

Comments from the Task Force on Healthcare Reform under the Hong Kong Federation of Insurers

Challenges from the existing proposed HPS

1. Guaranteed acceptance – since the HPS would be voluntary, mechanism was needed to control the risk e.g. high risk pool; the implications of this are far reaching (standard underwriting methodology, government must pay for high risk pool, is this a good use of public funds, etc).
2. There was no guaranteed acceptance requirement for mandatory lines of insurance like employees' compensation and motor, why should HPS provide guaranteed acceptance.
3. Portability on HPS between companies – how to ensure its sustainability if guarantee acceptance in place or how it might work in case of no guaranteed acceptance.
4. Migration – the aim of healthcare reform is to shift medical expenditure to private sector, where the HPS should target to acquire new member base instead of migrating existing health insurance customers to the HPS where these customers are already spending through private sector. It is totally inconsistent that new members to HPS are voluntary whilst existing health insurance customers face compulsory migration.
5. Distribution, ie whether insurance intermediaries would be involved in the sales process and be paid commission.

Areas for Support of HPS

1. Standard policy terms with basic coverage by self-regulatory product similar to existing EC and motor insurance arrangement with appropriate governance to avoid overlapping with Government regulations;
2. DRG and package pricing;
3. Regulatory framework on policy terms and packaged pricing but not on premium;
4. Co-insurance and deductible;

5. Incentive e.g. tax advantage and promotion activities to acquire new young and healthy membership.

\$50 billion from the Government

The total membership growth on individual medical insurance membership for 2011 over 2010 is almost 200,000 where it is driven by market demand and competitive product offering within the existing long-standing insurance infrastructure. With the proposal on healthcare reform which includes implementing HPS as well as other medical resources allocation, the set aside funding of HK\$50 billion should be used wisely to ensure the healthcare reform mission is effective.