

**For information**

**Legislative Council Panel on Health Services  
Subcommittee on Health Protection Scheme**

**Latest Progress on the Voluntary Health Insurance Scheme**

**PURPOSE**

This paper briefs Members on the latest progress in taking forward the Voluntary Health Insurance Scheme (VHIS).

**THE PUBLIC CONSULTATION**

2. The Government launched a public consultation on the VHIS (previously named Health Protection Scheme) from 15 December 2014 to 16 April 2015. The VHIS aims to enhance the accessibility, quality and transparency of individual indemnity hospital insurance (Hospital Insurance) products in the market. By encouraging those who are able and willing to make use of private healthcare services, the VHIS would help alleviate pressure on the public healthcare system and contribute to enhancing the long-term sustainability of the healthcare system as a whole.

3. More specifically, we consulted the public on the following key proposals –

- (a) introducing a regulatory regime for individual Hospital Insurance so that such products must comply with the prescribed Minimum Requirements;
- (b) the 12 Minimum Requirements for improving the accessibility, continuity, quality and transparency of individual Hospital Insurance;
- (c) the arrangements of Conversion Option and Voluntary Supplement(s) for group Hospital Insurance;
- (d) setting up a High Risk Pool, which is the key enabler of guaranteed acceptance with premium loading cap, with Government financial

support;

- (e) providing tax deduction for premiums paid for individual Hospital Insurance policies that comply with the Minimum Requirements;
- (f) the migration arrangements for policyholders of existing individual Hospital Insurance policies who wish to migrate to VHIS policies; and the grandfathering arrangements for existing policies that do not comply with the Minimum Requirements; and
- (g) establishing a regulatory agency under the Food and Health Bureau (FHB) to supervise the implementation and operation of the VHIS; and a claims dispute resolution mechanism for resolving claims disputes under the VHIS.

4. During the consultation period, we attended the meeting of the Panel on Health Services of the Legislative Council on 15 December 2014 and its special meeting on 13 January 2015 to brief Members on the consultation document. We also listened to the views of deputations at the meeting of the Subcommittee on Health Protection Scheme of the Panel on Health Services on 6 February 2015. We have attended other 70 briefing sessions to introduce the VHIS proposals, including District Council meetings, community forums organised by FHB, as well as briefings and seminars organised by various political parties, the insurance sector, the healthcare service sector, professional bodies, labour unions, chambers of commerce, trade associations, social welfare organisations, district organisations and community groups.

5. We received a total of 600 written submissions from the public, including 122 submissions from organisations and 478 submissions from individuals.

## **VIEWS RECEIVED FROM THE COMMUNITY AND THE INSURANCE SECTOR**

6. In general, there was broad support for the concept and policy objectives of VHIS. Many considered it a positive first step towards redressing the balance of the public-private healthcare sectors and enhancing the long-term sustainability of the healthcare system. There was also a general consensus from the community on introducing a regulatory regime for individual Hospital Insurance. Many concurred that strengthened regulation

and the proposed Minimum Requirements will enhance the accessibility, quality and transparency of individual Hospital Insurance, and foster consumer confidence in using private healthcare services. The public also provided comments on specific proposals of the VHIS, including, among others, details of the 12 Minimum Requirements, the proposed High Risk Pool, premium levels of VHIS products, or the capacity of the private healthcare sector in support of the implementation of the VHIS. We will give a detailed account of the public views received during the consultation period in the consultation report.

7. With regard to views received from the insurance sector, the industry in general supported the policy objectives of the VHIS to provide enhanced health insurance protection for consumers. In respect of the Minimum Requirements proposed, the industry appreciated the rationales and intentions for proposing the 12 Minimum Requirements. There was general agreement within the industry over the desirability and necessity of the Minimum Requirements concerning guaranteed renewal without re-underwriting; no “lifetime benefit limit”; guaranteed acceptance for Standard Plan with premium loading capped at 200% of standard premium; coverage of prescribed ambulatory procedures; coverage of prescribed advanced diagnostic imaging tests and non-surgical cancer treatments; budget certainty; standardised policy terms and conditions; and premium transparency. On the other hand, further discussion with the insurance industry is required in respect of some of the Minimum Requirements which the industry considers might pose operational or technical challenges in implementation. Among other things, the industry has expressed concerns over the coverage of pre-existing conditions without an option for exclusion at a lower premium outside Standard Plan; whether the minimum benefit limits could be flexibly designed for plans sold as a supplement to those with group coverage; to what extent the portability arrangement could be refined to minimize unintended consequences on the industry as a whole; how cost-sharing restrictions could be devised to better facilitate product innovation and diversity; whether more flexibility could be allowed in the implementation of the “no-gap/known-gap” arrangement; and whether high-end products could be subject to a less stringent set of requirements because of their unique features and its nature as a niche product with no appeal to the mass market.

## **LATEST DEVELOPMENTS AND WAY FORWARD**

8. Insofar as the insurance industry is concerned, over the past few months, we have been in discussion with the insurance industry through the Hong Kong Federation of Insurers (HKFI) on the above outstanding issues.

We have maintained a regular dialogue with members of the Task Force on Health Care Reform of the HKFI, with the aim of working out a sensible, practicable and viable proposal on the basis of the 12 Minimum Requirements that aligns with the objectives of the VHIS, meets the needs of the community and at the same time addresses the valid and legitimate concerns of the insurance industry. We aim to conclude the discussion with various stakeholders on how best to take forward the VHIS and propose a way forward and report back to the Panel/Subcommittee by end 2015/early 2016.

### **ADVICE SOUGHT**

9. Members are invited to note the contents of the paper.

**Food and Health Bureau  
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