

立法會
Legislative Council

LC Paper No. CB(2)1377/15-16

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seen by the Administration)

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Panel on Health Services

Subcommittee on Health Protection Scheme

**Minutes of the fourteenth meeting
held on Monday, 14 December 2015, at 2:30 pm
in Conference Room 2 of the Legislative Council Complex**

- Members present** : Dr Hon LEUNG Ka-lau (Chairman)
Hon Vincent FANG Kang, SBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon CHAN Kin-por, BBS, JP
Hon YIU Si-wing, BBS
Dr Hon KWOK Ka-ki
Hon POON Siu-ping, BBS, MH
- Members absent** : Hon CHEUNG Kwok-che
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
Head, Healthcare Planning and Development Office
Food and Health Bureau
- Mr Bill LI Chi-pang
Deputy Head, Healthcare Planning and Development
Office
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 Priscilla LAU
Council Secretary (2) 5

Ms Louisa YU
Legislative Assistant (2) 5

Miss LEE Wai-yan
Clerical Assistant (2) 5

Action

I. Election of Chairman and Deputy Chairman (if required)

Members agreed that it was not necessary to re-elect the Chairman of the Subcommittee. Dr LEUNG Ka-lau continued to serve as the Chairman of the Subcommittee in the 2015-2016 legislative session. Members further agreed that election of a Deputy Chairman for the Subcommittee was not necessary.

II. Latest progress of the proposed Voluntary Health Insurance Scheme
[LC Paper Nos. CB(2)425/15-16(01) and (02)]

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

3. At the invitation of the Chairman, the Administration briefed the Subcommittee on the key findings of the public consultation on the Voluntary Health Insurance Scheme ("VHIS") and the latest developments in taking forward VHIS (LC Paper No. CB(2)425/15-16(01)).

4. Members noted the background brief entitled "Voluntary Health Insurance Scheme" prepared by the Legislative Council Secretariat (LC Paper No. CB(2)425/15-16(02)).

5. Members noted that the Administration was in discussion with the insurance industry, with the aim of working out a sensible, practicable and viable proposal on the basis of the proposed Minimum Requirements that aligned with the objectives of VHIS, met the needs of the community, enhanced

Action

consumer protection and transparency of private hospital insurance products, and at the same time addressed the valid and legitimate concerns of the insurance industry. Subject to further discussion with the Competition Commission and the outcome of discussion with the insurance industry, one of the possible ways forward was to implement certain proposed Minimum Requirements first in the form of industry agreement. The plan of the Administration was to revert to the Panel on Health Services or the Subcommittee, as the case might be, on the way forward for the implementation of VHIS in one to two months' time.

Admin

III. Matters arising from the meeting on 4 May 2015

[LC Paper Nos. CB(2)36/15-16(01) and CB(2)399/15-16(01)]

6. Members noted the Administration's responses to issues raised at the meeting on 4 May 2015 (LC Paper Nos. CB(2)36/15-16(01) and CB(2)399/15-16(01)).

Admin

7. The Administration was requested to:

- (a) make reference to the information on neural model and network structure [LC Paper No. CB(2)467/15-16(01)] tabled by the Chairman at the meeting, and provide, preferably in the format of spreadsheet, the neural network architecture (with the elements of inputs, weights, biases and transfer function) for forecasting the long-term manpower requirements of the 13 healthcare professions subject to statutory regulation; and
- (b) explain in writing how future actual adjustments of the variables, say, there was an oversupply of medical graduates in a certain year, would feed back into the model for a corresponding adjustment in the projection of the relevant healthcare manpower requirements.

IV. Any other business

Way forward of the Subcommittee

8. The Chairman said that the House Committee at its meeting on 9 October 2015 had given permission for the Subcommittee to continue to operate for three more months up to 31 December 2015 in the first instance. Thereafter, the Subcommittee would be put on the waiting list for re-activation. It was likely that the Subcommittee would be able to re-activate its work in February 2016 for concluding its work in three months' time. The Chairman suggested

Action

members to inform the Clerk of any other issues they proposed to be discussed by the Subcommittee upon its re-activation.

9. The Chairman further said that members would be informed of the date of next meeting in due course.

10. There being no other business, the meeting ended at 3:57 pm.

Council Business Division 2
Legislative Council Secretariat
27 April 2016

**Proceedings of the fourteenth meeting of the
Subcommittee on Health Protection Scheme
on Monday, 14 December 2015, at 2:30 pm
in Conference Room 2 of the Legislative Council Complex**

Time marker	Speaker	Subject(s)/Discussion	Action required
<i>Agenda item I: Election of Chairman and Deputy Chairman (if required)</i>			
000135 - 000159	Chairman Mr CHAN Kin-por Mr POON Siu-ping	Chairmanship and Deputy Chairmanship of the Subcommittee	
<i>Agenda item II: Latest progress of the proposed Voluntary Health Insurance Scheme</i>			
000200 - 000251	Chairman	Opening remarks	
000252 - 000957	Chairman Admin	Briefing by the Administration on the key findings of the public consultation on the Voluntary Health Insurance Scheme ("VHIS") and the latest developments in taking forward VHIS [LC Paper No. CB(2)425/15-16(01)].	
000958 - 001840	Chairman Dr KWOK Ka-ki Admin	<p>Dr KWOK Ka-ki's enquiries on the progress of the discussion between the Administration and the insurance industry on the proposed set of 12 Minimum Requirements of VHIS, and whether the Administration would first introduce a new legislation for the implementation of those Minimum Requirements on which there were no divergent views in the community.</p> <p>The Administration's advice that other than the two Minimum Requirements of guaranteed acceptance and portable insurance policy on which the insurance industry had grave concerns, it was expected that the Administration could reach consensus with the insurance industry on the other 10 Minimum Requirements in the next few weeks or so. In the meantime, the Administration was studying whether it was feasible to implement these 10 Minimum Requirements first in the form of industry agreement, particularly as to whether the arrangement would be in compliance with the Competition Ordinance (Cap. 619) which came into full effect on the day of the meeting. If it was found not feasible, another option was to proceed to implement VHIS through enacting a new legislation.</p> <p>Dr KWOK Ka-ki's views that the Administration should establish the proposed regulatory agency to monitor the implementation of the Minimum Requirements, irrespective of whether the Minimum Requirements concerned would be implemented through legislation or not; and regulate the premium levels of VHIS-compliant products.</p>	
001841 - 002526	Chairman Mr POON Siu-ping Admin	Mr POON Siu-ping's view that the Administration should provide in the consultation report concrete data to illustrate the views collected during the public consultation exercise on VHIS; and his enquiry about the latest timetable of the Administration to take forward VHIS.	

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		<p>The Administration's advice that the consultation report would set out the findings and the way forward for the various specific proposals put forth in the Consultation Document on VHIS. Subject to its discussion with the insurance industry, the Administration planned to revert to the Subcommittee or the Panel on Health Services, as the case might be, on the outcomes of the discussion in one to two months' time. In the event that the Administration decided to implement the Minimum Requirements through legislation, it would work with the Department of Justice on the drafting of the legislation as soon as possible. That said, the relevant bill and its subsidiary legislation would not be able to be introduced into the Legislative Council in the 2015-2016 session as originally proposed in the Consultation Document.</p>	
002527 - 003431	Chairman Mr CHAN Kin-por Admin	<p>Mr CHAN Kin-por's remarks that:</p> <ul style="list-style-type: none"> (a) considering the voluntary nature of VHIS and that the proposal of providing tax deduction for premiums paid for VHIS-compliant policies owned by taxpayers was not as attractive as the previously proposed options of premium discount and premium rebate to incentivize the uptake of VHIS, it was necessary to allow more flexibility for insurers to suit different consumer needs in terms of premium level and product design. In his view, implementing VHIS through industry agreement but not a new regulatory regime could reduce the regulatory cost and the compliance burden on insurers; (b) the insurance industry was of the view that implementing certain Minimum Requirements, which did not concern premiums but standard terms, in the form of industry agreement would not have an anti-competitive object or an anti-competitive effect and therefore contravene the First Conduct Rule in the Competition Ordinance. Given that standard terms would make it easier for consumers to compare different offers by insurers, such agreement might entail economic efficiencies to satisfy the terms of the exclusion for agreements enhancing overall economic efficiency set out in the Competition Ordinance; and (c) at present, about 80% of the amount of premium paid by the insured for individual indemnity hospital insurance policies was used to cover the medical costs. If the Administration could keep the charges of private hospital services under better control and hence, enhancing budget certainty for consumers and insurers, there would be rooms for insurers to lower the premium for Standard Plans. <p>The Administration's advice that:</p> <ul style="list-style-type: none"> (a) it would seek the advice of the Competition Commission on whether the taking forward of those Minimum Requirements on which consensus had been reached between the Administration and the insurance industry in 	

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		<p>the form of industry agreement was in compliance with the Competition Ordinance;</p> <p>(b) while there would be no direct regulation of price setting for hospital services, just as there would be no direct interference with premium setting for the Standard Plan, the increase in the supply of private hospital beds by about 40% in the next few years, the extensive use of packaged charges by the newly developed private hospitals, and the inclusion of prescribed ambulatory procedures in the benefit coverage of VHIS products to discourage unnecessary overnight hospital stay would help keep medical costs under better control;</p> <p>(c) it was proposed under the revamped regulatory regime for private healthcare facilities that private hospitals and doctors had to provide patients undergoing elective, non-emergency operations or procedures for known diseases with estimated charges on or before their admissions. This would help enhancing price transparency and budget certainty for both policyholders and insurers; and</p> <p>(d) the Administration would continue to discuss with the insurance industry on its concerns over the Minimum Requirement of coverage of pre-existing conditions without an option for exclusion at a lower premium outside the Standard Plan, and to what extent the portability arrangement could be refined to minimize unintended consequences on the industry as a whole.</p>	
003432 - 004218	Chairman Mr YIU Si-wing Admin	<p>Mr YIU Si-wing's suggestion that the Administration should consider providing Government subsidy for the insured to enjoy an extended period of protection, say, three years, for a certain period of subscription after expiry of the payment term, so as to attract the young and healthy people to join VHIS. In so doing, the pressure on public healthcare could be relieved in the longer term.</p> <p>The Administration's response that the proposal was complex and might entail high administration cost, and warranted careful consideration. The current plan of the Administration was to implement first the proposed Minimum Requirements on which consensus had been reached in the community to enhance the quality, and promote transparency and certainty of hospital insurance protection. It should be noted that the average annual standard premium of the Standard Plan was estimated to be only in the range of \$1,450 to \$2,200 (in 2012 constant prices) for the age group of 20 to 30.</p>	
004219 - 005454	Chairman Dr KWOK Ka-ki Mr CHAN Kin-por Admin	<p>Dr KWOK Ka-ki's view that in the event that the proposed Minimum Requirements were to be implemented in the form of industry agreement, it was not appropriate to offer tax incentive to encourage purchase of the compliant products as there was neither a regulatory agency to monitor the implementation of the Minimum Requirements nor any direct regulation over expense loading and premium setting. The tax incentive was also not equitable to those who did not purchase</p>	

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		<p>the compliant products but pay out of their own pockets to cover the cost of private healthcare services.</p> <p>Mr CHAN Kin-por's remark that:</p> <ul style="list-style-type: none"> (a) the survey conducted by the insurance industry revealed that a majority of the respondents called for the provision of tax deduction for those who were willing to contribute to their own healthcare costs through paying premium to obtain health insurance coverage, and thereby help relieving the pressure of the public healthcare sector; (b) the insurance industry considered that there was no cause for concern about introducing an industry agreement to put into effect the Minimum Requirements which could immediately bring about enhanced quality and certainty of hospital insurance protection for the benefit of consumers, in particular taking into account the establishment of the independent Insurance Authority to exercise statutory regulation over the insurers and the insurance intermediaries. The Administration could introduce a new legislation to take forward VHIS if it was later found that the putting into place of an industry agreement could not achieve its objective; and (c) it was noted that the Administration's current stance was to allow the market to determine on its own premiums of Standard Plans and prices of private medical services. It was not considered appropriate for the Administration to directly intervene the premium setting when there was no corresponding regulation over the price setting for private hospital services. <p>The Administration's reiteration of the measures to be put in place to enhance price transparency of private hospitals and doctors, as well as the foreseeable increase in supply of private hospital beds; and its response that:</p> <ul style="list-style-type: none"> (a) there was overwhelming support during the previous public consultation exercises on healthcare reform for the provision of tax deduction to encourage the taking out of private hospital insurance policies. It should be noted that under the proposal, tax deduction would only be provided for VHIS-compliant policies which offered better protection to consumers and hence, could facilitate more people to make use of private hospital services, thereby better enabling the public healthcare sector to focus on serving its target areas and enhancing its services. In addition, there would be an annual ceiling on claimable premiums per person insured; and (b) if the proposed Minimum Requirements were to be implemented first in the form of industry agreement, a mechanism would be put in place by the Administration to closely monitor the compliance of the insurers with the requirements and handle the disputes that might arise. 	

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		<p>If it was decided that VHIS was to be implemented through legislation, the regulatory regime would cover the establishment of a regulatory agency.</p>	
005455 - 010112	Chairman Admin	<p>In response to the Chairman's enquiry, the Administration affirmed that tax deduction would be provided for premiums paid for the compliant policies owned by taxpayers even if the Minimum Requirements were to be implemented first through industry agreement.</p> <p>The Chairman's concern that the provision of tax deduction might be inequitable and discriminatory for those individuals with health conditions as according to the Administration, guaranteed acceptance would unlikely be one of the Minimum Requirements to be implemented first through industry agreement. If this was the case, tax deduction should also be provided for medical expenses borne by those high-risk individuals who were denied access to health insurance.</p> <p>The Administration's reiteration that the proposed measure of providing tax deduction for premiums paid for the compliant policies was supported by a majority of the public. It was in discussion with the insurance industry on allowing case-based exclusions so that consumers with higher health risks might choose to take out a policy with a lower premium.</p>	
010113 - 011023	Chairman Dr KWOK Ka-ki Mr CHAN Kin-por Admin	<p>Dr KWOK Ka-ki's reiteration of his view that it was inappropriate for the Administration to provide tax deduction to encourage early uptake of compliant policies if the Minimum Requirements were to be implemented through industry agreement but not legislation.</p> <p>Mr CHAN Kin-por's remark that the objective of VHIS was to provide an alternative to those who were able and willing to use private health services through enhancing the quality of health insurance. It was hoped that the Administration could work out a proposal on the basis of the proposed Minimum Requirements that aligned with the objective of VHIS, met the needs of the community and addressed the concerns of the insurance industry. The proposed tax deduction would only be provided for the compliant policies.</p> <p>The Administration's reiteration that whether the Minimum Requirements would be implemented first through industry agreement would be subject to further discussion with the Competition Commission. If it was to be done so, the Administration could still introduce a legislation to implement the Minimum Requirements when such a need arose.</p> <p>In response to Mr CHAN Kin-por's remark that the insurance industry preferred to put the regulation over the Minimum Requirements under the purview of the independent Insurance Authority to obviate the need of subjecting the industry under two regulatory authorities, the Administration advised that it would have to seek the view of the Insurance Authority on the suggestion. In the event that a separate regulatory agency was to be established for VHIS through legislation, it would be far</p>	

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		less complicated than the original proposal if its functions did not cover the monitoring of the operation of a high risk pool.	
011024 - 011120	Chairman Admin	In response to the Chairman's enquiry, the Administration's advice that it aimed to provide the Subcommittee with details of the way forward for the implementation of VHIS in one to two months' time.	
<i>Agenda item III: Matters arising from the meeting on 4 May 2015</i>			
011121 - 011411	Chairman Admin	Briefing by the Administration on its response to matters arising from the meeting on 4 May 2015 [LC Paper Nos. CB(2)36/15-16(01) and CB(2)399/15-16(01)].	
011412 - 011737	Chairman Mr CHAN Kin-por Admin	<p>Referring to the Consultant's projection that the average premium of individual indemnity hospital insurance products (ward level) would grow by an average of 3.5% per annum (in excess of the general inflation rate) from 2016 to 2040 with the implementation of VHIS, Mr CHAN Kin-por's view that the long-term growth rate of average premium of health insurance would be as high as around 10% per annum having taken into account both medical inflation and general inflation rates. To help containing the excess medical inflation, which directly affected the health insurance claim costs, there should be an increase in the number of private hospital beds and medical manpower, and extensive use of packaged charges.</p> <p>The Administration's advice that there was considerable uncertainty regarding how some major influencing factors, such as advancement in medical technology, would interact with medical cost movements. That said, some of the features of VHIS, such as including prescribed advanced diagnostic imaging tests and prescribed ambulatory procedures in the benefit coverage to discourage unnecessary overnight hospital stay, would keep medical costs under better check.</p>	
011738 - 012201	Chairman Admin	<p>Referring to the public and some members' call for vastly increasing the supply of healthcare providers, the Chairman enquired how the Administration could contain the moral hazard on the use of prescribed advanced diagnostic imaging tests.</p> <p>The Administration's response that:</p> <p>(a) under the strategic review on healthcare manpower planning and professional development, the University of Hong Kong was commissioned to develop a dynamic forecasting model to assess the long-term manpower requirements of the 13 healthcare professions subject to statutory regulation (including doctors); and</p> <p>(b) to combat moral hazard on the use of prescribed advanced diagnostic imaging tests, a 30% co-insurance was proposed for the use of such services to bring utilization under proper control.</p>	

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012202 - 012703	Chairman Admin	<p>The Chairman's remark that there were views in the medical sector that HA might not be able to recruit all local medical graduates in the next few years following the increase in the number of publicly-funded degree places in medicine; and his view that the assumptions and formulas of the aforesaid healthcare manpower forecasting model should be transparent.</p> <p>The Chairman requested the Administration to:</p> <p>(a) make reference to the information on neural model and network structure [LC Paper No. CB(2)467/15-16(01)] tabled by him at the meeting, and provide, preferably in the format of spreadsheet, the neural network architecture (with the elements of inputs, weights, biases and transfer function) for forecasting the long-term manpower requirements of the relevant healthcare professions; and</p> <p>(b) explain in writing how future actual adjustments of the variables, say, there was an oversupply of medical graduates in a certain year, would feed back into the model for a corresponding adjustment in the projection of the relevant healthcare manpower requirements.</p>	Admin
<i>Agenda item IV: Any other business</i>			
012704 - 012853	Chairman	The way forward for the Subcommittee	