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Panel on Health Services

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 21 November 2016**

Price transparency of private hospitals

Purpose

This paper provides background information and summarizes the concerns of members of the Panel on Health Services ("the Panel") on price transparency of private hospitals.

Background

2. Private hospitals are subject to regulation by the Department of Health ("DH") under the Hospital, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165) ("the Ordinance") on matters of accommodation, staffing and equipment. This apart, DH has formulated a Code of Practice for Private Hospitals, Nursing Homes and Maternity Homes ("the Code") to set out the standards of good practices for private hospitals to adopt. Compliance with the Code is a condition for the registration and re-registration of private hospitals.

3. At present, there are 11 institutions registered as private hospitals. They are providing around 10% of inpatient services (in terms of number of bed days). Private hospitals are required under the Code to, among others, have a schedule of charges with respect to room charges, investigative and treatment procedures, medical supplies, medicines and any charges that will be levied. The schedule of charges should be available for reference of patients at the admission office, cashier and wherever appropriate. Private hospitals should update the schedule should there be any changes in charges.

4. In many cases, private hospitals charge their patients on an item-by-item basis according to the range of services provided during hospitalization, such as doctor's fees, room and board, investigation, treatment procedures and drugs. The price scale may vary with the level of accommodation. In addition, the level of charges and the definition and classification of items may vary across different private hospitals. Private hospitals also offer certain services at packaged pricing. Packages usually refer to a procedure and its related care, or the care for a health condition which comprise more than one service element. Examples include maternity packages, surgical operation packages and health check packages. Both the level of price and the items covered by the package of a certain service could vary among private hospitals.

Deliberations of the Panel

5. The Panel discussed the issue of price transparency of private hospitals in the context of discussing the regulation of private hospitals and the Consultation Document on Regulation of Private Healthcare Facilities ("the Consultation Document"), and received views from deputations on the Consultation Document at one meeting. The deliberations and concerns of members are summarized in the following paragraphs.

6. Members expressed grave concern about the high level of charges of private hospitals. There was a suggestion that consideration could be given to requiring private hospitals operating on lands granted at nil or nominal premium to introduce separate pricing for Hong Kong residents and non-Hong Kong residents. Some members were of the view that the listing out of the charges for individual service items by private hospitals could not provide certainty and predictability in terms of the medical costs to be borne by patients, as the need to utilize the services, and thereby the actual charges, depended on the outcomes of consultation and investigation. They considered that the Administration should encourage doctors to reach an understanding with individual patients on the medical costs involved before the performance of treatments or procedures. There was a view that the Administration should set up an independent mechanism for handling medical disputes over the excessive service charges of doctors.

7. Members noted from the Consultation Document, which was issued by the Administration on 15 December 2014, that private hospitals were required under the proposed new regulatory regime for private healthcare facilities to enhance their price transparency by (a) making the fee schedules covering all chargeable items publicly available; (b) ensuring that patients were provided with the estimated total charges for the whole course of investigative procedures

or elective, non-emergency therapeutic operations or procedures for known diseases on or before admission; (c) voluntarily providing recognized service packages which were identically and clearly defined standard services provided at packaged charge; and (d) publishing key historical statistics on their actual bill sizes for common treatments or procedures as prescribed by the regulatory authority. According to the consultation report published in April 2016, there was a strong public support for the proposed requirements on price transparency of private hospitals.

8. Members in general expressed support to the proposed requirements to enhance price transparency of private hospitals as put forth in the Consultation Document so as to enable prospective patients to be better informed. However, there was a concern that there was no mechanism to regulate the price setting of private hospitals. The charges of private hospitals might still be set at a high level given the limited supply of private hospital beds and the current medical manpower constraint. In addition, there might be a rise in medical cost following the introduction of the proposed Voluntary Health Insurance Scheme ("VHIS") which aimed at enhancing the accessibility, quality and transparency of health insurance products and encouraging a greater use of private healthcare services. There were suggestions that the Administration should require new private hospitals to provide a certain percentage of general wards to ensure that most of their services were affordable to the general public. The development of more non-profit making private hospitals, such as the Chinese University of Hong Kong Medical Centre, could also provide the public with more choices of high quality private hospital services.

9. According to the Administration, there would be no direct regulation of price setting for hospital services. However, it was expected that the expansion or redevelopment projects of existing private hospitals as well as the development of new private hospitals would enhance the private hospital capacity by about 40% in 2020 to cope with the increasing demand for private hospital services, including those arising from the introduction of the proposed VHIS. The enhancement in private hospital capacity, together with the proposed regulatory requirements on price transparency would help promote market competition and contain medical cost. The plan of the Administration was to introduce the relevant bill to regulate private healthcare facilities (including private hospitals) to the Legislative Council in the 2016-2017 session. It should also be noted that for the newly developed Gleneagles Hong Kong Hospital and the Chinese University of Hong Kong Medical Centre, they were respectively required to ensure that a prescribed percentage of the inpatient bed days taken up in the hospital in a year were for services provided through standard beds at packaged charges. This apart, the review being conducted by the Steering Committee on Manpower Planning and Professional Development

would shed light on ways to ensure an adequate supply of healthcare professionals for meeting future healthcare needs.

Recent developments

10. On 1 October 2016, the Administration launched a pilot programme for price transparency for private hospitals. Under the pilot programme, all the 11 private hospitals will implement the following price transparency measures on a voluntary basis:

- (a) hospitals and doctors will provide budget estimates for patients receiving 24 non-emergency operations or procedures (such as thyroidectomy, colonoscopy, LASIK, knee arthroscopy) at the hospitals, as a reference for the overall costs involved;
- (b) publicize the fee schedules for major chargeable items (such as operating theatre charges and charges for common nursing procedures) on the hospitals' websites; and
- (c) publicize historical cost statistics for common treatments or procedures (such as vaginal delivery and caesarean section) on the hospitals' websites.

11. The transcript of remarks made by the Secretary for Food and Health at a media session after meeting representatives of the Hong Kong Private Hospitals Association on 29 September 2016 on the pilot programme is in **Appendix I**.

12. The Administration will brief the Panel on the pilot programme at the meeting on 21 November 2016.

Relevant papers

13. A list of the relevant papers on the Legislative Council website is in **Appendix II**.

Press Releases 29 September 2016

SFH on pilot programme for price transparency for private hospitals

Following is the transcript of remarks made by the Secretary for Food and Health, Dr Ko Wing-man, after meeting representatives of the Hong Kong Private Hospitals Association (HKPHA) on pilot programme for price transparency for private hospital today (September 29):

Secretary for Food and Health: The Government together with the HKPHA will roll out a pilot programme for price transparency for private hospitals on October 1. The pilot programme enables patients to obtain more comprehensive information on hospital fees, which will assist them to make informed choices and financial preparation when using private medical services. Under the pilot programme, members of the HKPHA, including all the 11 private hospitals in Hong Kong, will try out the three different aspects of price transparency measures on a voluntary basis. We hope that private hospitals will acquire relevant experience by trying out and implementing the measures to enhance price transparency under the pilot programme. On the other hand, the Government will continue to engage stakeholders and consider incorporating these measures into the new legislation for regulating private healthcare facilities.

Reporter: As the estimates are not legally binding, can the patients complain against them?

Secretary for Food and Health: Despite it is not being a legally binding so-called quotation, it will benefit the patients a lot. Before admitting to hospitals, they are able to know the range of fee they have to pay after the procedures.

Reporter: Can the patients complain if they find the estimates are inaccurate?

Secretary for Food and Health: Certainly, patients always have the right to complain against different aspects of service they received in private hospitals. If they feel that the service is not up to their satisfaction, they can always lodge their complaints. I truly believe that our doctors as well as hospital administration will try their best to address these complaints. Of course, communication is important before the patient is being admitted to the hospital, or certain treatment or procedures are being carried out. If there is better communication, I would believe that the number of complaints would be minimised.

(Please also refer to the Chinese portion of the transcript.)

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Appendix II

Relevant papers on price transparency of private hospitals

Committee	Date of meeting	Paper
Panel on Health Services	12.12.2011 (Item VI)	Agenda Minutes CB(2)1027/11-12(01)
	21.7.2014 (Item II)	Agenda Minutes
	13.1.2015 (Item I)	Agenda Minutes
	17.2.2015 (Item I)	Agenda Minutes
	21.12.2015 (Item III)	Agenda Minutes
	18.4.2016 (Item V)	Agenda Minutes

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