



My Health My Choice

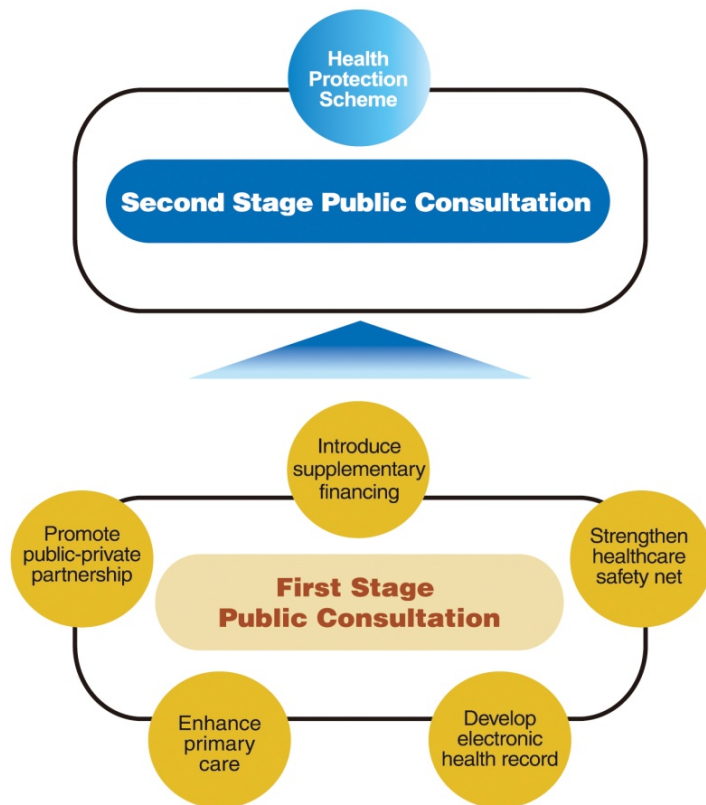
Healthcare Reform Second Stage Public Consultation



Food and Health Bureau
Hong Kong Special Administrative Region Government

Healthcare Reform: Enhancing Services on a Sustainable Basis

Healthcare Reform



Sustainable Healthcare System:

- ✓ Provide holistic primary care
- ✓ Provide more quality choices
- ✓ Provide lifelong health protection
- ✓ Continue partnership for health



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Healthcare Reform: Enhancing Services on a Sustainable Basis

■ **First Stage Consultation (2008): Healthcare Service and Financing Reform**

- The public support reform in general, but have reservations about mandatory supplementary financing
- Prefer voluntary private health insurance, and choice of private healthcare services according to one's needs
- Want more choice and better protection beyond public healthcare services provided by the Government

■ **Second Stage Consultation (2010): Voluntary Health Protection Scheme (HPS)**

- Standardise and regulate voluntary private health insurance by legislation for consumer protection
- Formulate HPS core requirements and specifications to address shortcomings of existing private health insurance
- Consider making use \$50 billion fiscal reserve to provide subsidies to HPS subscribers

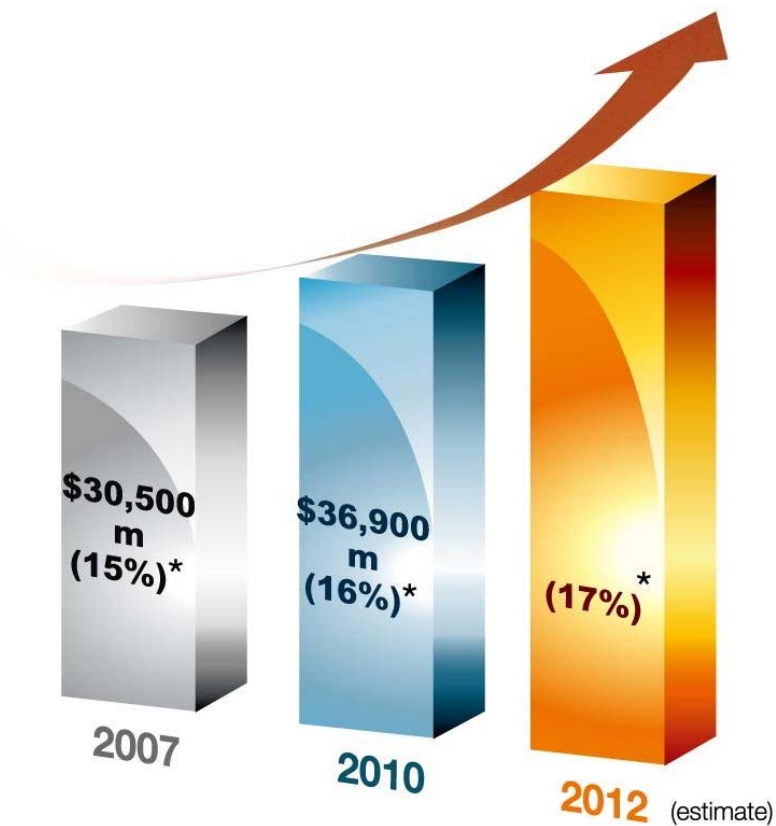


First Stage: Healthcare Service Reform

- **Enhance primary care**
 - Primary Care Development Strategy by end 2010
- **Promote public-private partnership in healthcare**
 - PPP projects being launched progressively
- **Develop electronic health record sharing**
 - First stage eHR Programme for sharing by 2013-14
- **Strengthen public healthcare safety net**
 - Expand Drug Formulary to support patients in need
- **Over \$5 billion committed for service reform**



Public Healthcare: Unswerving Government Commitment



* Recurrent expenditure on health as a share of the Government's total recurrent expenditure



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Public Healthcare: Unswerving Government Commitment

- **The Government will only increase, and not reduce, its commitment to healthcare**
- Government continues to increase funding for healthcare
 - Funding for healthcare increases from \$30.5 billion in 2007-08 to **\$36.9 billion** in 2010-11, up from 15% to 16% of the Government's total recurrent expenditure
 - Subvention for Hospital Authority (HA) increases from \$28.0 billion in 2007-08 to **\$32.7 billion** in 2010-11, and will be further increased in 2011-12
 - Government committed over **\$15 billion** to invest in healthcare infrastructure and strengthen safety net, including \$1 billion injection into the Samaritan Fund



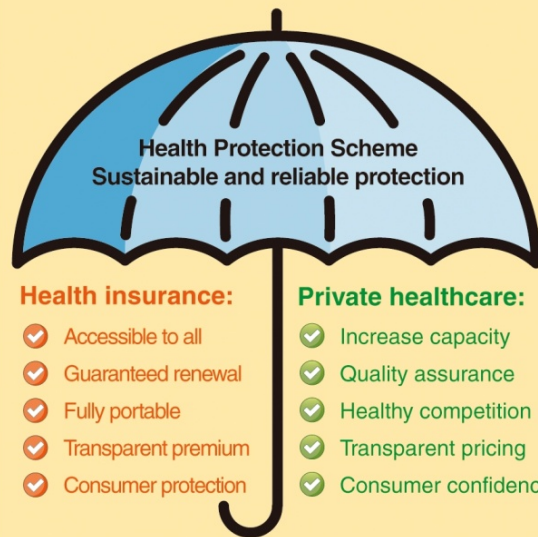
Public Healthcare: Unswerving Government Commitment

- **Uphold public healthcare system as the community's healthcare safety net**
- Public healthcare system will continue to focus on target service areas
 - **Acute and emergency care**
 - **Care for low-income and under-privileged groups**
 - **Catastrophic illness requiring professional team work, advanced technology and high cost**
 - **Training of healthcare professionals**
- HA making use of increased funding to reinforce manpower and enhance various public healthcare services



Health Protection Scheme: Voluntary and Government-Regulated

HPS benefits everyone



Health insurance:

- ✓ Accessible to all
- ✓ Guaranteed renewal
- ✓ Fully portable
- ✓ Transparent premium
- ✓ Consumer protection

Private healthcare:

- ✓ Increase capacity
- ✓ Quality assurance
- ✓ Healthy competition
- ✓ Transparent pricing
- ✓ Consumer confidence



Public healthcare:

- ✓ Safety net for all
- ✓ Queue relief
- ✓ Needy groups
- ✓ Acute & emergency care
- ✓ Catastrophic care

Healthcare system:

- ✓ More choices and better protection
- ✓ More sustainable development



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Second Stage: Voluntary Health Protection Scheme

- Provide a government-regulated, reliable and sustainable HPS for those who subscribe to private health insurance and use private healthcare services on a voluntary basis
- Relieve public queue through private services so that public resources can focus on target services especially to take care of low-income and under-privileged groups
- Enable those who voluntarily subscribe to private health insurance to continue to be able to afford health insurance at an older age and use private healthcare services
- Enhance transparency and competition in private health insurance and private healthcare sectors for better consumer protection and value-for-money services



Why Health Protection Scheme?

HPS is ...	HPS is not ...
A supplementary financing option for more effective use of private health expenditure, with a positive effect on the sustainability of long-term healthcare financing	Not a panacea that can solve the long-term healthcare financing problem completely given its voluntary nature
A regulated scheme to promote value-for-money services and enhance consumer protection in the private healthcare insurance and healthcare markets	Not a reduction of public health expenditure or public healthcare services which remains the safety net for all
A measure to facilitate healthcare service development , enhance service capacity, competition and transparency in private healthcare, relieve pressure on public system, and enhance sustainability of healthcare system	Not a once-and-for-all scheme – it requires continued monitoring and adjustment, including the use of the \$50 billion fiscal reserve set aside

Health Protection Scheme – Requirements

- No turn-away of subscribers and guaranteed renewal for life
- Age-banded premiums subject to adjustment guidelines
- Covering pre-existing medical conditions subject to waiting period
- High-risk individuals insurable with a cap on premium loading
- Risks arising from accepting high-risk groups to be shared out through High-Risk Pool industry reinsurance
- No-claim discount for premiums
- Insurance plans renewable on leaving employment and portable between insurers
- Insurers required to report all costs, claims and expenses
- Standardised health insurance policy terms and definitions
- Establishment of a Government-regulated health insurance claims arbitration mechanism

Health Protection Scheme – Better Protection

	Health insurance plans under Health Protection Scheme	Private health insurance plans generally available in the market
Guaranteed renewal for life	Yes	Offered by about half of the insurers
Coverage for pre-existing conditions	Increasing protection after waiting period	Usually not covered by individual insurance policies
Portability of insurance policies	Yes	No
Upfront certainty of protection & charges	Yes (packaged charging based on diagnosis-related groups (DRG))	No (only itemised charging)
High-Risk Pool reinsurance	Yes	No
No-claim discount	Yes	No
Premium adjustment	With published guidelines	No guidelines
Standardised terms and conditions	Yes	No
Govt-regulated claims arbitration mechanism	Yes	No

Health Protection Scheme – Coverage

Standard Plans:

- Coverage and Levels
 - Hospital admissions (general ward) and ambulatory procedures
 - Specialist out-patient consultations and advanced diagnostic imaging services required for admission/procedures
 - Chemotherapy or radiotherapy for cancer
- For HPS Standard Plans: benefit limits for common services based on packaged charging; in the absence of packaged charging, benefit limits based on itemised charging (at median-priced service rate)

Top-up components:

- Higher class of in-patient ward (semi-private, private ward, etc.)
- Higher benefit limits for healthcare services
- Specialist out-patient consultations and advanced diagnostic imaging services in general (not associated with admission/procedures)
- Other services such as general out-patient services, dental care and maternity coverage



Health Protection Scheme – Migration of Existing Health Insurance

■ Existing Individual Policy-holders

- Participating insurers required to offer them an option to renew their policies to an appropriate HPS Plan which must meet or exceed the requirements for Standard Plans with no less coverage and benefits and without undergoing re-underwriting
- Those migrated enjoy advantages offered by the HPS including pre-existing conditions coverage subject to waiting period, portability, no-claim discount, etc.

■ Existing Group Policy-holders (mainly employers)

- Participating insurers required to offer them an option to renew by switching to an appropriate tailor-made HPS Plan. Insurers may offer top-up components to suit individual employers' needs
- For policies meeting or exceeding the requirements for Standard Plans, policy-holders can enjoy advantages offered by the HPS including portability, continuity on leaving employment, and Gov't incentives at old age, etc.



Health Protection Scheme – Access for Higher Risk Groups

- **How pre-existing conditions should be covered in health insurance?**
 - Proposal: coverage starts after a one-year waiting period, with reimbursement of 25% in the second year, 50% in the third year, and full coverage after three years
- **How high-risk individuals may subscribe to health insurance?**
 - Proposal: premium plus loading capped at three times the published premiums for Standard Plans; excessive risks buffered through High-Risk-Pool reinsurance mechanism
- **How individuals already at older age may also get health insurance?**
 - Proposal: insurers required to allow people aged 65+ to subscribe to HPS Plans within the first year of introduction, but with no cap on their premium plus loading



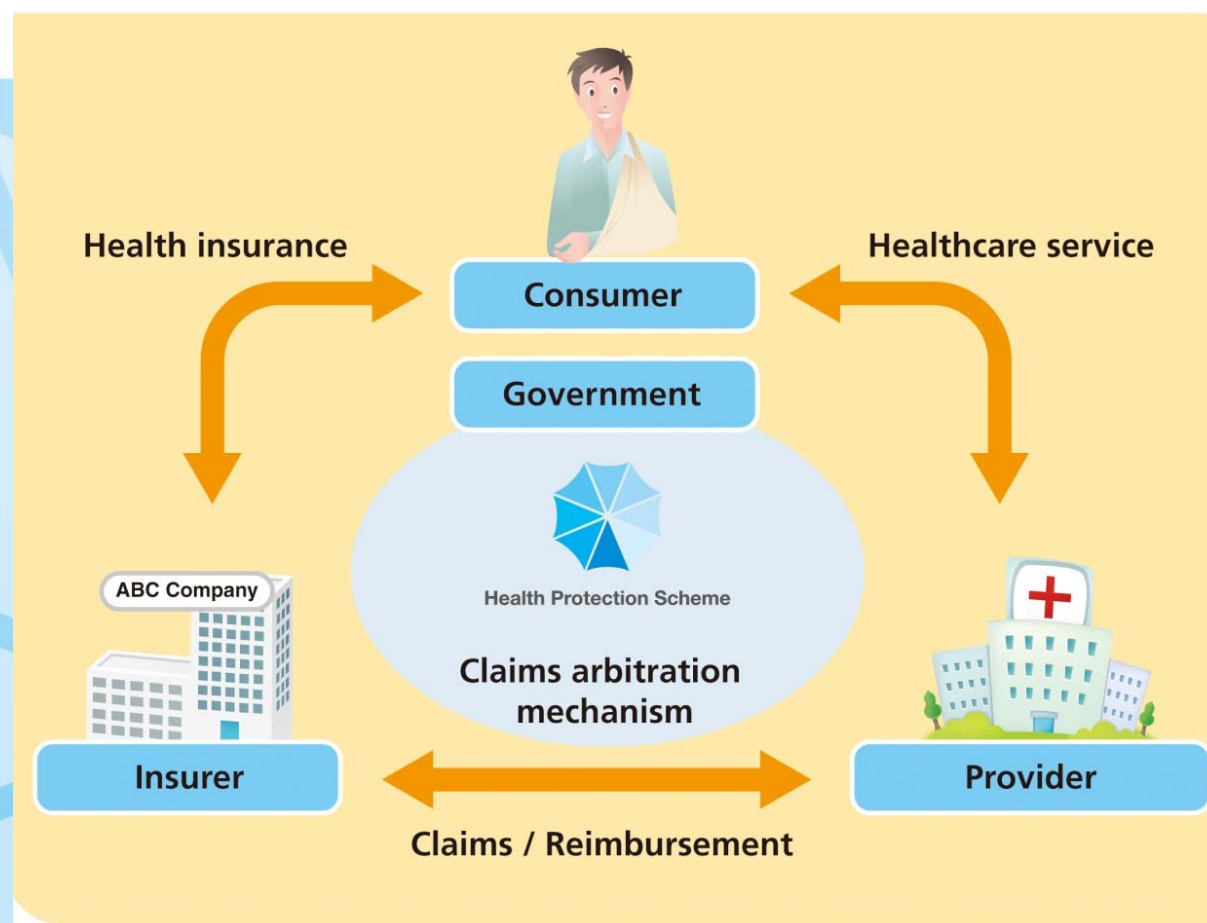
Health Protection Scheme – Government Incentives

We propose that financial incentives (one-off or recurrent) be considered in the following three directions making use of the \$50 billion fiscal reserve earmarked to support healthcare reform –

- **Protection for high-risk individuals:** Government injection into High-Risk-Pool where necessary to buffer the excess risks arising from a large number of high-risk individuals joining the HPS
- **Premium discount for new subscribers:** subsidies for new joiners during a limited period after HPS introduction to enjoy maximum no-claim discount, i.e. to receive 30% discount on Standard Plan premiums immediately upon joining
- **Savings for future premium:** encourage savings (through options below) by individuals for paying future premium at older age (say 65+)
 - Required in-policy savings: government subsidies for savings
 - Optional savings accounts: government subsidies for savings
 - Save on their own means: premium rebate based on insured length



Support for Health Protection Scheme



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Health Protection Scheme – Proposed Supervisory Structure

- Oversee scheme implementation and operation, and monitor achievement of scheme objectives
- Proposed supervisory structure:
 - **Prudential regulation:** a regulator (Office of the Commissioner of Insurance) to supervise financial soundness and capability of insurers, ensure that they could discharge obligations to the insured, and oversee complaint handling mechanisms applicable to insurance in general
 - **Quality assurance:** an authority (Department of Health+) to supervise quality and standards of hospital services, oversee hospital accreditation and clinical audits, collect benchmarking information and statistics, and carry out other quality assurance measures
 - **Scheme supervision:** a new dedicated agency to supervise scheme implementation and operation - product registration, regulation of health insurance products, collecting pricing and costing information, compiling pricing and costing information of healthcare service, and administering claims arbitration mechanism
- Require legislative changes to support implementation of these supervisory functions



Healthcare Infrastructure & Manpower

■ Private healthcare capacity

- Implementation of the HPS requires corresponding expansion in the capacity of the private healthcare sector

■ Private hospital development

- Known/planned private hospital development expected to be able to meet increased demand
- New private hospitals required to provide certain proportion of services based on packaged charging
- Government to monitor demand for private healthcare services and ensure sufficient capacity to meet

■ Healthcare manpower planning

- Government will undertake manpower planning for various healthcare professions to assess training needs
- Will take into consideration potential demand arising from expansion of the healthcare system and implementation of the healthcare reform initiatives





Healthcare Reform
Second Stage Public Consultation
6 October 2010 to 7 January 2011



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