

**For Information on  
19 April 2016**

**Legislative Council Panel on Health Services  
Subcommittee on Health Protection Scheme**

**Latest Progress of the Proposed  
Voluntary Health Insurance Scheme**

**PURPOSE**

This paper briefs Members on the latest progress in taking forward the Voluntary Health Insurance Scheme (VHIS).

**PUBLIC CONSULTATION**

2. The Government conducted a public consultation on the VHIS from 15 December 2014 to 16 April 2015. The VHIS aims to enhance the accessibility, quality and transparency of individual indemnity hospital insurance (Hospital Insurance) products in the market. By encouraging those who are able and willing to make use of private healthcare services, the VHIS would help alleviate pressure on the public healthcare system and contribute to enhancing the long-term sustainability of the healthcare system as a whole.

3. We received a total of 600 written submissions from the public. In general, there was broad support for the concept and policy objectives of VHIS. Many considered it a positive first step towards redressing the balance of the public-private healthcare sectors and enhancing the long-term sustainability of the healthcare system. At the same time, some respondents held the view that the VHIS may not be attractive enough to the elderly or the young and healthy, and expressed doubt on the effectiveness of the VHIS in achieving its objectives.

4. There was strong support for the majority of the Minimum Requirements, including guaranteed renewal, no “lifetime benefit limit”, guaranteed acceptance with premium loading cap, coverage of hospitalisation and prescribed ambulatory procedures, coverage of prescribed advanced diagnostic imaging tests and non-surgical cancer treatments, budget certainty, standardised policy terms and conditions, and premium transparency.

5. There were divergent views on the coverage of pre-existing conditions and portable insurance policy. On one hand, some submissions considered the

requirement of coverage of pre-existing conditions important in benefiting those with health conditions. On the other hand, other submissions expressed concern on whether coverage of pre-existing conditions would result in much higher claims payout and drastic increase in premiums, and whether the higher premiums would discourage the young and healthy people from joining the VHIS. As regards the requirement of portable insurance policy, some submissions agreed with the principle of portability, pointing out that portability would facilitate consumer choice and drive market competition. On the other hand, other respondents were concerned whether portability without re-underwriting would pose financial risk to the insurer accepting the transfer of policy.

6. As regards group Hospital Insurance, a majority of submissions supported the proposed exemption of group Hospital Insurance from the Minimum Requirements, so as to encourage employers to maintain group cover for their employees. There was also broad support for the proposed Conversion Option<sup>1</sup> and Voluntary Supplement(s)<sup>2</sup> to protect the interests of employees.

7. Many respondents supported the policy objective of establishing the High Risk Pool (HRP). They noted that the HRP is essential for implementing the requirement of guaranteed acceptance with premium loading cap and portable insurance policy. On the other hand, some submissions expressed concerns on the long-term sustainability of the HRP. They remarked that the HRP would be a drain on public finance, and questioned whether the amount of public funding reserved for maintaining the operation of the HRP is sufficient. Separately, there was overwhelming support for the proposal of providing tax deduction for VHIS-compliant policies. Many submissions considered that the tax incentive should be enhanced to attract young and healthy people to join the VHIS.

8. An overwhelming majority of views supported the proposal of requiring insurers to offer a migration option to policyholders of existing individual Hospital Insurance policies within a migration window period. Many considered that the proposed one-year window period should be extended. There was broad support for the proposed grandfathering of existing individual

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<sup>1</sup> Under the VHIS proposal, we proposed to require insurers to offer as an option to employers an elective Conversion Option in the group Hospital Insurance products offered to employers. If the employer decides to purchase the group policy with the Conversion Option, an employee covered by such group policy can switch to an individual Standard Plan at the same underwriting class without re-underwriting, provided that the employee has been employed for a full year immediately before the transfer.

<sup>2</sup> Under the VHIS proposal, we proposed that insurers may provide Voluntary Supplement(s) to individual members covered by a group Hospital Insurance policy who wish to procure at their own costs additional protection on top of their group policy.

Hospital Insurance policies in the case where existing policyholders do not wish to migrate to VHIS compliant policies.

9. A majority of views supported the proposed establishment of a regulatory agency. As regards the need for a credible and impartial claims dispute resolution mechanism, some submissions noted that the existing Insurance Claims Complaints Bureau (ICCB), a self-regulatory body sponsored by the insurance industry that handles complaints about insurance claims, is equipped with the necessary expertise and has accumulated rich experience in handling health insurance claims disputes. Instead of setting up a new mechanism, these submissions considered that the ICCB should continue with its role in handling insurance claims disputes.

## **LATEST DEVELOPMENTS AND WAY FORWARD**

10. We have been in touch with the insurance industry through the Hong Kong Federation of Insurers (HKFI) on refining the details of the VHIS proposal. The insurance industry, while in general supported the policy objectives of the VHIS to provide enhanced health insurance protection for consumers, expressed concerns over some of the specific proposals put forth in the consultation document.

11. Moreover, the insurance industry has suggested implementing the VHIS through means other than the legislative route, including the option of allowing insurers to enter into a self-regulating industry agreement or inviting the Office of the Commissioner of Insurance or the future Independent Insurance Authority to promulgate relevant guidance notes. We are exploring the feasibility of these options in consultation with the relevant bureau/departments, and have been maintaining a regular dialogue with members of the Task Force on Health Care Reform of the HKFI, with the aim of working out a sensible, practicable and viable proposal to implement the VHIS. We aim to iron out the way forward and release the Consultation Report by mid-2016.

12. On a related front, with a view to better regulating private healthcare services amid the evolving landscape of healthcare services, we are embarking on a root-and-branch review of the regulatory regime for private healthcare facilities (PHFs). We released on 11 April 2016 the Consultation Report on the refined proposal to revamp the existing regulatory regime for PHFs. Generally speaking, there was solid support for having a more modernised and comprehensive regulatory control for different categories of PHFs in Hong Kong. We are taking steps to iron out details of the new regulatory regime in

collaboration with various Government departments and stakeholders, with a view to introducing the relevant Bill to the Legislative Council in the 2016/17 legislative session.

### **ADVICE SOUGHT**

13. Members are invited to note the contents of the paper.

**Food and Health Bureau**  
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