

立法會
Legislative Council

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seen by the Administration)

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Panel on Health Services

Subcommittee on Health Protection Scheme

Minutes of the twelfth meeting
held on Wednesday, 11 March 2015, at 2:30 pm
in Conference Room 2B of the Legislative Council Complex

- Members present** : Dr Hon LEUNG Ka-lau (Chairman)
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon CHAN Kin-por, BBS, JP
Hon YIU Si-wing
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Hon POON Siu-ping, BBS, MH
- Member attending** : Hon Albert HO Chun-yan
- Members absent** : Hon Vincent FANG Kang, SBS, JP
Hon CHEUNG Kwok-che
Hon Charles Peter MOK, JP
Hon CHAN Han-pan, JP
- Public Officers attending** : Mr Richard YUEN Ming-fai, JP
Permanent Secretary for Food and Health (Health)
Food and Health Bureau
- Mr Chris SUN Yuk-han, JP
Deputy Secretary for Food and Health (Health) Special Duties
Food and Health Bureau

Clerk in attendance : Ms Maisie LAM
Chief Council Secretary (2) 5

Staff in attendance : Ms Janet SHUM
Senior Council Secretary (2) 5

Ms Michelle LEE
Legislative Assistant (2) 5

Action

I. Consultation Document on Voluntary Health Insurance Scheme
[File Ref.: FH CR 4/1/3822/13 Pt.4, LC Paper Nos. CB(2)1264/13-14(01), CB(2)2260/13-14(01), CB(2)388/14-15(01), CB(2)978/14-15(01) and (02) and CB(2)1025/14-15(01)]

The Subcommittee deliberated (index of proceedings attached at **Annex**).

- Admin 2. The Administration was requested to -
- (a) in respect of the proposed Minimum Requirements of "coverage of pre-existing conditions", provide, on the basis of population profile and empirical data from the insurance industry, an actuarial analysis on the estimated increase in premium in comparison with existing products in the market for those policyholders with pre-existing conditions, with a breakdown by different types of pre-existing condition (e.g. diabetes mellitus and hypertension) and health risk profile;
 - (b) provide, on the basis of historical data of annual medical inflation rate, the estimated average annual premium of Standard Plan for the 25-year period from 2016 to 2040 having taken into account the influencing factor of medical inflation;
 - (c) provide a forecast of the average annual premium of individual indemnity hospital insurance products for the 25-year period from 2016 to 2040 under the respective scenarios of with and without the implementation of the Voluntary Health Insurance Scheme ("VHIS") having taken into account the general influencing factors and the additional influencing factors that VHIS entailed; and
 - (d) provide, in the form of a table (similar to Table 3 in the Annex to LC Paper No. CB(2)2260/13-14(01)), the respective expected total

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cost for the operation of the High Risk Pool ("HRP") and the corresponding estimated cost to be borne by the Government for financing HRP, for the 25-year period from 2016 to 2040 if the premium loading cap was lowered from the proposed level of 200% to 150%, 100% and 50% of standard premium.

3. Members noted that subject to its discussion with the insurance industry, the plan of the Administration was to report to the Subcommittee on the outcomes of the public consultation and the way forward for the implementation of VHIS in about two months' time after the end of the consultation period.

II. Manpower projection for doctors, nurses and dentists

4. Owing to the time constraint, the Chairman suggested and members agreed to defer the discussion of this item to the next meeting.

III. Any other business

Date of next meeting

5. The Chairman said that the Clerk would follow up with the Administration on the arrangement for the next meeting to be scheduled for April 2015 and members would be informed of the details in due course.

(Post-meeting note: With the concurrence of the Chairman, the thirteenth meeting of the Subcommittee has subsequently been scheduled for 4 May 2015 at 2:30 pm.)

6. There being no other business, the meeting ended at 4:34 pm.

Council Business Division 2
Legislative Council Secretariat
12 October 2015

**Proceedings of the twelfth meeting of the
Subcommittee on Health Protection Scheme
on Wednesday, 11 March 2015, at 2:30 pm
in Conference Room 2B of the Legislative Council Complex**

Time marker	Speaker	Subject(s)/Discussion	Action required
<i>Agenda item I: Consultation Document on Voluntary Health Insurance Scheme</i>			
000115 - 000254	Chairman	Opening remarks	
000255 - 000944	Chairman Admin	The Administration briefed members on the objectives and the design of, as well as the public funding for, the proposed Voluntary Health Insurance Scheme ("VHIS") as set out in the Consultation Document on Voluntary Health Insurance Scheme ("the Consultation Document"); and its advice that it would consolidate and analyze the views received from the public consultation exercise which would end on 16 March 2015 and consider the way forward on the implementation of VHIS.	
000945 - 002802	Chairman Dr KWOK Ka-ki Admin	<p>Dr KWOK Ka-ki's view that -</p> <p>(a) under VHIS, insurers would set their own age-banded premium schedules for Standard Plan and there was no mechanism to govern the administration fees they charged. In the light of the above, it was expected that the average annual standard premium would trend upward and it was likely that subscribers might become unable to afford the policies at older age when they needed health insurance protection most. In his view, the Administration should not encourage purchase of VHIS products by providing financial incentive in the form of tax deduction if it would not regulate premium setting; and</p> <p>(b) it was not desirable that public funding would be used to finance the High Risk Pool ("HRP") to be set up under VHIS which would only be opened to those high-risk individuals who could afford a premium loading at 200% of the standard premium. To enable more insured persons with premium loading to be eligible for entry into HRP, the premium loading cap should be lowered from the proposed level of 200% to, say, 50% of the standard premium.</p> <p>The Administration's response that -</p> <p>(a) there might be premium growth due to various factors regardless of whether or not VHIS was introduced. The offer of tax deduction to encourage purchase of VHIS products was introduced alongside efforts to enhance the quality of health insurance in the market. VHIS proposed to require all individual indemnity hospital insurance products to comply with a set of minimum standards aiming at providing reasonable coverage for general ward level services. The transparency and certainty of the protection would be enhanced through standardization of policy terms and conditions. It should be noted that</p>	

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		<p>insurance products with similar features were currently available in the market at an average annual premium level close to that estimated by the Consultant for Standard Plan (i.e. \$3,600 in 2012 constant prices). The higher claims ratio in recent years, which stood at about 64% in 2013, showed that more insured persons would be willing to use private healthcare services if the quality of insurance protection was enhanced; and</p> <p>(b) HRP was the key enabler of guaranteed acceptance with premium loading cap, which was an essential component of the Minimum Requirements in support of VHIS's goal to improve access to hospital insurance. There was a need to balance between premium affordability and providing coverage for more high-risk people. If the premium loading cap was lowered, say, to 100% of standard premium, the size of HRP membership would increase. Additional public funding would be required to finance the operation of HRP due to the increase in membership. The Administration would consider whether or not the premium loading cap should be lowered having considered the views received during the public consultation exercise and the financial implications.</p> <p>The Chairman's request for the Administration to provide in writing the respective expected total cost of operation of HRP and the corresponding estimated cost to be borne by the Government for financing HRP, for the 25-year period from 2016 to 2040 if the premium loading cap was lowered from the proposed level of 200% to 150%, 100% and 50% of standard premium.</p>	<p>Admin</p>
002803 - 003423	Chairman Mr POON Siu-ping Admin	<p>Holding the view that the proposed tax deduction might not provide a strong incentive for the young and healthy to take out VHIS, Mr POON Siu-ping asked whether the Administration would adjust the guaranteed acceptance age limit (which was proposed to be 40 years of age) and extend the proposed one-year period for the provision of guaranteed acceptance with a premium loading cap for all ages.</p> <p>Referring to Table 4.2 of the Consultation Document on the estimated cost to Government for operating HRP under different age limit scenarios, the Administration advised that a lower guaranteed acceptance age limit had the advantage of encouraging more people to enroll in VHIS when they were young and healthy. At a young age, a person was more likely to be healthy and thus might be able to lock in an underwriting class which attracted a lower premium. The person could maintain the same underwriting class without re-underwriting when they developed health conditions at a later stage.</p> <p>In response to Mr POON Siu-ping's enquiry about the timetable for implementing VHIS, the Administration advised that it would revert to the Subcommittee on the way forward after consolidating and analyzing the views received in the public consultation exercise.</p>	

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003424 - 004209	Chairman Mr YIU Si-wing Admin	Mr YIU Si-wing's suggestion that Government subsidy should be provided under VHIS such that a subscriber could apply for premium subsidy to cover the premium for a certain period of time (which would be proportional to the length of subscription, say, three years for a thirty-year subscription) if he or she, for various reasons, was not financially capable of continuing their insurance cover after long-term subscription. The Administration took note of the suggestion.	
004210 - 005408	Chairman Miss Alice MAK Admin	<p>Miss Alice MAK's view that -</p> <ul style="list-style-type: none"> (a) the proposed tax deduction might not be attractive enough to encourage early subscription to VHIS products by the young and healthy population; and (b) the Administration should extend the public consultation period which was scheduled to end on 16 March 2015 and step up publicity in this regard, as findings of the Hong Kong Federation of Trade Unions revealed that many existing policyholders were not aware of the consultation exercise as well as the design details of VHIS, in particular the proposal that insurers would not be allowed to offer individual hospital insurance that did not comply with the Minimum Requirements upon implementation of VHIS. <p>The Chairman shared the view that the Administration should consider extending the public consultation period on VHIS.</p> <p>The Administration's advice that -</p> <ul style="list-style-type: none"> (a) tax deduction was not the only measure that could promote the uptake of individual indemnity hospital insurance. It should be noted that the proposed requirements of guaranteed acceptance with premium loading cap and guaranteed renewal without re-underwriting would ensure that a VHIS subscriber who developed health conditions after joining VHIS at a time when he or she was young and healthy could enjoy a more affordable premium at a later stage. The Administration would step up promotion and publicity to enhance the prospective customers' awareness on the advantages of joining VHIS early; (b) the fact that the public, including existing policyholders, found the implementation proposals for VHIS difficult to comprehend was indicative that consumers generally did not possess insurance knowledge to understand easily and clearly the protection they could receive when taking out a hospital insurance policy. Under VHIS, the Minimum Requirements were designed to provide a basic level of hospital insurance protection to individual customers with simplicity, clarity and certainty; and (c) Announcement of Public Interests were broadcasted in the media to invite members of the public to express views on the Consultation Document. The Administration had also conducted open consultation forums for the public in 	

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		<p>general, and arranged targeted consultation sessions with specific groups of relevant sectors, professions and stakeholders. It would carefully consider the suggestion of extending the public consultation period for VHIS.</p>	
005409 - 010511	Chairman Prof Joseph LEE Admin	<p>Prof Joseph LEE's view that -</p> <p>(a) the focus of the promotion of VHIS should be on its social function in strengthening the confidence of the younger middle-class consumers in using private healthcare services, so that resources could be released in the public sector to enhance service quality and reduce waiting time for the less privileged; and</p> <p>(b) an arrangement could be considered under VHIS to enable the insured to enjoy an extended period of protection after expiry of the payment term, say, by making use of the remaining sum of the \$50 billion earmarked for healthcare reform.</p> <p>The Administration's response that -</p> <p>(a) along the principle of voluntary participation, VHIS aimed to facilitate choice of private healthcare services by providing better insurance protection to those who were willing and could afford to use private healthcare services, particularly the more routine procedures performed in the public sector. While the implementation of VHIS could help adjust the balance of the public-private healthcare sectors, the public system would continue to be the safety net for all; and</p> <p>(b) part of the remaining sum of the \$50 billion would be used for setting up a fund for the Hospital Authority to make use of the investment returns for public-private partnership initiatives. Any remaining sum of the \$50 billion would be reserved for general use, including provision of support for public hospital projects. As regards the suggestion of enabling the insured to enjoy an extended period of protection, insurers could consider the feasibility of the suggestion from the business perspective.</p>	
010512 - 011335	Chairman Mr CHAN Kin-por Admin	<p>Mr CHAN Kin-por's remark that while the insurance industry supported the broad principle of VHIS to provide greater transparency and better protection to consumers, there was a concern in the community that they might become unable to continue to pay for the protection after subscription given the high annual premium level (say, in the range of \$6,356 to \$9,216 for non-high-risk individuals in the age group of 45-49 and \$19,068 to \$27,468 for high-risk individuals in the same age group if VHIS was implemented in 2017, as set out in the estimation he calculated with reference to the indicative schedule of annual standard premiums for Standard Plan estimated by the Consultant [LC Paper No. CB(2)1025/14-15(01)]) and the Administration's withdrawal of the financial incentive proposed in the Consultation Document of the Second</p>	

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		<p>Stage Public Consultation on Healthcare Reform, such as offering a premium discount for new joiners up to 30%.</p> <p>The Administration's advice that -</p> <p>(a) upon the implementation of VHIS, there would likely be an increase in the average annual standard premium when compared to that of existing individual hospital insurance products. This was because VHIS offered enhanced benefits (e.g. covering prescribed advanced diagnostic imaging tests and non-surgical cancer treatments) in order to provide value-for-money protection to the consumers; and</p> <p>(b) the original proposal of providing premium subsidy or discount was considered not desirable as it would provide an incentive for some insurers to mark up the premiums of VHIS plans.</p>	
011336 - 011945	Chairman Dr KWOK Ka-ki Admin	Dr KWOK Ka-ki's reiteration of his suggestion that more insured persons with premium loading should be eligible for entry into HRP by lowering the premium loading cap alongside increasing Government funding for the operation of HRP; and his agreement with the views of other members that Government subsidy should be provided to enable the insured to enjoy an extended period of protection after expiry of the payment term after years of subscription.	
011946 - 013244	Chairman Mr CHAN Kin-por Dr KWOK Ka-ki Admin	<p>Mr CHAN Kin-por's remark that -</p> <p>(a) at present, the premium of 50% of the some 1.85 million individual health insurance policies in the market was below \$3,000. Most of these policyholders were in their middle age. Given that insurers would not be allowed to offer individual hospital insurance that did not comply with the Minimum Requirements upon the implementation of VHIS, those existing consumers who were not able to afford the Standard Plan would fall back to the public healthcare system;</p> <p>(b) the proposed tax deduction would not provide a strong incentive to encourage the young and healthy to purchase VHIS products. This called into question the sustainability of VHIS as only individuals of higher risk would join. It was likely that the subscribers would be unable to stay insured in the longer term given the high premium; and</p> <p>(c) a large part of the total premium collected was to cover medical costs, as evidenced by the fact that the current level of average expense loading for health insurance of the aggregate market (i.e. the individual and group markers taken together) was only 26%. Efforts should therefore be made by the Administration to contain medical costs by enhancing transparency of private hospital charges through introduction of packaged charging for specific procedures categorized by diagnosis-related groups and increasing the number of private hospital beds.</p>	

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013245 - 014913	Chairman Dr KWOK Ka-ki Admin	<p>Dr KWOK Ka-ki's remark that -</p> <ul style="list-style-type: none"> (a) there would be a surge in the claims cost upon the implementation of VHIS due to a large inflow of new joiners and, hence, a higher average annual premium for subscribers of standard-risk; (b) the high-risk VHIS subscribers would not be able to afford the premium at their old age or upon retirement even if premium loading was capped at 200% of the standard premium. According to the estimation prepared by Mr CHAN Kin-por, the average annual premium for a high-risk individual in the age group of 60 to 64 years would be in the range of \$27,696 to \$40,158; and (c) consideration should be given to putting in place a mechanism to enable those VHIS subscribers who became unable to afford the premium after years of subscription, say, upon their retirement, to continue to enjoy the health insurance cover in their old age. <p>The Administration's response that -</p> <ul style="list-style-type: none"> (a) it was worthy to note that while the average claims ratio of the individual health insurance market had increased from 57% in 2011 to about 64% in 2013, possibly due to the availability of more products with enhanced benefits (which were largely comparable to those proposed for VHIS) in the market and an increase in the number of policyholders, there had not been a significant increase in the average standard premium. In addition, the benefits proposed under the Minimum Requirements, such as guaranteed acceptance and guaranteed renewal, were similar to those offered in the group health insurance market, of which the claims ratio stood at 81% in 2013; and (b) the proposed Conversion Option would enable an employee covered by group policy to switch to an individual Standard Plan at the same underwriting class without re-underwriting upon retirement or leaving employment. This apart, the Administration could encourage insurers to consider providing an option for VHIS products such that the insured could enjoy an extended period of protection after expiry of the payment term by, say, paying a higher premium during the payment term. 	
014914 - 015009	Chairman Admin	The Chairman suggested and members agreed to defer the discussion of agenda item II to the next meeting.	
015010 - 020150	Chairman Admin	<p>The Chairman's request for the Administration to provide the following information in writing -</p> <ul style="list-style-type: none"> (a) in respect of the proposed Minimum Requirements of "coverage of pre-existing conditions", provide, on the basis of population profile and empirical data from the insurance 	Admin

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		<p>industry, an actuarial analysis on the estimated increase in premium in comparison with existing products in the market for those policyholders with pre-existing conditions, with a breakdown by different types of pre-existing condition (e.g. diabetes mellitus and hypertension) and health risk profile;</p> <p>(b) on the basis of historical data of annual medical inflation rate, the estimated average annual premium of the Standard Plan for the 25-year period from 2016 to 2040 having taken into account the influencing factor of medical inflation; and</p> <p>(c) a forecast of the average annual premium of individual indemnity hospital insurance products for the 25-year period from 2016 to 2040 under the respective scenarios of with and without the implementation of VHIS having taken into account the general influencing factors and the additional influencing factors that VHIS entailed.</p>	
<i>Agenda item II: Any other business</i>			
020151 - 020340	Chairman Dr KWOK Ka-ki Admin	In response to Dr KWOK Ka-ki's enquiry, the Administration advised that subject to its discussion with the insurance industry, it would report to the Subcommittee on the outcomes of the public consultation and the way forward for the implementation of VHIS in about two months' time after the end of the consultation period.	
020341 - 020500	Chairman Dr KWOK Ka-ki Admin	Date of next meeting to be scheduled	