For discussion on
13 February 2012

Legislative Council Panel on Health Services

Health Protection Scheme

PURPOSE

This paper recaps the background leading to the proposed Health Protection Scheme (HPS) and provides an update on the latest developments.

BACKGROUND

Public Consultations on Healthcare Reform

2. In 2008 and 2010, we conducted two stages of public consultation on healthcare reform. In the First Stage Public Consultation on Healthcare Reform, we consulted the public on healthcare service reforms and six possible supplementary healthcare financing options. In view of strong public resistance to any supplementary healthcare financing options of a mandatory nature, we proceeded to develop possible policy options along the principle of voluntary participation.

3. In developing possible policy options, we noted that private health insurance (PHI) is a sizeable and growing healthcare financing source. According to the Thematic Household Survey (THS) conducted by the Census and Statistics Department (C&SD) in 2009, there were around 2.56 million people covered by PHI (slightly more than one third of Hong Kong's population). PHI has been playing an increasingly significant role in financing healthcare expenditure. According to Hong Kong's Domestic Health Accounts (DHA) as at 2007-08[1], the healthcare expenditure financed by PHI registered a distinct increase of 8.9% per annum from 1989-90 to 2007-08. The impetus mainly came from the individual PHI segment, which witnessed an average annual surge of

[1] Hong Kong's Domestic Health Accounts (DHA) are descriptive accounts that describe the totality of health care expenditure flows in both the government and non-government sectors. The Food and Health Bureau released in July 2011 the estimates of domestic health expenditure in Hong Kong updated to the position of the financial year 2007-08.

17.4% in healthcare expenditure that it financed. As a result, the overall share of PHI in healthcare financing increased from 11.9% to 13.8% over the years. This demonstrates that PHI has the potential to play a more significant role in supplementing the financing of Hong Kong's healthcare expenditure.

4. We also noted that there is a higher tendency for people covered by PHI to use private hospitals for inpatient care. It was roughly estimated by the Consultant commissioned by the Food and Health Bureau in 2010 that for people covered by PHI, 63% of the hospital admissions pertained to the private sector. For people without PHI cover, only 10% of the admissions pertained to the private sector. Notwithstanding the above, over one third of the admissions of people covered by PHI still pertained to the public sector. There are various reasons for this, including emergency cases and cases requiring inter-disciplinary care (which are usually treated at public hospitals), avoidance of out-of-pocket payment when the insurance protection is insufficient to cover all the private hospital expenses, and budget uncertainty when the insured cannot ascertain the out-of-pocket payment in advance to receiving treatments. There have been calls in the community for enhancing consumer protection in PHI products and addressing the actual/perceived shortcomings of existing PHI products — such as uncertainty of the total treatment cost, dispute over insurance claims, inadequate insurance benefit coverage, exclusion of pre-existing conditions, no guaranteed renewal of policies, etc.

5. Taking into account the observations above, we put forth the HPS proposal, a voluntary and government-regulated health insurance scheme, for public consultation through the Second Stage Public Consultation on Healthcare Reform in 2010. By ensuring a better regulated and incentivised private healthcare sector, in particularly the private health insurance market, we aim to rationalise the utilisation of private healthcare services and also improve their efficiency, transparency and quality with a view to enhancing the long term sustainability of the healthcare system as a whole.

Health Protection Scheme

6. The HPS aims to achieve four objectives –

(i) provide more choices with better protection to those who are able and willing to pay for private health insurance and private healthcare services;

(ii) relieve public queues by enabling more people to choose private services and focus public healthcare on target service areas and population groups;

(iii) better enable people with health insurance to stay insured and make premium payment at older age and meet their healthcare needs through private services; and

(iv) enhance transparency, competition, value-for-money and consumer protection in private health insurance and private healthcare services.

7. Under the proposed HPS, insurers will offer standardised health insurance plans providing the insured individuals with benefit coverage and reimbursement levels that would enable them to access general ward class of private healthcare services when needed. Key features of the HPS plans such as no turn-away of subscribers and guaranteed renewal for life; covering pre-existing medical conditions subject to waiting period; accepting high-risk groups through high-risk pool reinsurance; and transparent insurance costs including claims and expenses, etc., are designed to offer better protection, value-for-money services to consumers, as well as an alternative to those who are willing and may afford to pay for private healthcare services. As more people choose to make use of private healthcare services under the HPS, it would also better enable the public healthcare system to focus more on providing service in the four target areas[2].

8. The HPS is meant to complement the public healthcare system, which have been and will continue to be the cornerstone of our healthcare system and the safety net for all under our dual public-private healthcare system. We will continue to strengthen our commitment to the public system. In fact, we have progressively achieved a substantial increase in recurrent health expenditure to almost $45 billion in 2012-13, an increase of over 40% when compared with 2007-08 and in line with the Chief Executive's target to increase recurrent expenditure on health to 17% of total government recurrent expenditure.

[2] The four target areas are: (i) acute and emergency care; (ii) low income and under-privileged groups; (iii) illnesses that entail high costs, advanced technology and multi-disciplinary professional team work; and (iv) training of health care professionals.

Outcome of Second Stage Public Consultation

9. The Second Stage Public Consultation on Healthcare Reform revealed broad-based community support for the Government's healthcare reform direction: a strengthened public healthcare system as the core, complemented by a competitive and vibrant private healthcare sector. Noting, among others, that about one third of our population have had health insurance coverage through employers or purchased on their own, there is wide and strong support for reforming the private healthcare sector. Many considered the HPS a positive step forward to enhance the long-term sustainability of our healthcare system. They concurred that the HPS could help enhance transparency, competition and efficiency of the private healthcare sector. They supported the introduction of HPS to provide value-for-money choices to the community, indirectly providing relief to the public healthcare system by better enabling it to focus on serving its target areas.

10. Some respondents, while supporting strengthened regulation of the private healthcare sector, expressed concerns about the adequacy of supply of healthcare manpower and capacity of private hospitals and healthcare services. They pointed out that if the HPS was to achieve its stated objectives, especially in relieving pressure on the public healthcare system, it was important for the Government to formulate a healthcare manpower strategy to ensure that there would be 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.

LATEST DEVELOPMENTS

11. Based on the outcomes of the Second Stage Public Consultation on Healthcare Reform, we proposed to set up a dedicated Healthcare Planning and Development Office (HPDO) to take forward the healthcare reform initiatives, including formulating the supervisory framework and detailed proposals for the HPS. With the approval of Finance Committee of Legislative Council, the HPDO was set up under time-limited basis for three years under the Food and Health Bureau in January 2012.

12. We have also set up a Working Group and Consultative Group on Health Protection Scheme under the Health and Medical Development

Advisory Committee[3] (HMDAC) to formulate detailed proposals for the HPS. The Working Group is tasked to tender recommendations to the HMDAC on matters concerning the implementation of the HPS, including supervisory and institutional frameworks, measures aiming to enhance the viability and mitigate potential risks of HPS, key components of standard plan under HPS, rules and mechanism in support of the operation of HPS, as well as the provision of public subsidy making use of the $50 billion fiscal reserve earmarked to support healthcare reform. In carrying out its tasks, the Working Group will be supported by the Consultative Group, which will collect views and suggestions from the wider community and pass them to the Working Group for reference and consideration. Members of the Working Group and Consultative Group come from a wide range of backgrounds, including the healthcare and medical sector, the insurance industry, employers, the civil society and the academic sector. The Working Group, taking into account the views and suggestions of the Consultative Group and other relevant parties, is expected to tender its recommendation on the HPS in the first half of 2013.

13. We are in the process of commissioning a consultancy study on the HPS in order to provide professional and technical support to the Working Group and Consultative Group. The consultant will perform a comprehensive review, survey and analysis of the current market situation of PHI in Hong Kong; and propose a feasible, sound and detailed design for implementing the HPS.

14. To ensure that there would be an adequate supply of healthcare professionals to meet future demands and support the development of the public and private healthcare sectors, including those arising from the implementation of the HPS, we have also set up a Steering Committee on Strategic Review on Healthcare Manpower Planning and Professional Development. The Steering Committee is chaired by the Secretary for Food and Health and held its first meeting on 31 January 2012. It will spearhead the conduct of a strategic review on healthcare manpower planning and professional development. The assessment of manpower needs aside, the strategic review will also recommend measures on professional development to upkeep the professional qualities of the various healthcare professions. The Steering Committee is supported by

[3] Chaired by the Secretary for Food and Health and comprising mainly non-official members, the Health and Medical Development Advisory Committee is tasked to assist the Government in identifying solutions to challenges faced by our healthcare system, including an ageing population and escalating healthcare costs as a result of technology advancement. Its terms of reference include reviewing and developing service models for healthcare in both the public and private sectors; and proposing long-term healthcare financing options.

a Coordinating Committee and six consultative sub-groups where views of major stakeholders will be sought.

WAY FORWARD

15. We aim to put forth the detailed proposals for the HPS by the first half of 2013, and then proceed with the necessary legislative process.

ADVICE SOUGHT

16. Members are invited to note and offer views on the paper.

Food and Health Bureau
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