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Proposed Research Outline

Health Care Financing Policy in Selected Places

1. Background

1.1 At its meeting on 14 November 2005, the Panel on Health Services requested the Research and Library Services Division (RLSD) to conduct a research on the health care financing policy in selected places to facilitate the deliberation of the Panel on the issue in the Hong Kong context.

2. Scope of research

2.1 The proposed research studies the health care financing policy of selected developed economies. The reason for selecting developed economies is that their wealth and health risk patterns as well as the payment method for health services are similar to those adopted in Hong Kong. In particular, the payment method for health care employed by developed economies is mainly prepayment, i.e. paying for the cost of health care services in advance of their use rather than out-of-pocket payment. Prepayment can be pooled by means of tax, contribution or premium.

2.2 Almost all of the developed economies adopt a combination of prepayment methods to fund health care services. Based on the share of funding sources in the total expenditure on health care services, the health care financing systems of developed economies can be roughly classified as the following four types:

(a) Tax-based financing: total expenditure on health care is predominantly funded by general government expenditure;

(b) Social health insurance: total expenditure on health care is predominantly funded by contributions from employees, the self-employed, employers and the government on a compulsory basis;

(c) Private health insurance: total expenditure on health care is predominantly funded by premiums being paid directly from employers, associations, individuals and families to insurance companies; and

(d) Medical savings accounts: total expenditure on health care is predominantly funded by savings in an individual account that are restricted to spending on health care.

2.3 The proposed research provides a detailed discussion on the health care financing system of each selected place, which helps illustrate the four types of health care financing system, focusing on the following aspects:

(a) overview of the health care system and the health care financing policy;

(b) general principles that guide the design of the health care financing system;

(c) mechanism for collecting contributions for health services from sources of funds such as tax, premium and co-payment; share of contribution among the relevant parties such as the government, employers and individuals;

(d) mechanism for allocating funds to health care providers, e.g. government budget and explicit benefit packages;

(e) distribution of health care expenditure among health care programmes and activities (e.g. hospitals and medicines) and share of funding among the relevant parties in each of these programmes and activities; and

(f) policy evaluation, e.g. achievement of and challenges faced by the health care financing system.

3. Proposed places to be studied

3.1 RLSD proposes to study the health care financing policy of Australia, Canada, New Zealand, Singapore and Taiwan.

3.2 Whilst Australia, Canada and New Zealand all adopt the tax-based financing system, the characteristics of their systems vary. The Australian government collects Medicare levy to supplement other taxation revenues to meet the cost of a universal national health care system. In addition, in order to encourage Australians to buy private insurance, the Australian government offers rebate on premiums to private health insurers.

3.3 Canada is chosen because of its clear distinction between the publicly-financed and privately-financed health care sectors. While hospital and physician services are almost 100% publicly-financed, off-hospital prescription medicines as well as medical equipments are mostly privately-financed.

3.4 More than twenty District Health Boards have been established in New Zealand. Each board consists of a maximum of 11 board members. Seven members are elected by voters in the district and up to four members can be appointed by the Minister of Health. In accordance with government's health policies, each board uses resources allocated by the government to strategically purchase health care services to fulfil the need in each district.

3.5 Singapore is the only place in the world that fully adopts a health care financing system based on medical savings accounts. The Singaporean government′s philosophy on health care financing emphasizes individual responsibility. As such, private financing is predominant in the design of its health care financing system. Private financing under the system includes money coming from a compulsory Medisave Account under the Central Provident Fund, insurance payments from the Medishield Schemes and out-of-pocket payments.

3.6 Taiwan adopted the social health insurance system in 1995. The National Health Insurance Programme is a compulsory health insurance programme for all citizens of Taiwan. The insured, employers and the government all contribute premiums to the programme. In return, the insured receive health care services. Since its establishment, various measures have been implemented to deal with the imbalance between revenues and expenditures of the programme, e.g. increases of premiums and co-payments and modification of payment scale to providers.

4. Proposed completion date

4.1 RLSD proposes to complete the research by March/April 2006.