

立法會
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Panel on Health Services

Subcommittee on Health Protection Scheme

Minutes of the tenth meeting

**held on Friday, 12 September 2014, from 3:00 pm to 4:30 pm
in Conference Room 3 of the Legislative Council Complex**

- Members present** : Dr Hon LEUNG Ka-lau (Chairman)
Hon Albert HO Chun-yan
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon CHAN Kin-por, BBS, JP
Hon CHEUNG Kwok-che
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
- Members absent** : Hon Vincent FANG Kang, SBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Han-pan, 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
- Dr CHOW Chi-kin
Research Assistant Professor, School of Public Health
The University of Hong Kong

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

Staff in attendance : Ms Janet SHUM
Senior Council Secretary (2) 5

Ms Louisa YU
Clerical Assistant (2) 5

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I. Matters arising from the meeting on 15 April 2014

[LC Paper Nos. CB(2)412/13-14(01) and (03), CB(2)1264/13-14(01), CB(2)1283/13-14(01), CB(2)2260/13-14(01) and (02)]

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

2. At the invitation of the Chairman, the Administration briefed the Subcommittee on its response to issues raised at the meeting on 15 April 2014 (LC Paper No. CB(2)2260/13-14(01)).

Admin 3. The Subcommittee requested the Administration to provide the following supplementary information -

(a) in respect of the average standard premium of the Standard Plan of the Health Protection Scheme ("HPS") which was estimated by the Consultant to be around \$3,600 in 2012 constant prices and subject to a potential range of variation between -8% and +45%,

(i) the whole set of assumptions and the actuarial model upon which the calculation for the estimated standard premium was based; and

(ii) information on the price impact brought about by each component of the proposed Minimum Requirements for the HPS Standard Plan, as provided in brief vide the Annex to LC Paper No. CB(2)412/13-14(01), on the estimated standard premium per insured member; and

(b) examples (with illustrative figures) to demonstrate the different impacts of covering pre-existing conditions on the actuarial analyses in the estimation of standard premium of the HPS Standard Plan and the cost of a member of the High Risk Pool ("HRP") as described

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under paragraphs 10 to 13 of LC Paper No. CB(2)2260/13-14(01). According to the Administration, the price impact on the former was +5%, whereas that on the latter was six times that of other standard-risk people under HPS; and

- (c) figures to explain the cost effectiveness of providing public funds to support HRP in order to enable the high-risk individuals to obtain health insurance coverage if they were willing and able to do so, instead of using the same amount of funds to subsidize these individuals to use the public healthcare services when needed.

4. Members noted that the Administration's latest plan was to put forth the detailed proposals for implementing HPS for public consultation by end of 2014, in parallel with the public consultation on the detailed proposals for introducing a new regulatory regime for private healthcare facilities.

II. Extension of period of work of the Subcommittee

[LC Paper No. CB(2)2260/13-14(02)]

5. Having regard to the outstanding matters which needed to be followed up by the Subcommittee and the Administration's latest plan on taking forward HPS, members agreed that subject to the endorsement of the Panel, the Subcommittee should seek the House Committee's approval for an extension of its work in the 2014-2015 legislative session (i.e. until 30 September 2015).

III. Any other business

Date of next meeting

6. The Chairman said that he would discuss with the Clerk and the Administration on the date of the next meeting and members would be informed of the details in due course.

**Proceedings of the tenth meeting of the
Subcommittee on Health Protection Scheme
on Friday, 12 September 2014, from 3:00 pm to 4:30 pm
in Conference Room 3 of the Legislative Council Complex**

Time marker	Speaker	Subject	Action Required
<i>Agenda item I: Matters arising from the meeting on 15 April 2014</i>			
000112 - 000212	Chairman	Opening remarks	
000213 - 000437	Chairman Admin	Briefing by the Administration on its response to issues relating to the proposed Health Protection Scheme ("HPS") raised by members at the meeting on 15 April 2014. [LC Paper No. CB(2)2260/13-14(01)]	
000438 - 000530	Chairman Mr CHAN Kin-por	Arrangement for members' speaking time	
000531 - 001545	Chairman Mr CHAN Kin-por	<p>Mr CHAN Kin-por's remarks on the response provided by the Administration in the Annex to LC Paper No. CB(2)2260/13-14(01) -</p> <p>(a) the insurance sector could not verify the accuracy of the findings of the Thematic Household Survey ("THS") conducted by the Census and Statistics Department ("C&SD") during October 2011 to January 2012 on the topic of coverage of private health insurance ("PHI") as provided by the Administration under paragraphs 1 to 5 of the Annex, as the territory-wide findings were derived from applying weighting adjustments to the data collected from 29 187 persons in the 10 065 enumerated households;</p> <p>(b) given that the aim of offering PHI products with less coverage and hence lower premium level was to suit the need and affordability of different customers, the explanation provided by the Administration under paragraph 5 of the Annex that inadequate benefit levels of PHI products was a reason attributing to the tendency of a considerable number of people covered by PHI to use public hospital services was considered unfair and far from comprehensive;</p> <p>(c) the insurance sector had reservation over the Consultant's estimation that the price impact of the component "coverage of pre-existing conditions" on the premiums to be paid by insured persons with standard-risk under HPS would only be 5% as set out in paragraphs 10 to 12 of the Annex. It urged the Administration to commission an independent actuarial consultant to verify the accuracy of the estimation; and</p> <p>(d) the Administration should use the up-to-date claim ratio, which stood at 69% in 2013 according to the Hong Kong Federation of Insurers statistics (and hence an expense loading ratio of 31%) for the whole private health</p>	

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		<p>insurance market, including individual and group markets, for calculating the price impact due to coverage of endoscopy (including colonoscopy) through packaged pricing in ambulatory setting as set out in paragraphs 14 to 17 of the Annex. According to the Administration, the Consultant had adopted the individual market's average expense loading ratio in 2011 (i.e. 43%, and hence a claim ratio of 57%) in the calculation.</p>	
001546 - 002000	Chairman Mr CHAN Kin-por	<p>Mr CHAN Kin-por's views on the Minimum Requirements for the HPS Standard Plan -</p> <p>(a) the insurance sector considered the estimation that the average standard premium per insured person under the HPS Standard Plan would be \$3,600 in 2012 constant prices (i.e. 9% higher than the average standard premium of existing individual-based ward-level indemnity hospital insurance products in the market which stood at \$3,300 in 2012) too optimistic. The Administration should make it clear to members of the public in the forthcoming consultation on HPS that the variation for the above estimation could be as high as +45% according to the Consultant. This apart, the premium loading for individuals with higher health risk could be up to a maximum of 200% of the standard premium charged by the insurer;</p> <p>(b) introducing the proposed Minimum Requirements for the HPS Standard Plan would lead to an increase in average standard premium due to enhanced benefits. The proposal however could not help containing medical inflation, which was a major factor driving Hong Kong's health expenditure to increase rapidly. With higher medical cost as a result, the reimbursement levels would get less unless there was corresponding upward adjustment in the level of premium; and</p> <p>(c) the Administration should allow co-existence of a regulated market segment under the aegis of HPS and an unregulated market segment to enable consumers to choose among a variety of products to suit their needs and affordability. A case in point was that those covered by employer-provided group-based indemnity hospital insurance products might wish to take up products with fewer benefits and correspondingly lower premium offered under the unregulated market segment.</p>	
002001 - 002155	Chairman Admin	<p>The Administration's response that THS findings were based on a scientifically selected sample of households. Weighting adjustments were applied to individual data records so that the findings would reflect the actual situation in Hong Kong as a whole. It was the ongoing practice of C&SD to release weighted statistics, instead of sample counts, to data users.</p>	
002156 - 002850	Chairman Admin Mr CHAN Kin-por	<p>The Chairman's remarks that the findings revealed by THS that "among those who are covered by PHI, about 54% and 46% of their local admissions pertained to the public sector</p>	

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		<p>and private sector respectively" could not serve as inferences of shortcomings of existing PHI products, as the relevant percentages were 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. Some insured who had already exhausted the benefit limits of their insurance might also resort to the public healthcare system for follow-up treatment.</p> <p>Mr CHAN Kin-por's reiteration of the insurance sector's view that the Administration should allow insurers to provide different grades of PHI products with diverse benefit limits and correspondingly different premium levels to suit the need and affordability of different consumers.</p>	
002851 - 004352	Chairman Mr CHAN Kin-por Admin	<p>The Administration's advice that -</p> <p>(a) the Minimum Requirements approach aimed to provide simplicity, clarity and certainty to consumers and help those who did not possess insurance professional knowledge to understand easily and clearly the minimum protection they would receive when taking out an indemnity hospital insurance product. These requirements, such as guaranteed renewal, coverage of hospitalization and ambulatory procedures, coverage of non-surgical cancer treatments and minimum benefit limits, were proposed to enhance the accessibility and quality of PHI;</p> <p>(b) insurers would remain free to adjust the age-banded premium schedules for the HPS Standard Plan they offered according to changes, if any, in medical cost. The estimated range of variation in indicative average standard premium of the Standard Plan was -8% and +45% to the main scenario of \$3,600 per annum (at 2012 constant prices). A key driver for the variation was how well HPS was able to contain moral hazards on the use of advanced diagnostic imaging tests, a component of the HPS Standard Plan. It was assumed that per-person usage of these tests would be consistent with the Organisation for Economic Co-operation and Development average. In the scenario with a premium variation of +45%, it was assumed that per-person usage of these tests would be on the high side as in the United States, which illustrated a scenario with ineffective control over abuse in usage. It was for this reason that a 30% co-insurance was proposed for the use of such services under HPS;</p> <p>(c) with the introduction of the proposed High Risk Pool ("HRP") mechanism for HPS, the +5% price impact of covering pre-existing conditions on the average standard premium of the HPS Standard Plan referred to that arising from the enrollment of those migrants with pre-existing conditions excluded in their existing insurance policies who opted to remove these case-based</p>	

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		<p>exclusions and the required increase in overall standard premium if all such migrants went for this option and the insurers chose to finance the extra claims cost through standard premium increase. As regards the price impact arising from the enrollment of those high-risk individuals having pre-existing conditions, who in most cases were currently uninsured, their Standard Plan policies would be transferred to HRP if their premium loading was assessed to equal or exceed 200% of standard premium. Given that the claims cost of the HRP members would be financed within HRP which would be a separate risk pool from the generic one of which the standard premium would be determined, the standard premium of the HPS Standard Plan would be unaffected; and</p> <p>(d) the Administration would consider to adjust the price impact due to coverage of endoscopy (including colonoscopy) through packaged pricing in ambulatory setting when the latest expense loading ratio of the individual health insurance market was made available from the Office of the Commissioner of Insurance.</p>	
004353 - 005038	Chairman Mr CHAN Kin-por Admin	Mr CHAN Kin-por's disagreement with the Administration's view that the factor of moral hazard in the use of diagnostic imaging tests alone would lead to a premium variation of up to +45%; and his reiteration of the insurance sector's views on the Minimum Requirements approach and the need for the Administration to commission an actuarial consultant to verify the accuracy of the Consultant's estimation on the price impact of the component "coverage of pre-existing conditions" on the premiums to be paid by insured persons with standard-risk.	
005039 - 010419	Chairman Admin	<p>At the request of the Chairman and Mr CHAN Kin-por, the Administration agreed to provide the following information -</p> <p>(a) in respect of the estimated average standard premium of the HPS Standard Plan, (i) the whole set of assumptions and the actuarial model upon which the calculation was based; and (ii) information on the price impact brought about by each component of the proposed Minimum Requirements for the HPS Standard Plan on the estimated average standard premium per insured member; and</p> <p>(b) examples (with illustrative figures) to demonstrate the different impacts of covering pre-existing conditions on the actuarial analyses in the estimation of average standard premium of the HPS Standard Plan and the cost of a member of HRP.</p> <p>The Administration and Mr CHAN Kin-por's reiteration of their respective stance on the Minimum Requirements approach for the HPS Standard Plan; and the Administration's advice that international experience revealed that a set of basic requirements for PHI products had also been prescribed by the</p>	Admin

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		<p>governments in some countries with a significant PHI market.</p> <p>The Chairman's remarks that the information to be provided by the Administration on item (a)(ii) above could help members to consider whether certain components should be included in the Minimum Requirements having regard to their significance in terms of price impact on the estimated average standard premium per insured member.</p>	
010420 - 011459	Chairman Admin The University of Hong Kong	<p>The Chairman's enquiry about the algorithm in place for the Administration or the Hospital Authority ("HA") to respond in the process of healthcare manpower planning if there was a downward adjustment in the Government subvention to HA during economic downturn, and hence, a decrease in HA's budget for the recruitment of new resident trainees. In his view, HA should put in place a mechanism to provide flexibility for it to contract out some of its healthcare services or recruit doctors in the private sector to work part-time when it faced medical manpower constraints.</p> <p>The Administration's response that -</p> <p>(a) the generic forecasting model for projecting healthcare manpower in Hong Kong ("the generic model") developed by The University of Hong Kong would shed light on the manpower requirements and the need to maintain a stable supply of medical graduates to HA notwithstanding economic cycles. This would avoid over-reaction during economic downturn which might prove short-sighted at a later day; and</p> <p>(b) a number of initiatives to deliver healthcare services through public-private partnership under the twin-track healthcare system were underway. A case in point was the general outpatient public-private- partnership project of HA.</p> <p>In response to the Chairman, HKU's confirmation that the generic model and the medical manpower projection so derived would take into account the distribution of medical manpower resource between the public and private sector, as well as the elasticity of medical manpower supply in the private market if needed be.</p>	
<i>Agenda item II: Extension of period of work of the Subcommittee</i>			
011500 - 011849	Chairman Admin Mr CHAN Kin-por	<p>Members agreed on the proposed extension of the period of work of the Subcommittee until 30 September 2015 subject to the endorsement of the Panel on Health Services and approval of the House Committee.</p> <p>In response to Mr CHAN Kin-por, the Administration advised that it planned to put forth the proposals for implementing HPS for public consultation by end of 2014, in parallel with the public consultation on the proposals for introducing a new regulatory regime for private healthcare facilities. The Administration would brief members on the HPS proposals</p>	

Time marker	Speaker	Subject	Action Required
		upon the launch of the public consultation.	
011850 - 013409	Dr KWOK Ka-ki Chairman Admin	<p>Dr KWOK Ka-ki's enquiry about the large range of variation (i.e. -8% to +45%) in indicative average standard premium of the HPS Standard Plan (at \$3,600 per annum at 2012 constant prices as the main case), the measures in place to contain the rise in standard premium due to medical inflation, and how the introduction of HPS could address rise in medical cost arising from advances in medical technology and medication; and his view that the public funding proposed for supporting the implementation of HPS (including the financial support for operating HRP to ensure its sustainability and tax deduction for premiums paid for PHI products that complied with the Minimum Requirements) should instead be used to improve the public healthcare system.</p> <p>The Administration's reiteration of its explanations on the range of variation in indicative average standard premium of the HPS Standard Plan; and its advice that -</p> <ul style="list-style-type: none"> (a) while insurers would remain free to adjust the premium schedules for the HPS Standard Plans they offered, the proposed Minimum Requirements for the Standard Plan would enhance the quality of insurance protection and promote transparency and certainty; (b) tax deduction for PHI premium was suggested by members of the public during the Healthcare Reform Second Stage public consultation as a better form of financial incentives under HPS, as the original proposal of direct premium subsidy or discount would provide an incentive for some insurers to mark up the premiums of the HPS Standard Plans; and (c) the setting up of a HRP under HPS could facilitate individuals with pre-existing conditions or higher health risks to take out PHI and use private healthcare services if they were able and willing to do so. It was considered equitable to provide public funding support to enable these high-risk individuals who were willing to contribute to their own healthcare costs through paying premium to obtain health insurance coverage. Without HRP, most of them would likely fall back on the public system, which was heavily subsidized by the Government. <p>At the request of the Chairman, the Administration agreed to provide after the meeting figures to explain the cost effectiveness of providing public funds to support HRP in order to enable the high-risk individuals to obtain health insurance coverage if they were willing and able to do so, instead of using the same amount of funds to subsidize these individuals to use the public healthcare services when needed.</p>	Admin

Time marker	Speaker	Subject	Action Required
<i>Agenda item III: Any other business</i>			
013410 - 013426	Chairman	Date of next meeting to be scheduled	

Council Business Division 2
Legislative Council Secretariat
9 December 2014