

Consumer Council
Submission to the LegCo Panel on Health Services on
Healthcare Reform Consultation Document
(10 May 2008)

Introduction

1. The Consumer Council (“CC”) welcomes the opportunity to provide its views on the healthcare reform consultation document for consideration of the Panel Members.

2. In general, CC’s position in regard to healthcare policy centres around the principles of affordability, fairness, choice, quality, and access. CC has made a number of submissions in the past¹ on the subject of healthcare reform which have bearing on the current issues, and they can be found at www.consumer.org.hk.

The Government’s proposals for reform

3. CC supports the Government’s proposals to improve the delivery of public healthcare services through increasing recurrent government expenditure for healthcare services, in addition to drawing additional funds from the fiscal reserve for taking healthcare reforms forward.

4. CC notes the supplementary financing options that have been raised by the Government in its consultation document, and the request for views on the options. However, at this stage CC does not have a view as to any option to be preferred that it would want to put forward in regard to healthcare financing.

5. CC’s basic position on financing options is that instead of examining the different financing options that are being canvassed, and suggesting a preference, its role as a consumer advocate is to alert the Government on the issues that may arise when consumers are making choices and entering into transactions in the marketplace for healthcare services and healthcare insurance.

6. For example, options 5 and 6 regarding mandatory private health insurance and personal healthcare reserve both raise issues regarding the operation of a marketplace for healthcare insurance. No matter what financing options will be eventually chosen, CC’s interest as a consumer advocate is that if the Government decides that market based mechanisms are to be employed, the intrinsic benefits that arise from having a freely operating marketplace should be allowed to arise, wherever appropriate and

¹ These include: Consumer Council’s responses on “Building a Healthy Tomorrow - Future Service Delivery Model for our Health Care System” issued in October 2005, “Lifelong Investment in Health” issued in March 2001, and “Improving Hong Kong’s Health Care System: Why and For Whom?” issued in August 1999.

subject to necessary safeguards to protect the principle of basic healthcare for all.

7. In particular, CC would expect that
 - a) patients' benefits after the reform should not be lower than the present level, and the **affordability** of healthcare for the working population, which is already subject to MPF contributions and income tax, should be considered; and
 - b) given the increasing focus on moving more of the population to the healthcare insurance market, there should be **effective monitoring** of the operation of health insurance schemes, and relevant healthcare service providers.

Affordability

Regulating the level of insurance premiums

8. Notwithstanding the application of marketplace mechanisms in order to raise efficiency levels in the healthcare sector, and thereby keep downward pressure on costs, a potential problem arises with regard to premium levels, where insurance premiums become either mandatory or obligatory for a large section of the population.

9. Whilst competition can be expected to play some part in keeping downward pressure on premium levels, overseas experience indicates that some government intervention has been used to regulate premium price increases. In this regard, CC stresses the need for the Government to consider some form of regulatory oversight of insurance premiums as an inseparable component of any policy that would either mandate or oblige consumers to take out healthcare insurance.

10. CC understands that there could be a range of price regulatory option available for adoption by the Government. An option such as price monitoring regimes might be considered as a mechanism for placing downward pressure on private health insurance premiums.

11. At its most simple, prices can be monitored and published to provide information and transparency to consumers. For example, prominent publication of private health insurance premiums of each scheme may facilitate comparison and encourage members of higher priced schemes to switch to more efficient schemes offering a lower price or higher quality insurance product. This could stimulate competition between schemes for members. CC understands the difficulty for consumers in making comparisons of complicated products such as healthcare insurance, and assistance should be given through making a specific information resources on the different healthcare insurance products available to assist consumers in making informed choices.

12. In any event, CC considers that an absence of some form of government oversight would be unacceptable where government policy either mandates or obliges large sections of the population to take out insurance policies that are provided in an open market.

Maintaining a healthcare reserve

13. With regard to the option of maintaining a healthcare reserve, CC has a concern as to whether participants would be able to accrue sufficient deposits in their healthcare reserve without creating too much impact on their present financial conditions. CC considers that the Government should carry out an assessment based on the financial capability of the working population to accrue sufficient funds, rather than purely embark on the perspective of how much funding is required to pay for insurance premiums after retirement. Moreover, in tendering their views on the different financing options, consumers will need to know more about

- a) where their savings will be held (e.g. whether the money will be in the hands of a trusted government authority);
- b) whether there will be a cap on contribution rate; and
- c) what will be the costs involved so that the savings will not be eroded.

Limits on healthcare expenses

14. With regard to the option of a personal limit on healthcare expenses for chronic patients or patients struck by catastrophic illnesses requiring costly treatments, CC suggests that if such a policy is introduced, consideration should be given for the application of this limit to be extended from a personal to a family basis, since the financial impact on these patients would also directly affect their families.

Financial incentives for supplementary financing

15. CC welcomes the Government pledge to provide financial incentives to participants in a contributory supplementary financing scheme to lessen the financial burden on the working population. CC expects to see more details on the forms of financial incentives to be provided in the second-stage consultation.

Cherry picking

16. If private health insurance options are eventually chosen, CC supports the Government requiring insurance companies not to 'cherry-pick' with respect to basic health insurance policies so that no one will be excluded from cover because of age, gender and health conditions.

Subsidizing individuals for preventive care

17. CC supports the Government's proposal to subsidize individuals for preventive care as a means for the detection of disease at an early stage. However, CC has concerns about the quality of health assessment and screening available in the market.

18. A market study conducted by CC in 2007² pointed to the active promotion by many private hospitals, medical centres and medical laboratories of extremely wide coverage medical check up packages. The study found problems with the packages and, amongst other matters, expressed concern that many of the items appeared unnecessary, and that excessive investigation could do more patient harm and cause waste of money and time.

19. CC therefore urges the Government to consider means to ensure consumers will benefit from appropriate and good quality medical check up packages.

Effective Monitoring

Monitoring health insurance providers

20. In addition to providing some oversight of premium levels, CC considers there should be effective monitoring of the service levels of healthcare insurance providers. Health insurance is a complex matter for many consumers, raising the problem of information asymmetry. CC has had extensive experience, through its complaint handling service and its general research work, in relation to consumer problems with healthcare insurance premiums.

21. A breakdown of the number and type of healthcare insurance complaints received by CC in recent years is attached in Appendix A.

22. In brief, CC's market studies³ on the subject of medical insurance found that:

- a) medical insurance policies were full of exclusions that would exempt the insurers from paying compensation for a wide range of illnesses and many of the exclusions were in fine print;
- b) the insured were misinformed or did not understand the full extent of the exclusions in their medical cover;

² See Consumer Council's Choice Magazine article 《盲目參加健康檢查計劃 越驗越擔心》, (issue no. 368, pp.31-39).

³ See Consumer Council's Choice Magazine articles 《醫療保險免賠條款奇多》 (issue no. 293, pp.32-37) and 《分析 54 個醫療保險計劃》 (issue no. 295, pp.29-38).

- c) clauses in medical insurance policies were invariably full of technical and medical jargon written in English and incomprehensible to average consumers;
- d) substantial variations existed among the insurers on the maximum level of compensation and classification of surgical operation, which may render comparisons of medical insurance schemes not so straight forward; and
- e) conditions for claims and age limit for renewal were also complex factors affecting the choice of consumers.

23. It can be expected that an increase in the number of healthcare insurance consumers, through proactive government policy, will inevitably result in a higher level of consumer inquiries and disputes regarding the sector. An option to coping with increased demand would be to consider setting up a designated body for healthcare insurance complaints.

Patient information

24. CC supports the development of an electronic health record (eHR) system to allow individuals' health records to follow them wherever they go. However, CC has concerns with the potential threats to patients in respect of information security and privacy. CC stresses that appropriate amendments to the legislation and regulations administered by the Office of the Privacy Commissioner for Personal Data should be made to suit the manner in which data will be collated, handled and disseminated under the eHR system.

25. CC expects that suitable consultation will be conducted by the Government on this matter, when the system is in the process of creation.

Consumer Council
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Appendix A

Consumer Council - Complaint statistics on medical insurance

	2005	2006	2007	1-3/2008
Sales practices - E.g. related to issue of policy without client consent	11	20	21	6
Late/non-delivery of claim	26	22	24	2
Price/charges dispute - increase in premium	4	13	12	6
Quality of services - problems with agents and insurers	6	9	16	2
Others	20	17	10	2
Total:	67	81	83	18