving public healthcare services, it should be noted that a sustained healthcare system required not only a strengthened public system as its core, but also a complementary private system providing more value-for-money choices for members of the public. If the proposed HPS was to achieve its stated objectives, especially in relieving pressure on public system, it was important for the Government to formulate a healthcare manpower strategy to ensure an adequate supply of healthcare professionals to meet future demands and support the development of the public and private healthcare sectors, and to develop the necessary infrastructure for facilitating the development of healthcare services. These three tasks were interdependent and equally important for the purpose of enhancing the long-term sustainability of the healthcare system in the face of an ageing population.

18. The Chairman remarked that individual private health insurance had grown rapidly in the last decade with double-digit annual growth rate. Given that private health insurance had become an increasingly popular form of health protection, it was incumbent upon the Government to introduce HPS as a tool

Action

for reforming the private health insurance and private healthcare services markets.

19. Mr IP Wai-ming also considered it necessary to strengthen the supervision of the private health insurance and private healthcare services markets for consumer protection and market transparency per se.

20. SFH advised that the existing demand for private healthcare services was largely correlated with the economic condition. When the economy was blooming, there would be an increase in the service demand of the private healthcare sector. In the event that the economy underwent cyclical downturns, there would be a decrease in the number of people seeking private healthcare services. This was not a healthy phenomenon. The implementation of HPS would help provide additional choices with better protection for those, in particular the middle-class families, who would be able and willing to pay for private health insurance and private healthcare services by enabling the insured to use value-for-money private healthcare on a sustainable basis. This could only be realized if the healthcare manpower, service capacity and supporting infrastructure of the healthcare system could support the implementation of HPS.

Timeframe for taking forward the proposal of HPS

21. Mr CHAN Hak-kan queried the feasibility of completing the three-pronged action plan for HPS in the first half of 2013. Ms LI Fung-ying expressed a similar concern.

22. SFH stressed the need to take forward the proposal of HPS without delay to avoid further aggravating the problems confronting the healthcare system. The target of the Administration was to complete the preparatory work and come up with proposals for consultation with the public and LegCo in 18 months' time, i.e. by the first half of 2013, and then proceed with the necessary legislative process, so that HPS could be rolled out as soon as possible. This would tie in with the timetable for the implementation of accreditation in public and private hospitals in 2014 and the set up of the eHealth Record Sharing platform by 2013-2014 for connection with all public and private hospitals.

23. Dr PAN Pey-chyou expressed concern that there might be a policy change after the next Chief Executive and his Principal Officials assumed office. He asked about the reason for not waiting till the next term of Government to set up the HPS Office and submit the relevant staffing proposal for consideration by LegCo.

24. SFH responded that there was no cause for such concern, as there was broad support in the community for taking forward the proposed HPS. He

Action

reassured members that there was plenty of room for discussion on the details of the proposal with a view to forging consensus.

25. Holding the view that the next term of Government had the responsibility to explain its stance if it decided not to take the various initiatives forward, Dr Joseph LEE saw no reason for not supporting the set up of the HPS Office within the current term of Government.

Naming of the dedicated office to take forward HPS

26. The Chairman suggested renaming the HPS Office as the Healthcare Reform Office or Healthcare Development Office to reflect more accurately the work of the office.

27. Dr Joseph LEE suggested that the HPS Office should be renamed as Healthcare Services Development Office.

28. Noting members' concern, SFH said that the Administration would consider renaming the proposed HPS Office.

Proposed directorate support for the HPS Office

29. Mr CHAN Hak-kan considered that the Administration had not provided convincing justifications for the directorate staffing proposal of creating two supernumerary directorate posts for leading and overseeing the HPS Office.

30. Mr Alan LEONG queried whether the review on healthcare manpower strategy and the facilitation of healthcare service development could be undertaken under the existing structure of the Health Branch of FHB.

31. SFH responded that the Administration had critically examined the feasibility of redeploying the existing directorate officers in the Health Branch of FHB to take on the work of the proposed directorate posts but found the option not operationally feasible as all the directorate officers were fully engaged in their respective duties and did not have any spare capacity to take up the wide array of tasks related to the HPS Office.

32. Permanent Secretary for Food and Health (Health) supplemented that he was currently supported by one Deputy Secretary responsible for policy matters relating to public medical and health services provided by the Hospital Authority ("HA") and Department of Health, health promotion and prevention of communicable and non-communicable diseases, etc.; and another Deputy Secretary responsible for policy matters relating to the development of primary healthcare services, the development of medical Centres of Excellence in Paediatrics and Neuroscience, human organ donation and transplant, human reproductive technology, etc. There was also one supernumerary (up to the

Action

third quarter of 2013) Head (eHealth Record) and one Head (Research Office) on secondment from HA. Given the already very heavy workload of the existing directorate officers in the Health Branch of FHB, as well as the complexity and sensitivity of the three-pronged action plan in taking forward HPS, it was necessary to create the two dedicated directorate posts on a time-limited basis for leading and overseeing the HPS Office.

33. Ms LI Fung-ying cautioned that it would be operationally essential to retain the HPS Office after the lapse of the three-year period to provide continuous support for the implementation of HPS.

34. SFH responded that the Administration would consult LegCo if there was a need arising from the legislative proposal to set up a statutory structure for supervising and administering HPS.

35. Given that HPS would be taken forward in the long run, Mr IP Wai-ming sought explanation for creating the two directorate posts on a supernumerary instead of a permanent basis.

36. SFH explained that given finite public resources, it was considered more appropriate to create the two directorate posts on a time-limited basis to take forward the three-pronged action plan. The Administration would take account of the development and implementation progress of HPS when reviewing the continued need of these two posts in the long term.

37. Mr WONG Ting-kwong expressed support for the creation of two supernumerary directorate posts for leading and overseeing the dedicated HPS Office to spearhead and co-ordinate the planning, development and implementation of the proposed HPS.

Effectiveness of public-private-partnership projects

38. Mr CHAN Hak-kan pointed out that the various public-private-partnership ("PPP") projects to subsidize patients of public hospitals to receive treatment in the private sector, such as the Cataract Surgeries Programme, had not been effective in significantly shortening patients' waiting time for the related public healthcare services. He doubted whether HPS could achieve the objective of relieving public queues and reducing the burden on the public healthcare sector.

39. SFH responded that the promotion of PPP with a view to redressing imbalance between public and private healthcare services and facilitating the development of the private healthcare sector, thus helping ensure the sustainability of the healthcare system, was a key element of healthcare reform. In purchasing services from the private sector, the Administration would take into consideration the cost and quality of the service. While the effectiveness of

Action

some PPP initiatives might be less apparent, some had been successful in reducing the waiting time for patients. For instance, with the launch of the Cataract Surgeries Programme, the waiting time for cataract surgeries in public hospitals had been shortened from more than 36 months to around 24 months. Building on the experience gained, the Administration would continue to examine possible PPP initiatives to provide more choice of services for patients.

Conclusion

40. The Chairman informed members of his decision to extend the meeting for five minutes beyond its appointed time to allow more time for discussion.

41. To facilitate future discussion of the Panel, the Chairman requested the Administration to provide written explanations and supporting figures on the following -

- (a) given the high fixed cost for the provision of public healthcare services, how the implementation of HPS, which would facilitate the development of the healthcare services industry, could relieve burden on public healthcare system and reduce public health expenditure;
- (b) the measures to be put in place to retain talents in the public healthcare sector so that the increase in demand for healthcare services and in turn manpower in the private sector induced by the implementation of HPS would not lead to brain-drain from the public sector and affect the quality of public healthcare services; and
- (c) the role of public sector in the healthcare system and its pros and cons.

42. As diverse views had been expressed on the establishment of a dedicated office to take forward the three-pronged action plan and the related directorate staffing proposal, the Chairman put to vote the staffing proposal for its submission to the Establishment Subcommittee ("ESC") for consideration. Nine members voted for and five members voted against the proposal, and no member abstained. The Chairman declared that the Panel supported the submission of the proposal to ESC for consideration.

43. In concluding the discussion, the Chairman suggested that pending the activation of the Subcommittee on Health Protection Scheme, the Panel should hold another special meeting in January 2012 to further discuss the subject. Members agreed. SFH undertook to provide the information requested by the Chairman in paragraph 41 above at the next meeting.

Action

(*Post-meeting note:* At the request of the Administration and with the concurrence of the Chairman, the discussion on the item "Healthcare Protection Scheme" had been deferred to the February regular meeting on 13 February 2012.)

44. There being no other business, the meeting ended at 6:32 pm.

Council Business Division 2
Legislative Council Secretariat
10 February 2012