

立法會
Legislative Council

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seen by the Administration)

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Panel on Health Services

Subcommittee on Health Protection Scheme

Minutes of the eighth meeting
held on Tuesday, 18 February 2014, at 2:30 pm
in Conference Room 2A of the Legislative Council Complex

- Members present** : Dr Hon LEUNG Ka-lau (Chairman)
Hon CHAN Kin-por, BBS, JP
Hon CHEUNG Kwok-che
Hon Charles Peter MOK
Hon CHAN Han-pan
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
- Member attending** : Hon WU Chi-wai, MH
- Members absent** : Hon Albert HO Chun-yan
Hon Vincent FANG Kang, SBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
- 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

Clerk in attendance : Ms Maisie LAM
Chief Council Secretary (2) 5

Staff in attendance : Ms Mina CHAN
Senior Council Secretary (2) 5

Ms Michelle LEE
Legislative Assistant (2) 5

Ms Louisa YU
Clerical Assistant (2) 5

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I. Matters arising from the meeting on 9 December 2013
[LC Paper Nos. CB(2)412/13-14(01) and (03), CB(2)855/13-14(01) and CB(2)930/13-14(01)]

The Subcommittee deliberated (index of proceeding attached at **Annex**).

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2. The Subcommittee requested the Administration to provide for reference of the Subcommittee the Powerpoint presentation materials it prepared for its discussion with the Hong Kong Federation of Insurers on 28 January 2014, and supplementary information on the following -

- (a) details, such as the survey method, population coverage, sample size, response rate, etc., of the Thematic Household Survey conducted by the Census and Statistics Department in 2011 on coverage of private health insurance;
- (b) the detailed actuarial models, methodology and data used, and the calculations for the estimated average premium per insured member under the Standard Plan of the Health Protection Scheme ("HPS"), which, according to the Consultant, was estimated to be \$3,600 in 2012 constant dollar and subject to a potential range of variation between -8% and +45%;
- (c) in respect of the estimated cost on the part of the Government for funding the operation of the High Risk Pool for a 25-year period (i.e. from 2016 to 2040),
 - (i) the detailed actuarial models, methodology, data and the calculations employed by the Consultant to arrive the estimation that the cost would be about \$4.3 billion in

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2012 constant dollar; and

- (ii) the respective adjustment in the estimated cost in paragraph (c)(i) above if the proposed entry age limit for guaranteed acceptance with a premium loading cap of 200% of standard premium for HPS Standard Plan, which was set at the age of 40 under the current proposal, was changed to 45, 50, 55, 60 and 65 years of age; and
- (d) whether consideration could be given to allowing insurers to offer individual-based indemnity hospital insurance plans with exclusion of specific pre-existing condition(s) to provide accessible and affordable health insurance cover to those high-risk individuals aged over 40 years who chose to subscribe health insurance after the first year of the launch of HPS.

II. Detailed proposal on the setting up of a dedicated regulatory agency for the Health Protection Scheme

[LC Paper No. CB(2)855/13-14(02)]

- 3. Mr CHAN Kin-por hoped that the proposed regulatory agency for HPS could serve its function of ensuring a smooth implementation and operation of HPS, and would not end up becoming a "white elephant".

III. Proposed design of the claims dispute resolution mechanism for the Health Protection Scheme

[LC Paper No. CB(2)855/13-14(03)]

- 4. Mr CHAN Kin-por considered that the proposed claims dispute resolution mechanism for HPS was only suitable for resolving disputes involving a larger amount of money. He suggested that the Administration should make good use of the existing Insurance Claims Complaints Bureau, which provided adjudication services for free and had all along been effective in dealing with claims disputes arising from individual insurance policies.

IV. Any other business

Healthcare manpower projection model

- 5. In response to the request for a demonstration on the calculation process

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of the healthcare manpower projection model developed by The University of Hong Kong ("HKU") to enable the Subcommittee to have a better understanding of the model, members were advised that the Administration considered it undesirable to do so for fear that the public might mistake the projection result derived from the demonstration for the actual projection. That said, the Administration would explore with HKU the feasibility of conducting trial-run for the model and revert to the Subcommittee as early as possible.

Timetable for public consultation

6. On the timetable for public consultation on the detailed proposals for implementing HPS, members noted that the Administration's latest plan was to consult the public on the proposals in mid-2014, probably in May or June 2014.

Continuation of the work of the Subcommittee

7. The Chairman advised that the House Committee ("HC") considered at its meeting on 15 November 2013 the proposal of the continuation of work of the Subcommittee in the 2013-2014 session upon expiry of the 12-month period of its work on 12 December 2013. Pursuant to the decision of HC, permission had been given to the Subcommittee to continue to operate for three more months in the first instance (i.e. until 12 March 2014). Since then the Subcommittee would be put on the waiting list for re-activation of work. If no new subcommittee on policy issues was set up in the interim and additional resources were available to the Secretariat with effect from 1 April 2014, the Subcommittee should be able to re-activate its work by then. Members noted the arrangement.

8. There being no other business, the meeting ended at 3:50 pm.

**Proceedings of the eighth meeting of the
Subcommittee on Health Protection Scheme
on Tuesday, 18 February 2014, at 2:30 pm
in Conference Room 2A of the Legislative Council Complex**

Time marker	Speaker	Subject	Action Required
<i>Agenda item I: Matters arising from the meeting on 9 December 2013</i>			
000345 - 000451	Chairman	Opening remarks	
000452 - 000716	Chairman Admin	Briefing by the Administration on its response to the issues raised at the meeting on 9 December 2013 and the key aspects of the Health Protection Scheme ("HPS") which were currently under discussion between the Administration and the insurance sector. [LC Paper No. CB(2)855/13-14(01)]	
000717 - 001156	Chairman Mr CHAN Kin-por Admin	<p>Mr CHAN Kin-por's concern about the sample size of the Thematic Household Survey ("THS") conducted by the Census and Statistics Department ("C&SD") in 2011 from which the Administration's figures on the proportion of persons covered by private health insurance ("PHI") who chose to use private healthcare services derived; and the Administration's advice that more than 10 000 households were enumerated in the said THS.</p> <p>The Administration was requested to provide the details, such as the survey method, population coverage, sample size, response rate, etc., of THS conducted by C&SD in 2011 on coverage of PHI.</p> <p>In response to the Chairman's enquiry, the Administration's clarification that the percentage cited in the description "among those who are covered by PHI, about 54% and 46% of their local admissions pertained to the public sector and private sector respectively" was referring to the number of admissions, instead of the number of respondents. There might be cases that the respondents concerned used both public and private hospital services.</p>	Admin
001157 - 001222	Chairman	Arrangement for members' speaking time	
001223 - 001602	Chairman Admin	<p>The Chairman's view that the proposal of including prescribed advanced diagnostic imaging tests as a separate benefit item subject to a fixed 30% co-insurance under the HPS Standard Plan was a step backward as compared to the arrangements of the majority of existing PHI products, as these tests were likely to be fully claimable under the benefit item of miscellaneous hospital expenses.</p> <p>The Administration's response that the existing</p>	

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		<p>arrangements would entail unnecessary hospitalization and the reimbursement might not be sufficient for covering the full cost of these tests; and the Chairman's remarks that the Administration should clearly explain in its final proposal on HPS how the proposal was better than the existing arrangements.</p>	
001603 - 003007	<p>Chairman Admin Mr CHAN Kin-por Dr KWOK Ka-ki</p>	<p>Mr CHAN Kin-por's remarks that the insurance sector was unable to verify the Consultant's estimation of the average standard premium per insured person under the HPS Standard Plan (i.e. \$3,600 in 2012 constant dollar), or to assure that the actual premiums to be offered by the insurers upon the launch of HPS would be of a similar amount; and his concern about the affordability of the estimated premium for members of the public, as the average standard premium was said to be subject to a potential range of variation between -8% and +45% (i.e. from \$3,370 to \$5,100).</p> <p>The Administration's response that -</p> <ul style="list-style-type: none"> (a) the estimation of the average standard premium of the HPS Standard Plan was derived through an actuarial pricing model developed by the Consultant based on an analysis of the existing local market data and overseas claims data where appropriate, having taken into account the enhanced benefits of the HPS Standard Plan. The estimated average standard premium of \$3,600 was on par with the premium of the existing PHI products targeting the general ward level; (b) it was understandable that it would be difficult for the insurance industry to come up with their figures concerning the average standard premium of the HPS Standard Plan, as the actual premiums offered by different insurers would vary by factors such as pricing strategy and risk profile of individual insurers; and (c) according to a survey conducted by the Consultant, about 70% of the respondents indicated their willingness to consider purchasing or migrating to the illustrative HPS Standard Plan. <p>At members' request, the Administration undertook to provide after the meeting -</p> <ul style="list-style-type: none"> (a) the Powerpoint presentation materials it prepared for its discussion with the Hong Kong Federation of Insurers on 28 January 2014; and (b) information on the detailed actuarial models, methodology and data used, and the calculations for the estimated average premium per insured member under HPS Standard Plan. 	<p>Admin</p>

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003008 - 003350	Chairman Admin	<p>The Administration's elaboration of its response in respect of the following issues as set out in LC Paper No. CB(2)855/13-14(01) -</p> <p>(a) the calculations of the standard premium for an individual classified under HPS's standard risk group and the premium for a high-risk individual whose premium loading was assessed to be 200% or more of the standard premium; and</p> <p>(b) how the provision of public funds to support the High Risk Pool ("HRP") under HPS could benefit the general public as a whole.</p>	
003351 - 004231	Chairman Admin Mr CHAN Kin-por	<p>The Chairman's query as to whether the imposition of an entry age limit of 40 for guaranteed acceptance under HPS starting from the second year onwards with a premium loading cap of 200% was proposed to reduce the public funding support required for operating HRP by containing the membership of HRP; and Mr CHAN Kin-por's view that consideration should be given to setting the entry age limit at an older age, say, 50 or 55 years old, so as to allow members of the public, particularly high-risk individuals, to subscribe HPS at times when they had greater affordability.</p> <p>The Administration's response that the proposed entry age limit of 40 was meant to encourage people to enroll when they were still young and healthy. With a higher entry age limit, more people would join HPS with their health condition already deteriorated after the first year, and more of them were expected to be transferred to HRP. Both the membership of HRP and the public funding support required were expected to be higher in the circumstances. It undertook to provide in writing information on -</p> <p>(a) the detailed actuarial models, methodology, data and the calculations employed by the Consultant to arrive the estimation that the cost on the part of the Government for funding the operation of HRP for a 25-year period (i.e. from 2016 to 2040) would be about \$4.3 billion in 2012 constant dollar; and</p> <p>(b) the respective adjustment in the estimated cost in paragraph (a) above if the proposed entry age limit for guaranteed acceptance with a premium loading cap of 200% of standard premium for HPS Standard Plan, which was set at the age of 40 under the current proposal, was changed to 45, 50 and 55 years of age.</p>	Admin
004232 - 004438	Chairman Admin Mr CHAN Kin-por	Mr CHAN Kin-por's view that having regard to the fact that the amount of commissions for intermediaries for existing individual-based indemnity hospital insurance policies in the market ranged from 20% to 30% of the	

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		<p>premium, the Consultant's assumed administrative cost for operating HRP (i.e. 12.5% of total claims cost) was far from adequate for covering the insurer expenses which included commissions, profit margins, direct expenses and indirect overhead expenses.</p>	
004439 - 005557	<p>Chairman Mr CHAN Kin-por Mr WU Chi-wai Admin</p>	<p>The Chairman and Mr CHAN Kin-por's concern that under the proposed entry age limit, those aged over 40 years who chose to subscribe to health insurance after the first year of the launch of HPS but were classified as high-risk individuals by insurers might be denied PHI coverage or being charged an exorbitant premium by insurers. This would induce more disputes from consumers, especially those in the older age groups, on what constitute high underwriting risks.</p> <p>Mr WU Chi-wai's concurrence with the view that the newly introduced proposal of imposing an entry age limit of 40 was to alleviate the public funding required to support the operation of HRP; and his view that this went against the objective of HPS to facilitate more people to take out PHI.</p> <p>The Administration's advice that -</p> <p>(a) its original proposal in the Healthcare Reform Second Stage Public Consultation was to provide guaranteed acceptance for people aged 65 or above to subscribe to HPS Standard Plan within the first year of introduction with no cap on premium loading. Having taking into account various factors including, among others, the viability of HRP and the policy intention of encouraging people to join the HPS when young and healthy, the proposal was refined to provide guaranteed acceptance with 200% premium loading cap for (i) people of all ages in the first year of implementation of HPS, and (ii) those aged 40 or below starting from the second year onwards. To facilitate members' consideration, it could provide in writing the estimated cost on the part of the Government for funding the operation of HRP for a 25-year period if the entry age limit was set at 65; and</p> <p>(b) given that all insurers would be required to provide the HPS Standard Plan as an option to consumers, it would not be in the interest of an insurer to mark up the premium loading rate due to price competition, given that consumers could compare offers from other insurers for coverage of the HPS Standard Plan.</p>	<p>Admin</p>
005558 - 010307	<p>Chairman Mr CHAN Kin-por Admin</p>	<p>Mr CHAN Kin-por's concern that the introduction of Minimum Requirements would affect the provision of PHI products with less benefit coverage but lower premium for consumers, particularly high-risk individuals.</p>	

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		The Chairman's suggestion regarding allowing insurers to offer individual-based indemnity hospital insurance plans with exclusion of specific pre-existing conditions to provide accessible and affordable health insurance coverage to those high-risk individuals aged over 40 years who chose to subscribe health insurance after the first year of the launch of HPS. The Administration agreed to provide a written response to this suggestion.	Admin
010308 - 010511	Mr CHAN Kin-por Admin Chairman	Mr CHAN Kin-por's expression of disagreement with the responses provided by the Administration on the main issues which were currently under discussion between the Administration and the insurance sector on HPS as set out in Annex B to LC Paper No. CB(2)855/13-14(01); and his advice that Hong Kong Federation of Insurers would provide a submission in this regard.	
<i>Agenda item II: Detailed proposal on the setting up of a dedicated regulatory agency for the Health Protection Scheme</i>			
010512 - 010821	Chairman Admin Mr CHAN Kin-por	Mr CHAN Kin-por's remarks that it was hoped that the proposed regulatory agency for HPS could serve its function of ensuring a smooth implementation and operation of HPS, and would not end up becoming a "white elephant". In response to the Chairman's enquiry about the timetable for public consultation on the detailed proposals for implementing HPS, the Administration's advice that its latest plan was to consult the public on the proposals in mid-2014, probably in May or June 2014. The Administration would then proceed with the setting up of the regulatory agency for HPS after a consensus was reached on the product design of and the regulatory framework for HPS.	
010822 - 011558	Chairman Admin Mr CHEUNG Kwok-che	The Chairman and Mr CHEUNG Kwok-che's view that the Administration should use some sample data to demonstrate the calculation process of the healthcare manpower projection model developed by The University of Hong Kong ("HKU") to enable the Subcommittee to have a better understanding of the model and provide feedback for consideration. The Administration's response that it was undesirable to do so as the projection result derived from the demonstration might be mistaken for the actual projection by the public. That said, the Administration would explore with HKU the feasibility of conducting trial-run for the model and revert to the Subcommittee as early as possible.	
011559 - 011709	Chairman	Continuation of the work of the Subcommittee	

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<i>Agenda item III: Proposed design of the claims dispute resolution mechanism for the Health Protection Scheme</i>			
011710 - 011910	Chairman Mr CHAN Kin-por Admin	<p>Mr CHAN Kin-por's view that the proposed claims dispute resolution mechanism for HPS was suitable for resolving disputes involving a larger amount of money; and his suggestion of making good use of the existing Insurance Claims Complaints Bureau, which provided adjudication services for free and had all along been effective in dealing with claims disputes arising from individual insurance policies.</p> <p>The Chairman's enquiry and the Administration's confirmation regarding that claims disputes between insurers and healthcare service providers under direct billing arrangement would not be covered under the proposed claims dispute resolution mechanism during the initial phase of implementation of HPS.</p>	
<i>Agenda item IV: Any other business</i>			
011911 - 011920	Chairman	Closing remarks	