

立法會
Legislative Council

LC Paper No. CB(2)922/12-13
(These minutes have been seen
by the Administration)

Ref : CB2/PS/2/12

Panel on Health Services

Subcommittee on Health Protection Scheme

Minutes of the second meeting
held on Monday, 14 January 2013, at 2:30 pm
in Conference Room 2A of the Legislative Council Complex

- Members present** : Dr Hon LEUNG Ka-lau (Chairman)
Dr Hon Joseph LEE Kok-long, SBS, JP (Deputy Chairman)
Hon CHAN Kin-por, BBS, JP
Hon CHEUNG Kwok-che
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon CHAN Han-pan
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
- 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
- Dr K H LEE
Chief Manager (Cluster Performance)
Hospital Authority
- Clerk in attendance** : Ms Elyssa WONG
Chief Council Secretary (2)5

Staff in attendance : Ms Maisie LAM
Senior Council Secretary (2)5

Ms Michelle LEE
Legislative Assistant (2)5

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I. Confirmation of minutes
(LC Paper No. CB(2)439/12-13)

The minutes of the meeting held on 12 December 2012 were confirmed.

II. Latest progress in taking forward the Health Protection Scheme
(LC Paper No. CB(2)448/12-13(01))

III. Role and development of public and private healthcare services
(LC Paper No. CB(2)448/12-13(02))

2. Members agreed to combine the discussion of agenda items II and III as they were related.
3. The Subcommittee deliberated (index of proceedings attached at **Annex**).

Provision of public subsidies or financial incentives

4. Some members including Dr KWOK Ka-ki and Mr CHEUNG Kwok-che expressed reservations on using the \$50 billion fiscal reserve earmarked to support healthcare reform to subsidize the uptake of private health insurance ("PHI"). They considered it not cost effective to use public money to subsidize people from taking out Health Protection Scheme ("HPS") plans as the insured might still choose public healthcare services, and as a result, failed to reduce the burden of the public system. Dr KWOK Ka-ki also surmised that given the high administrative fees charged by the private insurers, any such subsidies might benefit more the insurers than the insured. These members suggested that the \$50 billion should be used to improve public healthcare services, or provide direct subsidy to elderly persons aged 65 or above in using private healthcare services, as they might not be able to afford continuous health insurance protection after retirement when they needed it most.

5. Mr CHAN Kin-por held a contrary view. He pointed out that the use of the \$50 billion to support HPS would span across 20 to 25 years (i.e. about \$2 billion per annum), which, in his view, was so insignificant as compared to

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the some \$40 billion annual subvention from the Government to HA to support and finance the delivery of public healthcare services. It was worthy to note that HPS was designed with a view to safeguarding consumer interests in PHI and private healthcare services, so as to bring about material impact on the overall healthcare system to enhance its long-term sustainability. However, in regard to the stringent core requirements and specifications proposed under HPS, it might not be commercially viable for private health insurers to offer health insurance plans in compliance with those requirements if there was no injection from the Government into the high-risk pool ("HRP") to buffer the excess risk arising from the participation of high-risk individuals.

6. Miss Alice MAK was concerned about whether the earmarked \$50 billion was adequate to support the operation of HRP. In her view, the indemnity amount under most of the existing PHI products was inadequate to cover the actual medical expenditure incurred by the insured. Noting that there were currently about 1.9 million chronic diseases patients in Hong Kong who would be deemed as high-risk individuals, she queried whether HRP would be sufficient to deal with all these excessive risks to HPS plans.

7. The Administration advised that Hong Kong was unique in that both the public and private hospital systems were well developed to provide a comprehensive range of quality services. However, there was a significant public-private imbalance that the highly subsidized public system provided over 90% of all in-patient services (in terms of bed-days), resulting in longer waiting lists and waiting time for services. To provide better choice of individualized healthcare for the public, an objective of HPS was to enable more people who could afford and were willing to purchase PHI to use the readily available private services on a sustained basis. In so doing, the public system could focus on serving its target areas and population groups. The proposal of accepting all subscribers into HPS Plans subject to a reasonable premium loading and an HRP reinsurance mechanism might also eliminate the existing market practice of excluding or pricing out high-risk individuals. The Administration stressed that apart from serving as the safety net for the low-income families and under-privileged groups, the public system would continue to be an alternative available to all for treatment of catastrophic and complex illnesses that required advanced technology and multi-disciplinary professional team work which might not be readily available or might entail very high cost in the private sector.

8. The Chairman remarked that in view of the current high fixed cost of HA for the provision of public healthcare services, the introduction of HPS could not enhance the efficiency of the public healthcare system unless HA would reform its operation. Citing the distribution of the surgeries for patients with colorectal cancer in public and private sectors as an example, he suggested the

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Administration to devise a mechanism for assessing the effectiveness of HPS in relieving burden on the public healthcare system and reducing public health expenditure. At the request of Mrs Regina IP, the Administration agreed to provide after the meeting information on Australia's experience in promoting the take-up rate in voluntary PHI as a means of relieving the burden of the public healthcare system.

9. On the operation of HRP, the Administration explained that it was necessary for the Government to provide subsidies to ensure sustainability of the regime upon the implementation of the key features of HPS plans, such as coverage of pre-existing conditions and guaranteed acceptance and renewal for life, so as to enable high-risk individuals to access health insurance plans under HPS, and minimize the potential across-the-board premium increase arising from their participation. To strike a proper balance between requiring participating insurers to cover high-risk individuals and maintaining the commercial viability of HPS plans, the Administration had proposed in the Second Stage Public Consultation on Healthcare Reform to set up HRP under HPS as a reinsurance mechanism to absorb the excess risks. Under the mechanism, the policies of high-risk individuals would be transferred to HRP. In so doing, the premium income, claim liabilities and profit or loss of these policies would be accrued to HRP instead of the insurance company concerned. The proposed HRP would be financed by the premium income of the policies transferred to the pool. Subject to the findings from the consultancy study on HPS, injection from Government into HRP at its initial stage of operation was considered necessary in order to avoid causing premium escalation for all the insured due to the excessive risks introduced by covering also the high-risk individuals at premium with capped loading. However, it was expected that HRP could be self-sustaining when there was a sizeable take-up rate of HPS plans in the long run. In addition, to maintain the viability of HPS, it was essential to appeal to the young and healthy population to join and stay insured. Hence, some form of financial incentives might be considered to enhance the attractiveness of HPS for this group of population.

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10. At the request of the Chairman, the Administration undertook to provide a comparison between the existing PHI products which provided protection up to the age of 99 and the proposed standard HPS plan which provided, among others, guaranteed renewal for life, when available.

11. Some members including Dr KWOK Ka-ki and Dr Joseph LEE maintained reservations on the appropriateness to use public money to assist insurers participated in HPS to absorb the excessive risk of high-risk subscribers. However, Mr CHAN Kin-por remarked that given the already very low underwriting profit margin for PHI plans which currently stood within a range of

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3% to 5% as well as the stringent core requirements and specifications for HPS plans, there was concern from the industry, particularly the small and medium-sized insurers, that it might not be viable for them to participate in HPS. He called on the Administration to ensure that the design for HPS plans would be actuarially sound.

Eligibility for HPS Plans

12. Miss Alice MAK was concerned about the eligibility of persons with mental illness, such as bipolar affective disorder, for HPS plans. The Administration advised that HPS aimed to, among others, eliminate strict exclusions commonly applied in existing PHI policies, thus allowing higher-risk individuals to have access to HPS plans. The consultancy study on HPS would examine whether there should be no exclusion of mental illness, taking into account the definition of mental illness and the support for persons with mental illness in the private healthcare sector.

Premium adjustment and medical cost control under HPS

13. Dr KWOK Ka-ki considered that there should be direct Government control over the setting and adjustment of the premium of HPS plans to ensure that the premium would be remained at an affordable level, say, subjecting premium adjustments of HPS plans to the approval of the Chief Executive in Council or the Legislative Council. Mr CHAN Kin-por cautioned against excessive regulation, and considered it more important to ensure pricing transparency under HPS. The Administration responded that given the intense competition in the PHI market and in line with the free market principle, it would be more appropriate for the Administration to further consider the pros and cons involved before putting in place a mechanism for premium setting and adjustment. In addition, the improved transparency and non-discriminatory pricing should be able to keep premium levels in check.

14. Dr Joseph LEE expressed concern about the risk of premium escalation due to rising medical fees in the private healthcare system. Holding the view that the quality and affordability of private healthcare services were crucial to the success of HPS, he stressed the importance of ensuring that the services provided by private hospitals would be value-for-money and quality-assured.

Employers-provided health insurance under HPS

15. Mrs Regina IP suggested that the Government as an employer should consider making use of HPS to offer medical benefit schemes for civil service eligible persons ("CSEPs"), in particular to those civil servants appointed on or after 1 June 2000 (and their eligible dependants), as they would cease to enjoy

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civil service medical and dental benefits once they left the service. The proposed arrangement would provide CSEPs with a wider choice of healthcare services, reducing the pressure on public hospitals, and providing a large membership base for the initial implementation of HPS. That said, those CSEPs who had joined HPS should not be deprived of the right to continue to receive treatment and services provided by HA free of charge should they chose to do so. Mr CHAN Kin-por was of the view that CSEPs should be given the choices of migrating to HPS or continuing to receive treatment and services provided by HA free of charge.

16. The Administration advised that the Food and Health Bureau would explore and discuss with the Civil Service Bureau on the issue at an appropriate time upon finalization of the detailed design and arrangements for HPS.

Supporting infrastructure for HPS

17. Mrs Regina IP sought clarification on the current term Government's stance on the policy of promoting the growth of medical services, including the grant of land for private hospital development, as adopted by the previous term Government.

18. The Administration advised that the healthcare system of Hong Kong had run on a dual-track basis encompassing both public and private elements over the years with a proven track record of success. While Hong Kong had the competitive advantage to promote the development of medical services in the long term, the current manpower as well as the overall capacity of the healthcare system in Hong Kong were not ready to support the development at this stage. Any effort to promote private healthcare development at this stage should focus on meeting the increased local demand for healthcare services. On the development of private hospitals at the four reserved sites at Wong Chuk Hang, Tseung Kwan O, Tai Po and Lantau, the Administration sought to ensure that the services of the new private hospitals were of good quality, and could cater for the needs of the general public and enhance the medical professional standards. A set of special requirements for the new private hospitals to be developed at the two sites at Wong Chuk Han and Tai Po had therefore been included in their tender documents.

19. Referring to the projected manpower requirement for doctors in HA, the Chairman expressed dissatisfaction that the information and values provided by the Administration in Annex A to LC Paper No. CB(2)2011/11-12(01) and the Annex to LC Paper No. CB(2)2690/11-12(01) for the Subcommittee on Health Protection Scheme of the Fourth Legislative Council were far from adequate for members to perform manual computation to convert the data into the projected

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manpower requirement for doctors for each specialty in 2016, 2021 and 2026. At the request of the Chairman, the Administration undertook to provide before the next meeting the values of variables and underlying parameters used for estimating the projected manpower requirement for doctors in HA by specialty as set out in Table 2 of Annex A to LC Paper No. CB(2)2011/11-12(01). These included, among others, the specialty-based values of the average doctor time required for each unit of workload and the breakdown of the total work hours per doctor per year.

IV. Any other business

20. The Chairman reminded members that the next meeting would be held on 4 March 2013 to discuss healthcare manpower planning.

21. There being no other business, the meeting ended at 4:32 pm.

Council Business Division 2
Legislative Council Secretariat
12 April 2013

**Proceedings of the second meeting of the
Subcommittee on Health Protection Scheme
on Monday, 14 January 2013, at 2:30 pm
in Conference Room 2A of the Legislative Council Complex**

| Time marker | Speaker | Subject | Action Required |
|---|------------------------------------|--|-----------------|
| <i>Agenda item I – Confirmation of minutes</i> | | | |
| 000102 - 000117 | Chairman | Opening remarks | |
| 000118 - 000136 | Chairman | Confirmation of minutes | |
| <i>Agenda item II – Latest progress in taking forward the Health Protection Scheme Agenda item III – Role and development of public and private healthcare services</i> | | | |
| 000137 - 000322 | Chairman | Arrangement for members' speaking time | |
| 000323 - 001112 | Chairman Admin | Briefing by the Administration on the background leading to the Health Protection Scheme ("HPS") and the latest developments [LC Paper No. CB(2)448/12-13(01)] | |
| 001113 - 002200 | Dr KWOK Ka-ki Chairman Admin | <p>Dr Kwok Ka-ki's view that the Administration should make use of the \$50 billion earmarked fiscal reserve to improve the public healthcare system, say, scraping the Hospital Authority Drug Formulary ("Drug Formulary"), instead of incentivizing those who could afford it to take out HPS plan.</p> <p>The Administration's response that -</p> <p>(a) provision of public subsidies for HPS was necessary in order to ensure sustainability of the regime upon implementation of the key features of HPS plans which aimed at providing additional coverage and protection for consumers of private health insurance ("PHI");</p> <p>(b) over the years, the Administration had made substantial and sustained investment to improve the public healthcare services. The recurrent government expenditure on health had amounted to around \$45 billion in the 2012-2013 Estimates. Continuous efforts had also been made to deploy resources to construct new hospitals and improve existing hospital facilities; and</p> <p>(c) the Samaritan Fund ("SF") was in place to provide financial assistance to needy patients to meet their expenses on designated drugs categorized as self-financed items in the Drug Formulary. To support the continued operation of SF, the Finance Committee had approved a grant of \$10 billion to SF in June 2012. The Hospital Authority ("HA") had also relaxed the assessment criteria for drug subsidies under SF since the third quarter of 2012.</p> | |

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| 002201 - 003334 | Mr CHEUNG Kwok-che Chairman Admin | <p>Mr CHEUNG Kwok-che's concern about the existing PHI market practice of pricing out persons at old age which had made many retirees to lapse on their individual health insurance coverage and return to the public healthcare system; and the operation of the proposed high-risk pool ("HRP") under HPS, including the future arrangement when the \$50 billion was exhausted.</p> <p>The Administration's response that HPS aimed to enable people with health insurance to stay insured by capping high-risk loading below a certain proportion of premium, subject to the HRP reinsurance mechanism. Injection from Government into HRP might be required in its initial stage of operation until there was a sizeable take-up rate of HPS plans in the long run.</p> <p>The Chairman's request for a comparison between the existing PHI products which provided protection up to the age of 99 and the proposed standard HPS plan which provided, among others, guaranteed renewal for life, when available.</p> <p>In response to Mr CHEUNG's enquiry on whether consideration could be given to requiring the workforce to contribute a certain percentage of their income to fund healthcare for the whole population, the Administration's advice that during the first stage public consultation exercise on healthcare reform, the majority of the public had expressed reservations on mandatory supplementary financing options and preferred having their own choices of healthcare protection.</p> | Admin |
| 003335 - 004137 | Mr CHAN Han-pan Chairman Admin | <p>In response to Mr CHAN Han-pan's enquiries about the timetable for introducing HPS; and the challenges in formulating the detailed design and arrangements for HPS, the Administration's advice that -</p> <p>(a) the Working Group on HPS was expected to complete its works and tender its detailed recommendations on HPS to the Health and Medical Development Advisory Committee by 2013. The Administration would revert to the Subcommittee or the Panel on Health Services on the recommendations, and might conduct a public consultation before taking the matter forward. It planned to prepare the legislative proposals, on the basis of the consensus reached, in 2014 for introduction into the Legislative Council. Subject to the legislative process, it was expected that HPS could be implemented in 2015-2016; and</p> <p>(b) the main issues to be addressed in formulating the detailed design and arrangements for HPS included: developing the key components of</p> | |

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| | | <p>the Standard Plans to ensure that individuals who could afford and were willing to purchase PHI would get insurance coverage by paying a reasonable premium; and examining the provision of public subsidy, specifically the use of the \$50 billion fiscal reserve earmarked to support the healthcare reform, to address the risk pool issue arising from the implementation of the key features of HPS plans.</p> | |
| 004138 - 004649 | Mrs Regina IP Chairman Admin | <p>Citing a case concerning the long waiting time by a civil servant for the Coronary Artery Bypass Graft Surgery provided by HA as an example, Mrs Regina IP's view that the Government as an employer should consider making use of HPS to offer medical benefit schemes to civil service eligible persons.</p> <p>The Administration's response that the Food and Health Bureau would explore and discuss with the Civil Service Bureau on the issue at an appropriate time.</p> | |
| 004650 - 005152 | Mr CHAN Kin-por Chairman Admin | <p>Mr CHAN Kin-por's view that it might not be financially viable for private health insurers to offer health insurance plans meeting the stringent core requirements and specifications under HPS if there was no injection from the Government into HRP.</p> <p>The Administration's further elaboration on why it was necessary for the Government to inject into HRP at its initial stage of operation so as to avoid premium escalation due to the excessive risks introduced by covering also the high-risk individuals at premium with loading capped under HPS.</p> | |
| 005153 - 010115 | Chairman Admin | <p>The Administration's undertaking to provide in writing the values of variables and underlying parameters used for estimating the projected manpower requirement for doctors in HA by specialty as set out in Table 2 of Annex A to LC Paper No. CB(2)2011/11-12(01).</p> | Admin |
| 010116 - 010751 | Miss Alice MAK Chairman Admin | <p>Miss Alice MAK's concern about the timetable for introducing HPS; and the difficulties currently faced by the insured in renewing their policies after claims, either because of outright refusal by insurers to renew their policies or sharp premium hikes at renewal.</p> <p>The Administration's response that the key features of HPS plans, such as no turn-away of subscribers and guaranteed renewal for life, coverage of pre-existing medical conditions subject to a waiting period, acceptance of high-risk enrollees through a HRP mechanism, and capping the premium plus loading of high-risk subscribers, were aimed at</p> | |

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| | | <p>addressing the shortcomings of existing PHI products; and its further elaboration on the operation of HRP.</p> <p>In response to Miss Alice MAK's enquiry about the eligibility of persons with mental illness for HPS plans, the Administration's advice that the consultancy study on HPS would examine whether there should be no exclusion of mental illness under HPS.</p> | |
| 010752 - 011541 | Dr Joseph LEE Chairman Admin | <p>Dr Joseph LEE's concern about how the Administration could facilitate the supply of quality-assured and value-for-money private healthcare services to ensure the effective use of the \$50 billion to support the implementation of HPS, which aimed at, among others, better enabling the public healthcare system to focus more on providing service in its target areas.</p> <p>The Administration's response that the implementation of HPS, which aimed to provide people with better choice for individualized healthcare, would reform the market structure and address the shortcomings of current PHI and private healthcare services through both regulatory intervention and the putting in place measures to ensure the commercial viability of the regulated HPS plans.</p> | |
| 011542 - 011622 | Chairman Admin | The arrangement to combine the discussion of agenda items II and III | |
| 011623 - 012709 | Dr KWOK Ka-ki Chairman Admin Mr CHAN Kin-por Dr Joseph LEE | <p>Dr Kwok Ka-ki's concern on the appropriateness of using public money to assist insurers participating in HPS to absorb the excessive risk of the high-risk subscribers, as this might benefit more the insurers than the insured.</p> <p>Dr Joseph LEE's sharing of Dr KWOK's concern on the appropriateness for the Government to inject into HRP at its initial stage of operation.</p> <p>The Administration's explanation and Mr CHAN Kin-por's elaboration on how the setting up of HRP under HPS as a reinsurance mechanism could absorb the excessive risks and the circumstances in which an injection from Government into HRP was considered necessary.</p> | |
| 012710 - 013113 | Dr KWOK Ka-ki Chairman Admin Mr CHAN Kin-por | <p>Dr KWOK Ka-ki's view that there should be direct Government control over the setting and adjustment of the premium of HPS plans.</p> <p>Mr CHAN Kin-por's view that it would be more important to ensure pricing transparency and that any adjustment in premium schedules would be applied to all the insured.</p> | |

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| | | The Administration's advice that it would enhance market transparency by putting in place a mechanism on premium setting and adjustment. | |
| 013114 - 013253 | Dr Joseph LEE Chairman | Dr Joseph LEE's concern about the impact of the escalating private medical expenses on healthcare services quality and pricing, as well as the premium level under HPS. | |
| 013254 - 013453 | Dr KWOK Ka-ki Chairman Admin | In response to Dr KWOK Ka-ki's enquiry about the range of expertise of the consulting firm which was commissioned to formulate the detailed design and arrangements for HPS, the Administration's advice that PricewaterhouseCoopers was commissioned to provide professional and technical support to the Working Group on HPS; and findings from the consultancy study would be published for public information as part and parcel of the work of the Working Group. | |
| 013454 - 014141 | Mr CHAN Kin-por Chairman Admin | <p>Mr CHAN Kin-por's remark that there was concern from the insurance industry about the commercial viability of HPS plans.</p> <p>The Administration's response that the requirement that participating insurers had to follow standard rules and requirements for PHI under HPS, such as guaranteed acceptance and renewal, was aimed to address the shortcomings of existing PHI products available on the market. The Administration would strike a proper balance between requiring the participating insurers to cover high-risk individuals and maintaining the commercial viability of HPS plans.</p> | |
| 014142 - 014750 | Mrs Regina IP Chairman Admin | <p>Mrs Regina IP's concern that the healthcare burden of the old-aged and the vulnerable groups would fall predominantly on the public sector upon the implementation of HPS.</p> <p>The Administration's advice that it was expected that HPS would relieve the pressure on the public healthcare system so that HA could better focus its resources on target service areas, including services for low-income families and under-privileged groups; acute and emergency care; and catastrophic and complex illnesses requiring high cost, advanced technology and multi-disciplinary team work.</p> <p>In response to Mrs Regina IP's enquiry about the overseas experience in promoting the take-up rate in voluntary PHI as a means of relieving the burden of the public sector, the Administration undertook to provide after the meeting information on Australia's experience in this regard.</p> | Admin |
| 014751 - 015348 | Mrs Regina IP Chairman Admin | In response to Mrs Regina IP's enquiry about the current term Government's stance on the policy of promoting the growth of medical services as | |

| Time marker | Speaker | Subject | Action Required |
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| | | adopted by the previous term Government, the Administration's advice that in the meantime, any effort to promote private healthcare development should focus on meeting the increased local demand for healthcare services. | |
| 015349 - 015635 | Chairman Admin | Citing the distribution of the surgeries for patients with colorectal cancer in public and private sectors as an example, the Chairman's remark that given the high fixed cost for the provision of public healthcare services, the introduction of HPS could not enhance the efficiency of the public healthcare system unless HA would reform its operation; and his suggestion that the Administration should devise a mechanism for assessing the effectiveness of HPS in relieving burden on the public healthcare system and reducing public health expenditure. | |
| 015636 - 020035 | Mr CHAN Han-pan Chairman Admin | Citing the risk selection problems in the existing markets of labour insurance, car insurance and third party risks insurance in relation to the common parts of buildings as examples, Mr CHAN Han-pan's concern about the feasibility of HPS; and whether the Administration would consider providing HPS if there was a lack of interest from private insurers to participate in HPS. The Administration's elaboration on how the various proposed consumer protection features and the design of HPS, including the setting up of HRP, could address the existing shortcomings of the PHI market. | |
| 020036 - 020135 | Chairman Admin | The Chairman's decision to extend the meeting for five minutes beyond its appointed time | |
| <i>Agenda item IV – Any other business</i> | | | |
| 020136 - 020209 | Chairman | Date of next meeting and item for discussion | |