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Panel on Health Services

Subcommittee on Health Protection Scheme

**Information note prepared by the Legislative Council Secretariat
for the meeting on 12 December 2012**

Health Protection Scheme

The Food and Health Bureau published in October 2010 the Healthcare Reform Second Stage Public Consultation Document entitled "My Health My Choice" in which a voluntary, government-regulated Health Protection Scheme ("HPS") was proposed for public consultation. HPS aims to enhance the long-term sustainability of the public healthcare system by providing more choices with better protection for those who can afford and are willing to use private healthcare services. This would in turn help relieve the demand for public healthcare services and focus public healthcare on target service areas and population groups. The Administration is formulating detailed proposals for HPS and plans to put forward a concrete proposal in 2013.

2. Two questions in relation to HPS were raised at the Council meetings of 31 October and 14 November 2012 respectively. The questions and the Administration's replies are in **Appendices I and II** respectively.

Press Releases

LCQ20: Health Protection Scheme

Following is a question by the Hon Alice Mak and a written reply by the Secretary for Food and Health, Dr Ko Wing-man, in the Legislative Council today (October 31):

Question:

The Government of the last term conducted several rounds of consultation on healthcare reform and proposed to take forward a Health Protection Scheme (HPS) based on voluntary participation, with a view to providing supplementary financing for the healthcare system. The Government of the last term also pointed out that the provision of tax incentives for private health insurance premiums and private healthcare expenses would create the following problems: (i) providing tax deduction to health insurance premiums under HPS but not premiums for other health insurance products would violate the neutral and fair principle of the tax regime of Hong Kong; (ii) providing tax deduction to all policy-holders of other private health insurance schemes or to all private healthcare expenses would further narrow the tax base of Hong Kong; (iii) tax incentive was by nature regressive and relevant only to a relatively small proportion of the higher-income population where penetration of private health insurance was already high; and (iv) tax deduction for health insurance premiums in general or HPS premium in particular provided financial incentive for the working population only during their working age, but did not incentivise premium payment after their retirement when they might no longer have an income while their premium was much higher. It has been reported that the Secretary for Food and Health has indicated earlier that he would not rule out the possibility of providing working persons with tax concessions for a fixed number of years to attract members of the public to take out health insurance. In this connection, will the Government inform this Council:

(a) of the details of the aforesaid tax concession scheme, including the level and number of years of concessions need to be provided in order to achieve the objective of attracting more members of the public to take out health insurance, and whether the concessions are applicable to health insurance plans under HPS only or to other health insurance plans as well;

(b) how the four problems highlighted by the Government of the last term could be resolved so that the aforesaid tax concession scheme may be taken forward; of the anticipated impact of the provision of tax concessions on the Government's tax revenue; and whether the authorities will make corresponding revisions to the tax regime; and

(c) as it has been reported that the authorities have already commissioned an independent consultant to conduct a study on the implementation details of HPS, when the report is expected to be published; whether the authorities will consult the public on the proposals made by the consultant; if they will, of the details; if not, the reasons for that?

Reply:

President,

The Food and Health Bureau put forth a voluntary, government-regulated Health Protection Scheme (HPS) in the Second Stage Public Consultation on Healthcare Reform in 2010. The HPS aims to complement the public healthcare system by providing more choices with better protection to those who are able and willing to pay for private health insurance and use private healthcare services. As the outcome of the public consultation revealed, the public generally considered that the HPS could provide value-for-money choices to the community and indirectly provide relief to the public system by better enabling the latter to focus on serving its target areas, thereby enhancing the long term sustainability of our healthcare system. Based on the outcome of the public consultation, we are now formulating detailed proposals for the HPS. We plan to put forward a concrete proposal in 2013 and seek the community's views on the proposal.

My reply to the various parts of the question is as follows:

(a) and (c) A Working Group and a Consultative Group on the HPS have been set up under the Health and Medical Development Advisory Committee (HMDAC). The Working Group will make recommendations on matters concerning the implementation of the HPS, including supervisory and institutional frameworks, key components of the HPS standard plans, and rules and mechanism in support of the operation of the HPS as well as various feasible options for provision of public subsidies or financial incentives for implementing the HPS, including provision of tax incentives, to encourage the young and healthy and all potential participants to join the HPS early. 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. The Working Group is expected to complete its various studies and submit to the HMDAC the detailed proposals on the HPS by 2013.

To facilitate the work of the Working Group and Consultative Group, we have commissioned a consultancy study on the HPS in order to provide professional and technical support to the Working Group and the Consultative Group. The Consultant will perform a comprehensive and detailed review, survey and analysis of the current market situation of private health insurance in Hong Kong, and propose a feasible, sound and detailed design for implementing the HPS.

In working out the details, the Consultant will study in detail various feasible options for provision of public subsidies or financial incentives for the HPS. The Consultant will make recommendations having regard to a number of inter-related factors, including the estimated number of subscribers to the HPS, the age groups that the subscribers may belong to and their financial status, the estimated premium of the HPS standard plan, as well as overseas experience. Findings from the consultancy study will be published for public information as part and parcel of the work of the Working Group.

(b) In the light of the recommendations made by the Working Group, Consultative Group and the Consultant, as well as views received from various sectors of the community, we will thoroughly consider the various options for use of public funding or provision of financial incentives to support the implementation of the HPS, including provision of tax incentives. We will analyse the various options in terms of

their necessity, feasibility, effectiveness, the number and scope of beneficiaries as well as the impact on the Government's finance while also taking into account other related factors including but not limited to the following:

(i) the use of public funding should contribute to and facilitate the achievement of the policy objectives of the HPS through incorporating key features in the HPS plans, such as no turn-away of subscribers and guaranteed renewal for life; covering pre-existing medical conditions subject to waiting period; and setting up a high-risk pool mechanism for sharing the risks arising from accepting high-risk groups, etc.;

(ii) the use of public funding should be conducive to the long term sustainability of our healthcare system, including encouraging the young and healthy to participate in the HPS;

(iii) any provision of public subsidy or financial incentives should be considered on the basis of prudent and sustainable use of public funding, bearing in mind any possible pitfalls or adverse effects that may arise. For instance, the provision of public subsidies might aggravate moral hazards in using private health insurance and private healthcare services, hence contributing to medical inflation. Considerations should also be given to ensure that the public funding would benefit the insured and the community at large; and

(iv) possible options of public subsidies or financial incentives should be developed in consultation with all stakeholders concerned.

Ends/Wednesday, October 31, 2012
Issued at HKT 15:57

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Press Releases

LCQ10: Health Protection Scheme

Following is a question by the Dr Hon Leung Ka-lau and a written reply by the Secretary for Food and Health, Dr Ko Wing-man, in the Legislative Council today (November 14):

Question:

The Government of the last term advocated the development of the "medical services industry" and recommended the implementation of a voluntary "Health Protection Scheme" (HPS) to enable more members of the public to access private healthcare, thereby relieving the pressure on the public healthcare system. In this connection, will the Government inform this Council:

(a) whether it knows the total number of hospital beds, bed occupancy rate, number of discharges and deaths, as well as number of patient days in private hospitals in each of the past 10 years, setting out the information according to the table attached; and

(b) whether the incumbent Government has modified the policies on the medical services industry and the voluntary HPS; if so, of the details; if not, the latest timetable for taking forward the two policies?

Reply:

President,

The healthcare system in Hong Kong comprises both the public and private healthcare sectors which are complementary to each other. The public healthcare system is the cornerstone of local healthcare system and safety net to all Hong Kong citizens, providing them with equitable, quality and less expensive healthcare services. The private healthcare sector mainly complements the public healthcare services by providing a choice for those who are able and can afford private healthcare services. We will continue with the twin-track healthcare system, which has worked well for us, and facilitate the balanced and sustainable development of the public and private healthcare sectors.

My reply to the various parts of the question is as follows:

(a) The table in Annex shows the utilisation of hospital beds in private hospitals.

(b) As regards facilitating the development of private hospitals, the Government has reserved four sites at Wong Chuk Hang, Tseung Kwan O, Tai Po and Lantau for this purpose. We first carried out a tender exercise in April this year for the two sites at Wong Chuk Hang and Tai Po. This tender exercise was closed at the end of July this year and assessment of the tenders is currently underway. In light of the outcome and experience from this tender exercise, we will formulate our future direction and arrangements for facilitating the development of private hospitals having regard to the needs of the community.

As for the Health Protection Scheme (HPS), we are now formulating detailed proposals for it. The HPS aims to complement the public healthcare system by providing more choices with better protection to those who are able and willing to pay for private health insurance and use private healthcare services. This would in turn better enable the public healthcare system to focus on serving its target areas, thereby enhancing the long-term sustainability of our healthcare system.

A Working Group and a Consultative Group on the HPS have been set up under the Health and Medical Development Advisory Committee (HMDAC). The Working Group will make recommendations on matters concerning the implementation of the HPS, including supervisory and institutional frameworks, key components of the HPS standard plans, and rules and mechanism in support of the operation of the HPS. 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. The Working Group is expected to complete its various studies and submit detailed proposals on the HPS to the HMDAC by 2013.

Ends/Wednesday, November 14, 2012
Issued at HKT 12:15

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