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Panel on Health Services

**Proposed extension of period of work
of the Subcommittee on Health Protection Scheme**

Purpose

This paper reports on the progress of the work of the Subcommittee on Health Protection Scheme ("the Subcommittee") and invites members of the Panel on Health Services ("the Panel") to endorse the proposal of the Subcommittee to extend the period of its work and continue to operate for about six more months until 31 March 2016.

Background

2. The Subcommittee was appointed by the Panel in 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 (subsequently renamed by the Administration as Voluntary Health Insurance Scheme ("VHIS") to better reflect its objectives and nature) and make recommendations where necessary. 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 VHIS; and

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

Work of the Subcommittee

3. Under the chairmanship of Dr Hon LEUNG Ka-lau, the Subcommittee has held 13 meetings since 12 December 2012 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 individual indemnity hospital insurance products regulated under VHIS;
- (d) public funding support for the implementation of VHIS; and
- (e) institutional framework for the governance and operation of VHIS, including the set up of a dedicated regulatory agency and the establishment of a claims dispute resolution mechanism ("CDRM").

Need for continuation of work

Detailed design for implementing VHIS

4. Based on the outcomes of the Second Stage Public Consultation on Healthcare Reform, a Working Group and a Consultative Group on HPS have been set up under the Health and Medical Development Advisory Committee to formulate the detailed proposals for HPS which is intended as a supplementary financing arrangement and one of the turning knobs for adjusting the balance of the public-private healthcare sectors. The Administration also commissioned the PricewaterhouseCoopers Advisory Services Limited ("the Consultant") to conduct a consultancy study to provide professional and technical advice to the Working Group and Consultative Group. The Government launched a public consultation

exercise on the detailed design for implementing VHIS from 15 December 2014 to 16 April 2015. The Subcommittee has received views from the public and stakeholders on the consultation document and has conducted in depth discussions with the Administration on the proposals for VHIS.

Design of the individual indemnity hospital insurance products regulated under VHIS

5. Members note that VHIS proposes to require all individual indemnity hospital insurance in the market to comply with a set of Minimum Requirements¹, which are designed to address the shortcomings of the existing market as revealed in previous rounds of public consultation on healthcare reform. Members in general consider the Minimum Requirements could enhance the accessibility, continuity, quality and transparency of health insurance. They, however, have expressed concern over some of the Minimum Requirements, particularly the period for the provision of guaranteed acceptance with a premium loading cap for all ages; the guaranteed acceptance age limit; the window period for policyholders of existing PHI policies to migrate to compliant policies under VHIS; the coverage of pre-existing conditions without an option for exclusion at a lower premium outside the Standard Plan; the premiums of individual indemnity hospital insurance which might be driven up by the enhanced benefits of VHIS to a level not affordable to existing PHI policyholders of low-end products; and the arrangements of the Conversion Option and Voluntary Supplement(s) for group hospital insurance policies. Concern is also raised as to how the expense loading under VHIS and service charges of the private healthcare sector could be kept under better control to ensure the sustainability of VHIS.

Public funding support for the implementation of VHIS

6. The Subcommittee has discussed the proposals of providing tax deduction for premiums paid for individual hospital insurance policies that comply with the Minimum Requirements; and providing Government funding support for financing the High Risk Pool ("HRP") which is considered the key enabler of the requirement of guaranteed acceptance with premium loading cap. According to the Consultant, the average tax benefit per eligible taxpayer would be about \$450 if the annual level of

¹ The proposed Minimum Requirements include: (a) guaranteed renewal; (b) no "lifetime benefit limit"; (c) coverage of pre-existing conditions; (d) guaranteed acceptance with premium loading cap; (e) portable insurance policy; (f) coverage of hospitalization and prescribed ambulatory procedures; (g) coverage of prescribed advanced diagnostic imaging tests and non-surgical cancer treatments; (h) minimum benefit limits; (i) cost-sharing restrictions; (j) budgetary certainty; (k) standardized policy terms and conditions; and (l) premium transparency.

claimable premiums is assumed to be \$3,600 (i.e. the average standard premium of Standard Plan in 2012 and in 2012 constant prices) per person insured. The public funding required for financing HRP for a 25-year period of 2016 to 2040 would be \$4.3 billion (in 2012 constant prices). Many members consider that the proposed tax deduction might not provide a strong incentive to encourage early subscription to VHIS products by the young and healthy population. The Administration has been urged to consider providing greater financial incentives under VHIS, such as providing premium discounts for new joiners, and allowing subscribers to apply for premium subsidy to cover the premium for a certain period of time (which would be proportional to the length of subscription) if they were not financially capable of continuing their insurance cover after long-term subscription.

Regulatory agency for VHIS

7. Noting that a new dedicated regulatory agency is proposed to be set up as an administrative unit under the Food and Health Bureau to supervise the implementation and operation of VHIS, members have expressed concern about the regulatory agency's interface with other regulatory bodies such as the Office of the Commissioner of Insurance. The Administration has advised that depending on the implementation of the VHIS, the regulatory agency could take the form of a statutory authority independent from the Government in the long run. As regards the CDRM proposed to be established to resolve all financial disputes related to claims arising from individual VHIS policies, there is a view that the existing Insurance Claims Complaints Bureau is effective in handling claims disputes arising from individual insurance policies.

8. Members are advised that the consultation report, which would give a detailed account of the views received during the public consultation period on the detailed design for implementing VHIS, is currently under preparation. Separately, the Administration is in discussion with the insurance industry through the Hong Kong Federation of Insurers on some of the Minimum Requirements which the industry considers might pose operational or technical challenges in implementation in order to work out a sensible, practicable and viable proposal for implementing VHIS. It aims to conclude the discussion with various stakeholders on how best to take forward VHIS and propose a way forward by end 2015 or early 2016. It is incumbent upon the Subcommittee to follow up the report on the public consultation to be published, and the final proposal to be formulated by the Government for the implementation of VHIS.

Healthcare manpower planning and professional development

9. In conjunction with formulating proposals for VHIS, the Administration has established a Steering Committee on Strategic Review on Healthcare Manpower Planning and Professional Development ("the Steering Committee") in January 2012. It is tasked to formulate recommendations on how to cope with anticipated demand for healthcare manpower, strengthen professional training and facilitate professional development, with a view to ensuring the healthy and sustainable development of the healthcare system. The review covers primarily the 13 healthcare professions under statutory regulation². The University of Hong Kong ("HKU") and the Chinese University of Hong Kong ("CUHK") are commissioned to provide professional input and technical support to the review.

10. The Subcommittee considers that the success of VHIS hinges on having an adequate supply of healthcare manpower to meet the rising private healthcare service demand, including those arising from the implementation of VHIS, and a regulatory framework that is conducive to quality improvement and professional development. When the subject was last discussed at the meeting of the Subcommittee on 4 May 2015, members were advised that HKU had devised the manpower models for doctors, dentists and nurses. It would need more time to complete and verify the detailed forecasts due to the complexity of the exercise. Initial and rough indications were that there would likely be a general shortage of healthcare manpower in the run-up to 2041. The study of CUHK on the local and overseas regulatory frameworks was also progressing in full swing. The Subcommittee will continue to monitor the progress of the two commissioned studies and follow up the recommendations on healthcare manpower planning and professional development to be drawn up by the Steering Committee. According to the Administration, it plans to conclude the strategic review in 2015 and release the findings of the two studies together with the recommendations for public information upon completion of the review.

Proposed extension of period of work

11. Rule 26(c) of the House Rules provides that a subcommittee should complete its work within 12 months of its commencement and report to

² The 13 healthcare disciplines are medical practitioners, dentists, dental hygienists, nurses, midwives, Chinese medicine practitioners, pharmacists, chiropractors, medical laboratory technologists, occupational therapists, optometrists, radiographers and physiotherapists.

the relevant Panel(s). If it is necessary for a subcommittee to work beyond that 12 months, the subcommittee should, after obtaining the endorsement of the relevant Panel(s), report to the House Committee and give justifications for an extension of the 12-month period. In accordance with the said House Rule, approval was previously given by the House Committee at its meeting on 31 October 2014 for the Subcommittee to further extend the period of its work until 30 September 2015.

12. The work of the Subcommittee ties in with the progress of the Administration's work on taking forward VHIS. Having regard to the major matters which need to be followed up by the Subcommittee as set out in paragraphs 4 to 10 above and the time required by the Subcommittee to conclude its work and finalize its recommendations, the Subcommittee agrees that it should seek for an extension of the period of its work for about six more months until 31 March 2016.

Advice sought

13. Members are invited to note the progress of work of the Subcommittee and endorse the proposal of the Subcommittee to extend the period of its work for about six more months until 31 March 2016. Subject to the views of members of the Panel, a report will be made to the House Committee for seeking its approval of the proposal.

Council Business Division 2
Legislative Council Secretariat
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