

Your Health Your Life
Public Consultation on Healthcare Reform

掌握健康
掌握人生

醫療改革公眾諮詢



Luncheon Briefing to HK Women
Professionals and Entrepreneurs
Association
16 April 2008



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Problems in the Existing Healthcare System

- (1) Primary healthcare service not comprehensive enough
- (2) Bottlenecks exist in public healthcare service and long waiting time
- (3) Public-private imbalance in healthcare system and limited choices for patients
- (4) Insufficient protection provided under the current public healthcare safety net
- (5) Lack of sharing of medical records between doctors in public and private hospitals

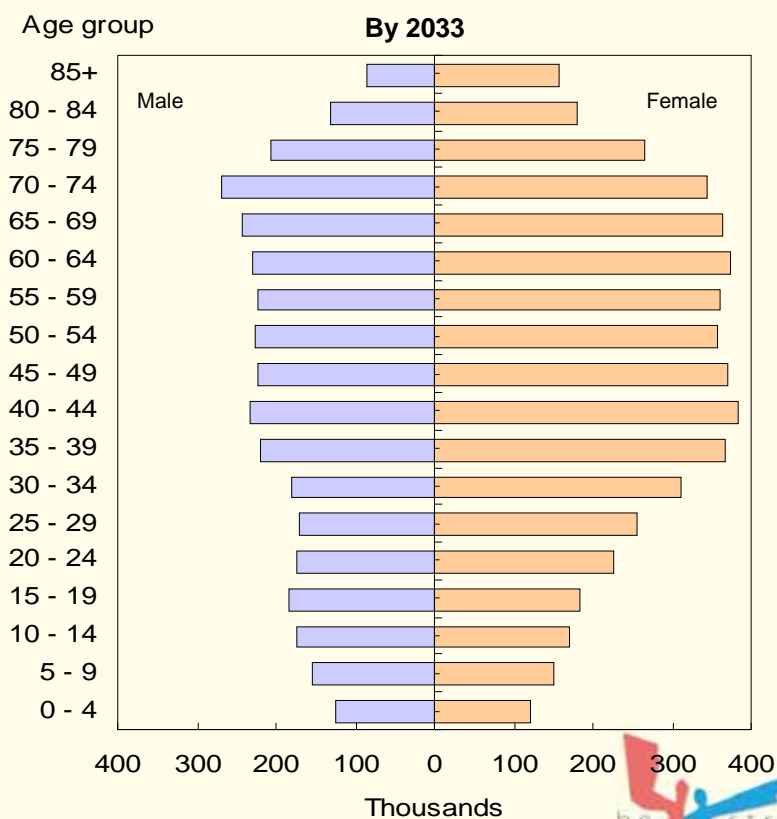
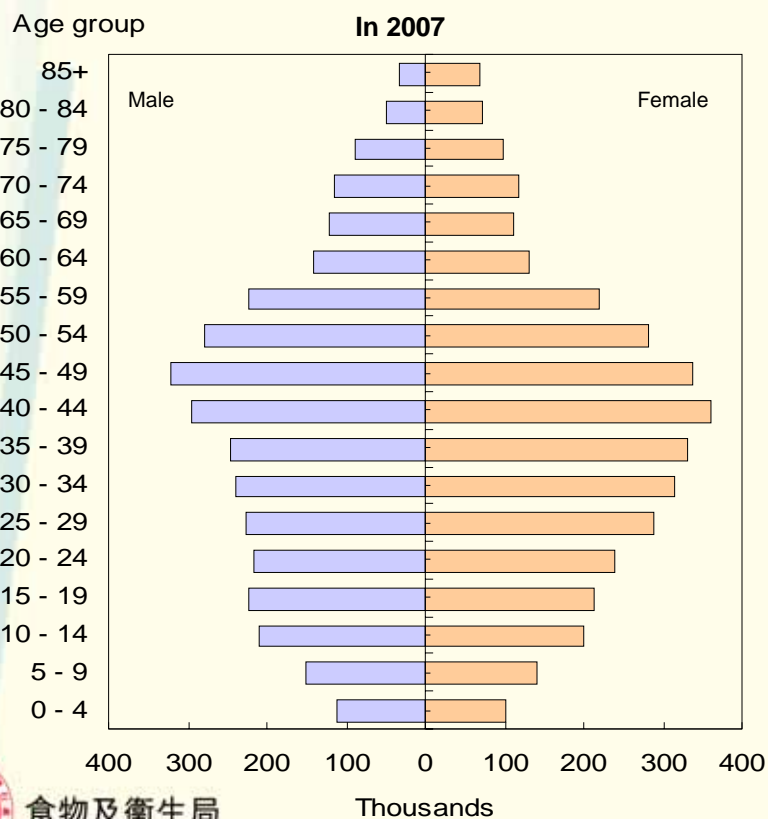


Severe Challenges Faced by our Healthcare System

(1) Rapidly Ageing Population

In 2007 – 1 out of 8 persons was an elderly person.

By 2033 – 1 out of 4 persons will be an elderly person.



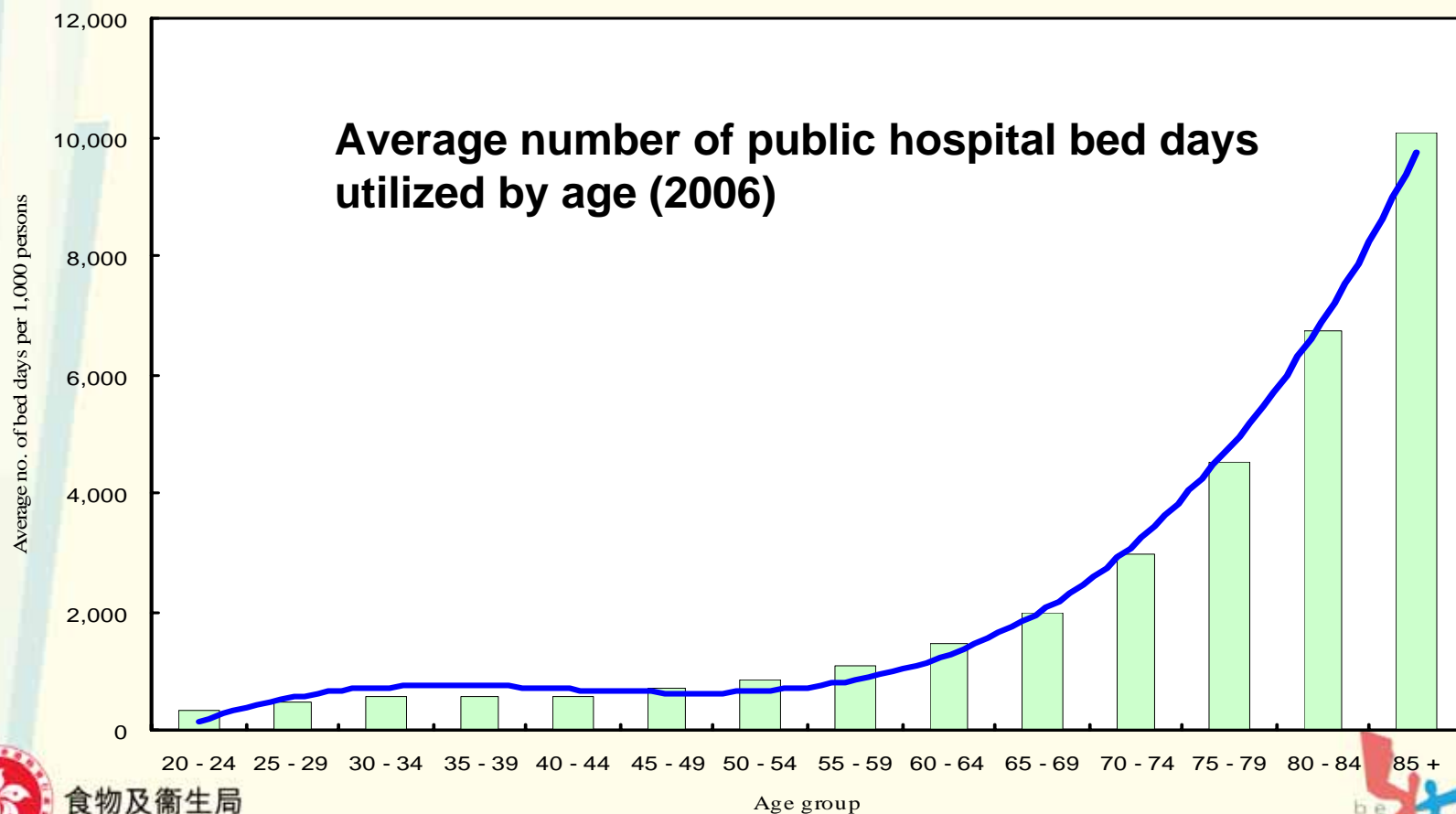
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Severe Challenges Faced by Our Healthcare System

The elderly population has greater healthcare needs

The elderly population uses on average six times more in-patient care than the population aged below 65.



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Severe Challenges Faced by Our Healthcare System

(2) Rising Medical Costs

Advances in medical technology, rising costs, growing public expectations

Our per capita health expenditure in 2033 will nearly quadruple the amount in 2004 when our per capita GDP will slightly more than double during the same period.



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Severe Challenges Faced by Our Healthcare System

If existing financing arrangements remain unchanged:

- health expenditure will keep increasing at a faster rate than the economy**

2004 :	Total health expenditure is 5.3% of GDP Public health expenditure is 2.9% of GDP
2033 :	Total health expenditure is 9.2% of GDP Public health expenditure is 5.5% of GDP



Healthcare Reform Proposals

- Enhance primary care
- Promote public-private partnership in healthcare
- Develop electronic health record sharing
- Strengthen public healthcare safety net
- Reform healthcare financing arrangements



Healthcare Reform Proposals

Three basic principles of the reform

- (1) The Government will maintain its long-established public healthcare policy that no one should be denied adequate healthcare through lack of means.



Healthcare Reform Proposals

Three basic principles of the reform

- (2) It is squarely the responsibility for the Government to maintain its care for the healthcare needs of low-income families and the under-privileged groups.



Healthcare Reform Proposals

Three basic principles of the reform

(3) The public healthcare system will continue to provide a healthcare safety net for whole population, including those who are more able to afford healthcare. Upon the implementation of the healthcare reform, all members of the public can continue to enjoy public healthcare services without compromising their existing protection.



(1)Enhance Primary care

To put greater emphasis on preventive care, promote healthy lifestyle, improve the state of health of people, reduce the need for hospital care.

Develop basic models for primary care services

Establish a family doctor register

Subsidize individuals for preventive care

Improve public primary care

Strengthen the function of the Department of Health in health education



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(2)Promote Public-Private Partnership in Healthcare

Provide the public with more choices of quality healthcare services and promote healthy competition and collaboration among the public and private sectors

Purchase primary care from the private market

Subsidize individuals to undertake preventive care in the private sector

Purchase hospital services from the private market

Pursue hospital development under the PPP model

Set up multi-partite medical centres of excellence

Engage private sector doctors to practise in public hospitals on a part-time basis



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(3) Develop Electronic Health Record Sharing

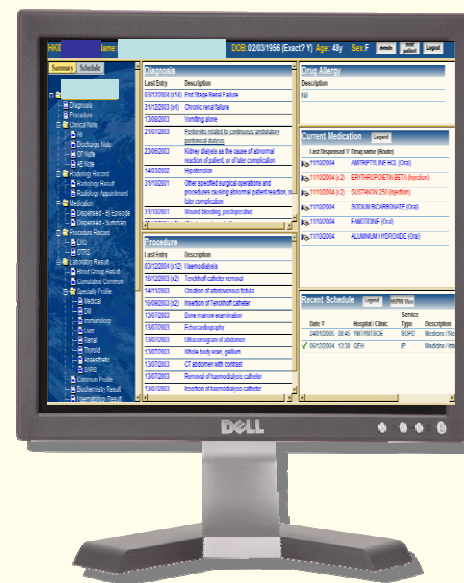
As an infrastructure, electronic health record sharing can effectively enhance continuity of care, facilitate better integration of different healthcare services, and minimise duplicate investigations

Fund the development of the sharing infrastructure

Make available the know-how in the private sector

Consider provision of financial assistance

Promote the benefits of health record sharing to patients and healthcare professionals



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(4) Strengthen Public Healthcare Safety Net

To provide better healthcare protection for patients who need to use public healthcare services

Reduce waiting time of public hospital services

Improve the coverage of standard public services

Explore the idea of a personal limit on medical expenses

Inject funding into the Samaritan Fund



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(5) Reform Healthcare Financing Arrangements

- **The Government's commitment to healthcare will only be increased and not reduced**
- **Government funding will definitely continue to be the main financing source of the healthcare system**



Pledge:

To increase funding for medical and health services. By 2011-12, the share of funding for healthcare in recurrent government expenditure will be increased to 17%.



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(5) Reform Healthcare Financing Arrangements

- **Introduction of supplementary financing arrangements for healthcare**
- **The Government's commitment to share the responsibility for healthcare financing together with the community**



Pledge:

To draw \$50 billion from the fiscal reserves for taking forward the healthcare reform after the supplementary financing arrangements have been finalized for implementation. This money can be used to provide each participant in a contributory supplementary financing scheme with individual start-up capital.



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Reform Healthcare Financing Arrangements

Pros and Cons of Different Supplementary Financing Options



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Supplementary Financing Option (1) : Social Health Insurance

- Contribution from working population
- Contribution of a certain percentage of income
- Tax-like model
- All the contributions are paid into a social health insurance fund to provide subsidies to the whole population for healthcare services
- Cover the use of public/private services



Supplementary Financing Option (1) : Social Health Insurance

Advantages

- Provides every member of the public with access to the same standard healthcare services
- Provides a stable financing source for the healthcare system
- Limited choice of services from both the public and private sectors



Supplementary Financing Option (1) : Social Health Insurance

Disadvantages

- A hypothecated tax imposing a heavier burden on the working population
- Increasing burden on future generations as the working population shrinks
- Rising contribution rate due to ageing population and increased utilization of healthcare services
- May result in overuse due to high rate of subsidization



Supplementary Financing Option (2) : Out-of-Pocket Payments

- Increases the fees for healthcare services and users have to pay the fees out of their own pockets
- The elderly and chronic patients will be substantially affected



Supplementary Financing Option (2) : Out-of-Pocket Payments

Advantages

- Encourages judicious and appropriate use of healthcare services
- Instils a sense of responsibility for one's own health



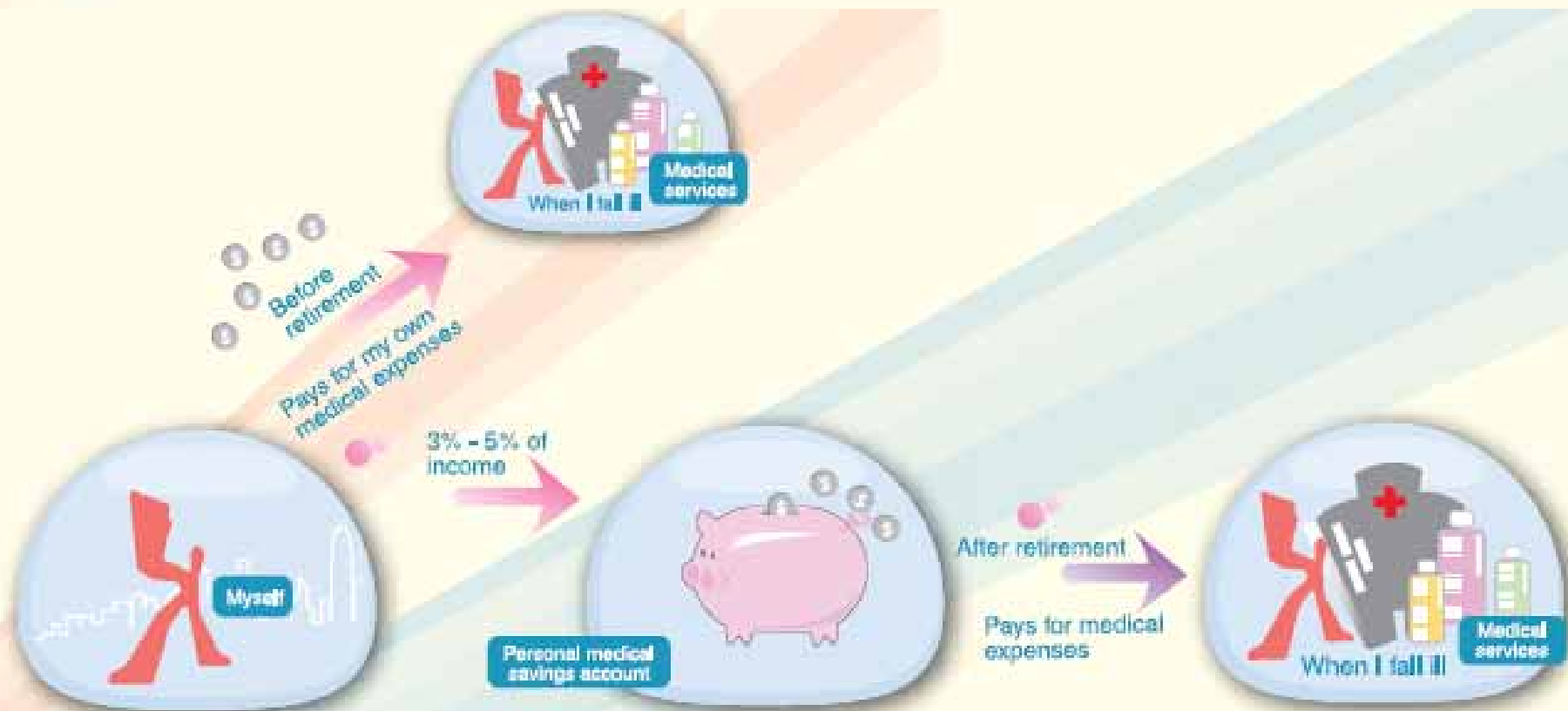
Supplementary Financing Option (2) : Out-of-Pocket Payments

Disadvantages

- Medical fees may be unaffordable for those with income level just slightly above the safety net level
- More cases requiring financial assistance under the safety net, more administration costs and less financing from fees
- Can provide only limited additional resources



Supplementary Financing Option (3): Medical Savings



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Supplementary Financing Option (3): Medical Savings

- Requires a specific group of working population (e.g. those with income above a certain level) to save up a certain percentage of their income to meet their healthcare expenses after retirement/a certain age.
- Savings can be used for:
 - ▶ investments to yield returns
 - ▶ public/private services
- Those without savings or having exhausted their savings will continue to be served by subsidized public healthcare services
- If an account holder passes away, the savings in his/her account, if any, will go to his/her estate



Supplementary Financing Option (3): Medical Savings

Advantages

- Helps to meet one's future personal healthcare expenses to a certain extent and reduces the financial burden on future generations
- Encourages judicious and appropriate use of healthcare services
- Instils a sense of responsibility for one's own health



Supplementary Financing Option (3): Medical Savings

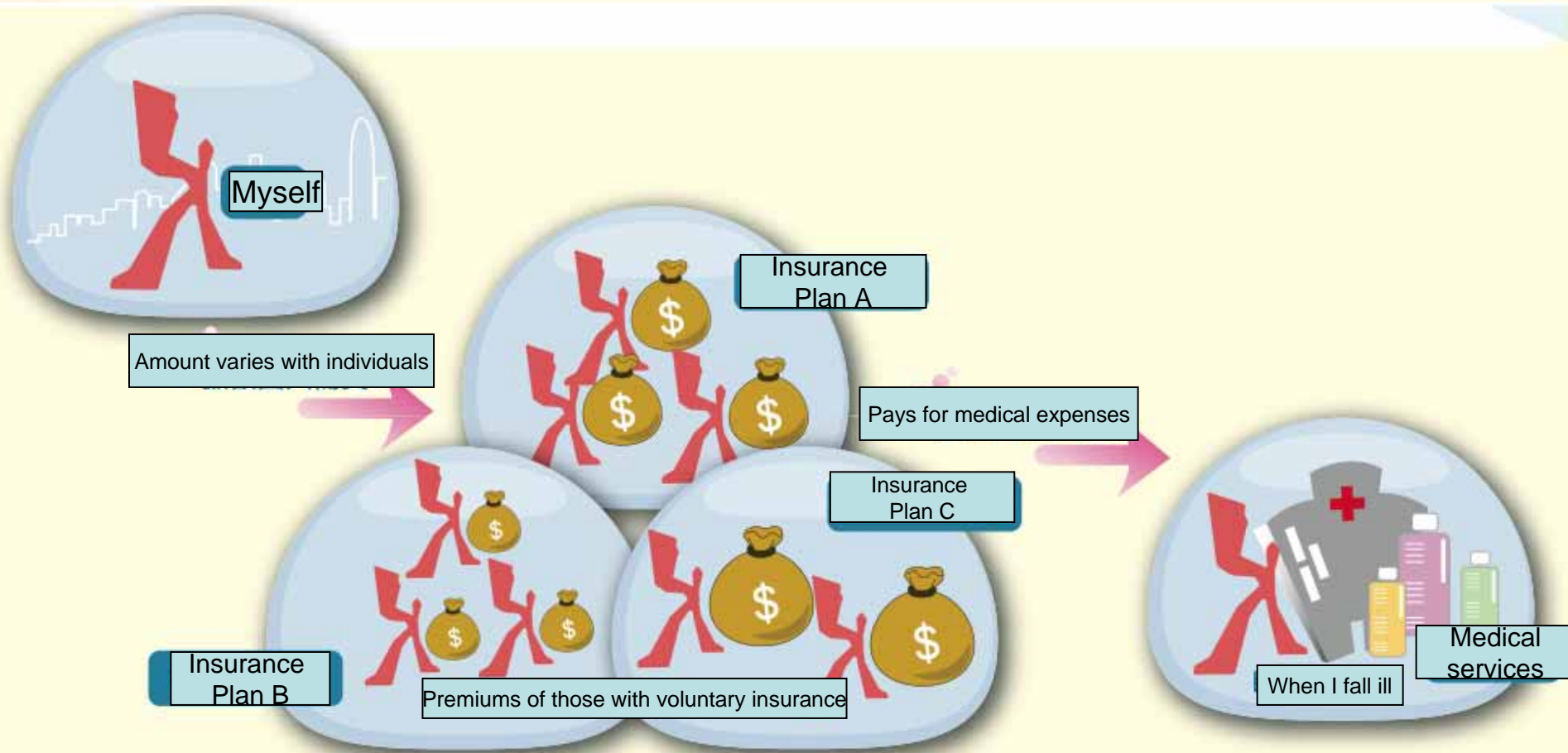
Disadvantages

- As the use of savings is up to the individual, it is therefore hard to guarantee whether it could make available to the healthcare system a sufficient and stable source of extra funding (Patients may continue to use public healthcare services at lower fees in order to save expenses)
- No risk-pooling
- No protection is available before retirement



Supplementary Financing Option (4)

Voluntary Health Insurance



Supplementary Financing Option (4): Voluntary Health Insurance

- Encourages members of the public to purchase private health insurance in the market voluntarily. Individuals may pay premiums according to risk levels. No element of subsidizing others.
- Individuals may take out insurance on their own choices and needs, and pay premiums according to risk levels regardless of their income level. No element of subsidizing others.



Supplementary Financing Option (4): Voluntary Health Insurance

Advantages

- Reducing financial risks of the insured arising from falling ill.
- More choice of services for the insured.



Supplementary Financing Option (4): Voluntary Health Insurance

Disadvantages

- Pre-existing medical conditions and the elderly require costly premiums or are excluded. No guarantee of policy renewal.
- Higher costs of administration and underwriting, resulting in higher premiums (due to no guarantee on the number of participants and risk profile).
- Not helping the insured to save to meet their premium and healthcare expenses after retirement.
- Cannot provide stable and substantial additional financing for the healthcare system.
- May encourage inappropriate use of healthcare services.



Supplementary Financing Option (5): Mandatory Health Insurance

- Requires a specified group in the population (e.g. working population with income above a certain level) to purchase individual health insurance regulated by the Government
- Participants of the mandatory health insurance scheme should shoulder an equal share of premium regardless of their income level



Supplementary Financing Option (5): Mandatory Health Insurance

Advantages (1)

- A large insured base with large predictable risk profile for effective risk-pooling allows the risk to be effectively pooled among the insured population, and therefore the following can be achieved:
 - ▶ Same premium for participants regardless of age and health condition
 - ▶ Those with pre-existing medical conditions can also get insured
 - ▶ Guaranteed renewals of insurance policy (even for the elderly or those with illnesses)
 - ▶ Relatively lower premium



Supplementary Financing Option (5): Mandatory Health Insurance

Advantages (2)

- Better consumer protection through regulated insurance
- The insured can choose private healthcare services, and the freed-up public healthcare resources can be used for improving services for the low income and under-privileged groups
- Stable source of financing for the healthcare system



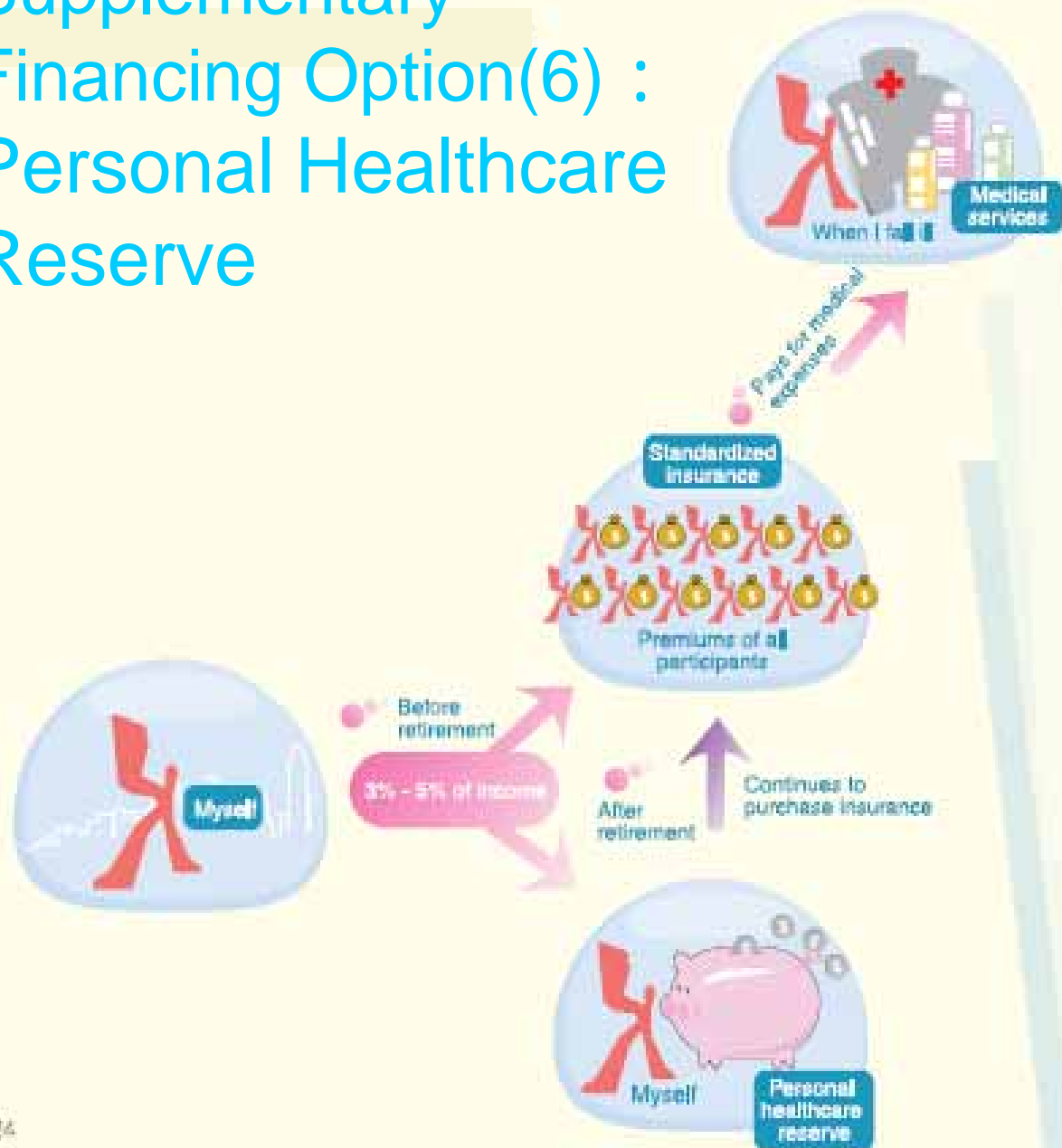
Supplementary Financing Option (5): Mandatory Health Insurance

Disadvantages

- Requires stringent regulation of insurance and incurs additional administrative costs
- Not helping participants to save to meet their healthcare expenses and premiums after retirement
- May encourage inappropriate use of healthcare services
- Increasing premium over time as the insured population gets older and utilization of healthcare services increases



Supplementary Financing Option(6) : Personal Healthcare Reserve



Supplementary Financing Option(6) : Personal Healthcare Reserve

- Combines the features of both medical savings account and mandatory health insurance
- Requires a specified group in the population (e.g. working population with income above a certain level) to deposit part of their income into a personal healthcare reserve account
- Part of the deposit will be used for subscribing to a government-regulated personal healthcare insurance
- The remainder will be accrued in the account to continue subscribing the insurance and meet other medical expenses after retirement
- The savings can be used to -
 - ▶ Generate investment returns
 - ▶ Pay for public/private services



Supplementary Financing Option(6) : Personal Healthcare Reserve

Advantage(1)

- Combines the advantages of medical savings accounts and mandatory health insurance. The complementary nature of these two provides medical protection for the present and savings for the future, which:
 - ▶ Allows individual to meet future personal healthcare expenses with his/her own savings
 - ▶ Reduces the financial burden on future generations
 - ▶ Encourages judicious and appropriate use of healthcare services
 - ▶ Instils a sense of responsibility for one's own health



Supplementary Financing Option(6) : Personal Healthcare Reserve

Advantages(2)

- ▶ Same premium for all regardless of age and health condition
- ▶ People with pre-existing medical conditions can get insured
- ▶ Guaranteed continuity (even at old age or with medical conditions)
- ▶ Relatively lower premium
- ▶ Regulated to enhance consumer protection
- ▶ Participants can choose healthcare services in the private sector, thereby sparing resources of the public healthcare system to improve services for the low-income and under-privileged groups
- ▶ A stable source of financing for the healthcare system



Supplementary Financing Option(6) : Personal Healthcare Reserve

Disadvantages

- Requires stringent regulation of insurance and incurs additional administrative cost
- May encourage inappropriate use of healthcare services
- Increasing premium over time as population gets older and utilisation of healthcare services increases.



Choosing a Supplementary Financing Option

- No one-size-fits-all solution
- Each option has its own pros and cons.
- We need to consider
 - ▶ our social and economic conditions; and
 - ▶ the values and expectations of the public before making a choice.



What to Consider in Choosing a Supplementary Financing Option?

- Should the financing option
 - ▶ provide everyone in the community with access to the same healthcare; or
 - ▶ enable better access to services for those who can afford?
- Should the financing option achieve the effect that those with high-income subsidize those with low-income (wealth re-distribution)?
- Should the financing option achieve risk-sharing (healthy subsidizing unhealthy)?



What to Consider in Choosing a Supplementary Financing Option?

- Which option can secure the most stable and sustainable supplementary financing?
- Which option can provide more choice of services and encourage competition?
- Which option can promote judicious use and exert effective control over excessive utilization and cost-escalation of healthcare services?
- Which option requires lower overhead costs?





be strong

Thank you

