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Panel on Health Services

**Proposed continuation of work of the
Subcommittee on Health Protection Scheme**

Purpose

This paper reports on the progress of work of the Subcommittee on Health Protection Scheme ("the Subcommittee") and seeks members' endorsement of the proposal for the Subcommittee to continue its work until 30 September 2014.

Background

2. The Subcommittee was appointed by the Panel on Health Services ("the Panel") on 19 November 2012 to study issues relating to the introduction of the Health Protection Scheme ("HPS") as proposed by the Government for the Second Stage Public Consultation on Healthcare Reform and make recommendations where necessary. The terms of reference and membership list of the Subcommittee are in **Appendices I and II** respectively. According to its work plan, the Subcommittee has focused its work on the following areas -

- (a) roles of public and private healthcare systems;
- (b) roles of public funding and health insurance in financing healthcare services including the utilization of government subsidy;
- (c) objectives, concept and design of HPS; and

- (d) supporting infrastructure for HPS including healthcare manpower planning and supply, healthcare service provision and regulatory framework for HPS and private health insurance.

Progress of work of the Subcommittee

3. Under the chairmanship of Dr Hon LEUNG Ka-lau, the Subcommittee has commenced its work on 12 December 2012. It has held five meetings to study the following major issues -

- (a) role of public and private healthcare sectors and the Administration's latest efforts in facilitating the development of healthcare services for meeting future demands;
- (b) healthcare manpower planning and professional development;
- (c) design of private health insurance ("PHI") policies regulated under HPS;
- (d) institutional framework for the governance and operation of HPS, including the supervisory structure and the claims dispute resolution mechanism ("CDRM"); and
- (e) funding support for the implementation of HPS.

Healthcare manpower planning and professional development

4. The Subcommittee noted that as a step to take forward HPS, the Administration had set up the Steering Committee on Strategic Review on Healthcare Manpower Planning and Professional Development ("the Steering Committee") in January 2012. It was tasked to formulate recommendations on the means and measures to ensure an adequate manpower supply of 13 healthcare disciplines which were subject to statutory regulation¹ and an overall plan for strengthening the professional standards and qualities of these healthcare professions. The University

¹ The 13 healthcare disciplines were medical practitioners, dentists, dental hygienists, nurses, midwives, Chinese medicine practitioners, pharmacists, chiropractors, medical laboratory technologists, occupational therapists, optometrists, radiographers and physiotherapists.

of Hong Kong ("HKU") and the Chinese University of Hong Kong ("CUHK") were commissioned to provide professional input and technical support to the review. The two universities were originally expected to complete their respective studies for the Steering Committee's consideration by the first half of 2013.

5. At its meeting on 4 March 2013, the Subcommittee received a brief report from the Administration on the latest progress of the review. Members were given to understand that HKU was in the process of developing a generic healthcare manpower forecasting model that suited the local circumstances, let alone coming up with the estimation on the demand and supply of healthcare professionals for the relevant disciplines in the next decade or so. In respect of CUHK's study on the regulatory frameworks and professional development of the healthcare professionals, efforts were being made to consolidate the international experience and provide a detailed analysis on the possible lessons for Hong Kong. Members in general were of the view that the success of HPS hinged on having an adequate supply of healthcare manpower of high professional standard to meet the rising private healthcare service demand, including those arising from the implementation of HPS. They considered it necessary to hold a discussion with the Administration and the two universities on the generic forecasting model to be developed by HKU, as well as the comparative review conducted by CUHK. There were also views that the assessment of healthcare manpower needs should take into account the potential decrease in demand for public healthcare services after the implementation of HPS, healthcare needs of an ageing population, changes in the delivery models for healthcare services and the increasing role of Chinese medicine in primary care.

6. The Administration subsequently advised the Subcommittee prior to its meeting scheduled for July 2013 that more time than expected was required for HKU in coming up with the generic forecasting model and projected demand and supply of the relevant healthcare professionals in the next 15 to 20 years. While a conceptual demand and supply model had been developed, HKU was in the process of modifying and refining the model taking into account views from the Steering Committee. Time was also needed for it to test the applicability of the model to Hong Kong. It was expected that a more mature model and the projection for the main professions would only be ready in a few months' time. CUHK would also be able to beef up its observations and recommendations for

Hong Kong, having further solicited views from the Steering Committee and its relevant sub-groups.

Detailed design and arrangements for HPS

7. The Subcommittee discussed with the Administration on the preliminary design proposed by the PricewaterhouseCoopers Advisory Services Limited ("the Consultant"), which was commissioned by the Administration to provide professional and technical advice on key issues relating to the implementation of HPS, for PHI policies regulated under HPS. Members were advised that after taking into account the objectives of HPS, the experience of both local market and overseas jurisdictions, sustainability and viability of HPS, as well as discussions with various stakeholders, a set of minimum requirements encompassing the key features and requirements prescribed by HPS would be applied to all indemnity hospital insurance products to provide enhanced quality and certainty of insurance protection to consumers. Members raised various concerns over the proposed product design for HPS, such as the desirability and impact of the minimum requirements approach, appropriate levels of minimum benefit coverage and limits, management of the High-risk Pool ("HRP") proposed to be set up under HPS, feasibility of the newly proposed "informed financial consent" and "no-gap/known gap" arrangements, and measures to facilitate the migration of existing health insurance policies to HPS plans.

8. The Subcommittee also deliberated the Administration's preliminary proposal on areas where funding from the \$50 billion fiscal reserve earmarked to support healthcare reform might be considered necessary for ensuring the viability and sustainability of HPS. These included injection into the proposed HRP, provision of financial incentives to encourage take-out of HPS plans and introduction of care management programmes for HPS subscribers in HRP. Some members considered that the Administration should offer incentives to attract the young and healthy population, as well as more of those who could afford, to take out health insurance and accordingly make use of private healthcare services as an alternative to public services. Concern was also raised over whether tax incentive in the form of deduction to the taxable income would be offered to subscribers of HPS plans to encourage them to take out the plans and stay with the plans over time.

9. Regarding the institutional framework for the governance and operation of HPS, the Subcommittee noted that the preliminary proposal of the Consultant was to set up a dedicated agency for HPS to ensure that the operation of HPS could achieve the desired policy objectives, and that indemnity hospital insurance plans being offered in the market would comply with the minimum requirements prescribed by the HPS Standard Plan. While in the long run the dedicated agency should be a statutory body, it could be set up as an administrative unit under the Food and Health Bureau in the interim. In addition, it was proposed that a CDRM for HPS should be established to resolve financial disputes involved in claims settlement of HPS products as an alternative to litigation. Members were advised that three options for setting up CDRM were being considered and deliberated by the Working Group on HPS together with the institutional setup for the regulation and supervision of HPS.

10. According to the Administration, it was engaging the various stakeholders, including the insurance industry, private healthcare providers and consumer advocates, in hammering out the details of the proposed design and arrangements for HPS. The Consultant was also conducting a consumer survey to test market response to HPS based on the preliminary design for HPS plans. It would tender later in 2013 a full report containing the detailed proposal for implementing HPS, including the design on PHI policies regulated under HPS, funding support for the implementation of HPS and designs on the supervisory structure and CDRM for HPS. Findings from the consultancy study would be submitted to the Working Group on HPS under the Health and Medical Development Advisory Committee for consideration.

Need for continuation of work

11. In accordance with House Rule 26(c), a subcommittee appointed by Panels should complete its work within 12 months of its commencement and report to the relevant Panels. If it is necessary for the subcommittee to work beyond that 12 months, the subcommittee should, after obtaining the endorsement of the relevant Panels, report to the House Committee and give justifications for an extension of the 12-month period.

12. The Subcommittee will have worked for 12 months by early December 2013. Based on the past deliberations, the following outstanding matters will need to be followed up by the Subcommittee -

- (a) assessment on manpower needs in the 13 healthcare professions under study;
- (b) measures on professional development of the 13 healthcare professions under study;
- (c) proposal on detailed designs on the supervisory structure and CDRM for HPS; and
- (d) proposal on detailed product design of and funding support for HPS.

The work of the Subcommittee ties in with the progress of the Administration's work on taking forward HPS. Taking into account the progress of the aforementioned commissioned studies, it is anticipated that the Administration will unlikely be able to conclude all the above work by the end of this year as was previously planned by the Administration.

13. The Subcommittee has scheduled to receive briefings on the up-to-date details of the two studies by HKU and CUHK on healthcare manpower planning and professional development respectively on 11 November 2013. Subject to the progress of the studies of HKU and the Consultant, it was the intention of the Administration to brief the Subcommittee on the projected demand and supply of three among the 13 healthcare professions under study (i.e. medical practitioners, nurses and dentists), as well as items (c) and (d) above, in the next few months. Pursuant to its decision at the meeting on 12 December 2012, the Subcommittee will invite views from relevant stakeholders on concrete proposals from the Administration on these issues. The Administration will also launch a public consultation on the proposed design for implementing HPS tentatively scheduled for the first quarter of 2014. As a next step, the Administration will revert to the Subcommittee on the assessment on manpower needs in the remaining healthcare professions under study and the outcome of public consultation on HPS.

14. Having regard to the Administration's intended timeframe for its work, the Subcommittee agreed that there was a need for it to continue its work until 30 September 2014.

Advice sought

15. Members are invited to note the progress of work of the Subcommittee and endorse the proposal for the Subcommittee to continue its work until 30 September 2014. Subject to members' views, a report will be made to the House Committee for seeking its endorsement of the proposal.

Council Business Division 2
Legislative Council Secretariat
25 October 2013

Panel on Health Services

Subcommittee on Health Protection Scheme

Terms of reference

To study issues relating to the introduction of the Health Protection Scheme as proposed by the Government for the second stage public consultation on healthcare reform and make recommendations where necessary.

Panel on Health Services

Subcommittee on Health Protection Scheme

Membership list

Members Hon Albert HO Chun-yan
 Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
 Hon CHAN Kin-por, BBS, JP
 Dr Hon LEUNG Ka-lau
 Hon CHEUNG Kwok-che
 Hon Mrs Regina IP LAU Suk-ye, GBS, JP
 Hon CHAN Han-pan
 Hon Alice MAK Mei-kuen, JP
 Dr Hon KWOK Ka-ki

(Total : 9 members)

Clerk Ms Maisie LAM

Legal adviser Ms Wendy KAN

Date 18 October 2013