

Healthcare Reform

- Q1: Is healthcare reform really this urgent? (A1)**
- Q2: If the Government considers that healthcare reform is urgently needed, why does it launch a two-stage consultation, instead of openly telling the public the option that the Government recommends after thorough study for a direct consultation? (A2)**
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Enhance Primary Care

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Promote Public-Private Partnership in Healthcare

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- Q12: Being translated.**

Develop Electronic Health Record Sharing

Q13: Being translated. (A13)

Strengthen Public Healthcare Safety Net

Q14: What will be the impact of these financing options on the low-income and under-privileged groups? Will there be any changes to the safety net? How will these financing options affect me if I am a chronic patient or struck by a catastrophic illness requiring expensive treatments? If I have neither employment nor income, what kind of healthcare services can I get? (A14)

Q15: Being translated. (A15)

Healthcare Financing

Q16: Why can't we keep the status quo, that is, maintain the current system whereby the Government continues to provide funding for public healthcare? (A16)

Q17: As the Government has a handsome budget surplus, why is there still a need for financing? Why can't we use the surplus for healthcare? (A17)

Q18: Is the Government shifting the burden of resolving the healthcare financing problem to the public? (A18)

Q19: Who are required to contribute to supplementary healthcare financing? (A19)

Q20: What would be the level of contribution for supplementary financing? Would it be sufficient to resolve the healthcare financing problem? (A20)

Q21: I have all along been in good health and have never used public healthcare services. It seems that all these financing options have nothing to do with me. Can I be excluded? (A21)

Q22: The Government has proposed six supplementary financing options in the consultation document. Are discussions only confined to these six options? Can the public suggest other options? (A22)

Q23: Being translated.

Q24: Being translated.

Q25: Being translated.

Supplementary Financing Option (1)- Social Health Insurance

Q26: Social health insurance is not familiar to Hong Kong people. What are its underlying philosophies? (A26)

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

Q27: Does the Government plan to increase the fees and charges for the services provided by the HA? (A27)

Supplementary Financing Option (3)- Medical Savings Accounts

Q28: When can the savings in a medical savings account (MSA) be retrieved? Are they available to meet urgent needs? (A28)

Q29: As I am approaching retirement age, it is unlikely that I can accrue sizeable savings in the medical savings account. Would I be helpless in case of illness? (A29)

Q30: If MSA is introduced, who's going to manage all the savings for us? Any guarantee for returns? (A30)

Supplementary Financing Option (4)- Voluntary Private Health Insurance

Q31: Many people have purchased health insurance voluntarily. Why don't we continue to let the public decide for themselves whether to invest in their own health? (A31)

Q32: Being translated.

Q33: Being translated.

Q34: Being translated.

Supplementary Financing Option (5)- Mandatory Private Health Insurance

Q35: If I have already been provided with insurance protection by my employer, or I have already insured myself, will the introduction of mandatory private health insurance result in double insurance? (A35)

Q36: What benefits will mandatory health insurance bring to the individual insured? (A36)

Q37: Being translated.

Q38: Being translated.

Q39: Being translated.

Q40: Being translated.

Q41: Being translated.

Q42: Being translated.

Q43: Being translated.

Supplementary Financing Option (6)- Personal Healthcare Reserve

Q44: Being translated.

Healthcare Reform

Q1: Is healthcare reform really this urgent?

A1: Ageing population and rising medical costs are challenges faced by all economically advanced countries and regions. Hong Kong is no exception. To maintain our existing healthcare service level, we must address the structural weaknesses in our current healthcare system promptly, in order to enhance the quality and efficiency of healthcare, reduce our reliance on hospital services, and ultimately improve the health of our citizens. Otherwise, quality healthcare services that we have long cherished will not be sustainable. In addition, increasing healthcare needs will most certainly affect our economy, weaken Hong Kong's competitiveness and reduce our investment in other areas of the society. In other words, the resources for other areas such as education or infrastructure may be reduced accordingly.

Reasons for the urgency:

1. Ageing population means a larger number of elderly who need relatively more healthcare services. Healthcare needs will therefore increase.
2. Advances in medical technology bring newer equipment, technique, drugs and treatments. It is better to have more cures to diseases, but healthcare costs are also rising rapidly.
3. The ratio of workforce to elderly population in Hong Kong will decline from 6:1 to 3:1 within the next 20 years, imposing an unbearable healthcare burden on future generations.

Q2: If the Government considers that healthcare reform is urgently needed, why does it launch a two-stage consultation, instead of openly telling the public the option that the Government recommends after thorough study for a direct consultation?

A2: Healthcare reform is a highly complex issue which involves many different aspirations, values and decisions of the society. One of the important considerations would be whether supplementary financing should be used for subsidizing healthcare for the whole population accessed through queuing and triage, or it should provide contributors with more and better choice to access healthcare more directly and readily. Given the far-reaching implications and the fact that it concerns every member of our society, we need to proceed cautiously and prudently at every step on the road of reform and act on the preference of the public. There is no absolute right or wrong on the direction of healthcare reform and supplementary financing arrangements. It hinges on the choice of the community. We intend to launch the consultation in two stages. In the first stage, we will consult the public on the concepts of the healthcare service reforms and the pros and cons of the various financing options. After considering the views obtained, we will formulate detailed reform proposals including supplementary financing arrangements and launch the second-stage consultation to further seek the views of the public.

Q3: Inefficiency may be one of the reasons why our public healthcare system experiences pressure on resources. Should the Government address this problem first before introducing any supplementary financing?

A3: The Hospital Authority (HA) has been adopting a number of measures over the years to balance its budget and enhance efficiency. There has been an average efficiency gain of about 1% within the public sector in the past. For the period between 2000-01 and 2005-06, public healthcare services have accumulated efficiency savings amounting to approximately 12% of their expenditure. HA will continue to review and improve the use of resources for greater efficiency and value-for-money. At the current level of health expenditure and services, the efficiency our public healthcare system compares favourably to those of many other advanced economies. However, our health expenditure will grow at a much faster rate than our economic growth. Thus the pressure on the public healthcare system caused by a rapidly ageing population and advances in medical technology cannot be eased by further efficiency enhancement alone. While we will continue to enhance both the efficiency and cost-effectiveness of our public healthcare services, we must face the reality that there is a need to seek supplementary financing to sustain our healthcare system.

Q4: Are there enough hospitals and healthcare personnel in Hong Kong to cope with the healthcare needs arising from healthcare reform?

A4: Our healthcare system is constantly stepping up the training of healthcare personnel. The service capacity of public and private hospitals is expected to increase by 10% to 20% in the coming 5 to 10 years. We will continue to closely monitor the demand and development of manpower resources, and take all necessary measures to ensure that we have sufficient manpower and capacity to take forward the healthcare reform.

Q5: Being translated.

Q6: Being translated.

Enhance Primary Care

Q7: Why is the Government determined to promote primary health care services? Why do we need financing for the improvement of primary health care?

A7: According to many overseas studies and experiences, the better developed the primary care system and preventive care, the healthier the public. The Government is thus determined to enhance primary healthcare services. This is one of the main directions of the healthcare reform. Supplementary healthcare financing is important because it can make available supplementary resources for our healthcare system and provide favourable conditions for the continuous improvements to our primary care services.

Q8: Being translated.

Q9: Being translated.

Promote Public-Private Partnership in Healthcare

Q10: Will the expansion of the private healthcare market lead to the loss of experienced doctors in the public sector and a decline in the quality of public services?

A10: No. There will be more room for collaboration between the public and private sectors in the future. This will allow healthcare professionals to have a choice or even allow a two-way flow of healthcare professionals between the two sectors, so that they can serve in both sectors at the same time. Our public healthcare system needs greater flexibility in allowing healthcare professionals with experience and expertise who provide services in the private market to serve the general public in the public sector.

Q11: What benefits will be brought to the general public by promoting public-private partnership (PPP)?

A11: Currently, there is significant public-private imbalance in our healthcare system with heavy reliance on public services and a lack of healthy competition between service providers of the two sectors. PPP offers greater choice of services for the community and helps promote healthy competition and collaboration between the public and private sectors. The purchase of healthcare services from the private sector by the Government is a cost-effective means to provide public healthcare services, while subsidizing individuals to use healthcare services in the private sector allows more members of the public to choose private healthcare services. Through these means of making better use of resources in our healthcare system, we can relieve the pressure on our public healthcare system and those who need to rely on public healthcare services can also benefit.

Q12: Being translated.

Develop Electronic Health Record Sharing

Q13: Being translated.

Strengthen Public Healthcare Safety Net

Q14: What will be the impact of these financing options on the low-income and under-privileged groups? Will there be any changes to the safety net? How will these financing options affect me if I am a chronic patient or struck by a catastrophic illness requiring expensive treatments? If I have neither employment nor income, what kind of healthcare services can I get?

A14: We will uphold our long-established public healthcare principle, i.e. no one should be denied adequate healthcare through lack of means. The Government will remain the primary financing source for our healthcare system and continue to provide accessible and affordable public healthcare services for all. However, our ability to sustain the public healthcare safety net will inevitably be strained as a result of an ageing population and rising medical costs.

If we are able to introduce supplementary financing to provide additional resources for the healthcare system, and relieve the pressure on our public healthcare services, more resources can be devoted to strengthen our public healthcare safety net. For example, we may consider the introduction of a personal limit on healthcare expenses for chronic patients or patients struck by catastrophic illnesses requiring costly treatments, such that those whose healthcare expenses have exceeded the limit may receive additional financial assistance. We may also have the resources to strengthen the existing standard public medical services, for instance by incorporating drugs or treatments which have been proven effective into the scope of standard services or as subsidized items.

Q15: Being translated.

Healthcare Financing

Q16: Why can't we keep the status quo, that is, maintain the current system whereby the Government continues to provide funding for public healthcare?

A16: If the current healthcare system remains unchanged, and the Government will have to face ever increasing public health expenditure, the following situations may arise:

(i) The Government may need to increase tax rates substantially, introduce new types of tax or raise other revenue sources. The total public expenditure of the Government as a percentage of the economy (GDP) will have to be expanded to 22% in 2033, departing from the principle of small government and low-tax regime, and eroding Hong Kong's economic competitiveness.

(ii) If the government budget is to be kept below 20% of GDP, public health expenditure will increase to over 27% of the Government's budget in 2033 at the expense of other public services, e.g. education, social welfare and security, etc. The proportion of the budget for these services may have to be reduced.

(iii) If we do not increase tax or reduce funding for other public services and yet we do not make any supplementary financing arrangements, the quality service currently provided by our healthcare system cannot be sustained, and the quality of our healthcare will deteriorate.

Q17: As the Government has a handsome budget surplus, why is there still a need for financing? Why can't we use the surplus for healthcare?

A17: A large budget surplus does not happen every year, and there is no guarantee that the surplus situation will continue. Past experience has already shown us that the financial situation of the Government changes according to the economy. A one-off budget surplus is not something that can be relied on to meet recurrent healthcare expenses.

The challenges faced by our healthcare system now cannot be simply resolved by a short-term increase in funding for public healthcare services. In addition to increasing the resources for the healthcare system, we also need to undertake reforms on healthcare services. For example, we should allocate more resources to enhance primary care for improving the health of our community; we should promote public-private partnership and develop electronic health record sharing so as to provide the community with more choices and greater autonomy, thus realizing the concept of "money following patients". We should also strengthen the existing public healthcare safety net. These are necessary to fulfil our vision for healthcare reform. We need a stable and sustainable financing source in order to carry on healthcare reform, to improve healthcare services and to enhance the health of the community for the long term. It is therefore necessary for us to introduce supplementary healthcare financing (a source of healthcare funding other than taxation).

Hong Kong currently has a robust economy and a strong fiscal position. It is the best time for the Government to work together with the community to prepare for our future, introduce healthcare reform, and lay a solid foundation for quality healthcare services for every one of us and our future generations.

Q18: Is the Government shifting the burden of resolving the healthcare financing problem to the public?

A18: The Chief Executive has pledged to increase recurrent government expenditure for health and medical services from 15% at present to 17% in 2011-12. Based on Hong Kong's current economic situation and the Government's financial position, we estimate that this will represent an increase in annual recurrent expenditure of about \$10 billion. The Financial Secretary has also committed to draw \$50 billion from the fiscal reserve to assist the implementation of healthcare reform when the supplementary financing arrangement has been finalised after consultation. These clearly demonstrate the Government's commitment to shoulder the responsibility for healthcare financing together with the community.

In any event, the Government will continue to be the major pillar for financing our healthcare system. The Government will continue to uphold its long-established public healthcare policy that no one should be denied adequate healthcare through lack of means. The public healthcare system will also remain, as at present, a safety net for the whole population, in particular the low-income and under-privileged groups.

However, even with increased government commitment on healthcare, we still cannot surmount the challenges posed by an ageing population and rising medical costs. The ratio of the working-age population to the elderly population is 6:1 at present, but will drastically decrease to 5:1 in 10 years' time and 3:1 in 20 years' time. Meanwhile, due to our ageing population and the use of more advanced medical technology, our total public health expenditure is projected to increase from about \$38 billion to some \$127 billion. Therefore, we need the whole community to work together, to build a consensus, to undertake healthcare reform and to introduce supplementary healthcare financing. If we can come to a supplementary financing model, the Government will examine how to provide financial incentives to contributors of the supplementary financing scheme, e.g. tax deduction, start-up capital or other forms of direct subsidy.

Q19: Who are required to contribute to supplementary healthcare financing?

A19: At the first stage consultation, we would like to listen to the views of the public on the concepts of the healthcare reform, as well as the pros and cons of the supplementary healthcare financing options. At this stage, we are open-minded on who should contribute to supplementary financing. After collecting and consolidating public views, we will formulate more concrete proposals on supplementary healthcare financing arrangements for launching the next stage of consultation. In any event, the Government is committed to shouldering the responsibility for healthcare financing together with the community.

Q20: What would be the level of contribution for supplementary financing? Would it be sufficient to resolve the healthcare financing problem?

A20: We do not have any concrete proposals on the details of any of the financing option in this first-stage public consultation exercise. The level of contribution would very much depend on the design of the supplementary healthcare financing option, the number of participants and their affordability. However, in studying various supplementary healthcare financing options, we have for illustrative purpose made an assumption that the contribution rate would be around 3-5% of the participant's income subject to an upper limit on the level of contribution. This is out of the consideration that too low a contribution rate would not be administratively cost-effective, and would not bring about substantial supplementary financing. A 3-5% contribution rate by the working population would provide a substantial amount of supplementary financing that can help meet increasing healthcare needs. This, coupled with the reform of the healthcare market and service structure, should make the increase in future healthcare needs and expenditure a less unbearable burden, thus enhancing the sustainability of our healthcare system substantially.

Q21: I have all along been in good health and have never used public healthcare services. It seems that all these financing options have nothing to do with me. Can I be excluded?

A21: We certainly hope that everyone is in good health and free from illnesses. However, nobody can foresee whether and when they will need healthcare. Furthermore, healthcare reform covers not only public healthcare services, but also the whole healthcare system. Different supplementary healthcare financing options will have different impacts on those who use the services provided in the private market.

In the discussion of supplementary financing, the community should consider not only what kind of healthcare protection would suit them best, but also whether it can promote the sustainability of the overall healthcare system and maintain high quality services. Setting up a contributory social health insurance, establishing individual medical savings accounts, or taking out suitable health insurance are all different means of preparing for the future.

Above all, healthcare reform concerns every one of us. We need to work with the community to take it forward.

Q22: The Government has proposed six supplementary financing options in the consultation document. Are discussions only confined to these six options? Can the public suggest other options?

A22: The Government welcomes members of the public to express views on the healthcare reform consultation document and discussions are not confined to the six proposed supplementary financing options. The Government is open-minded on the concerned options and any different views and any proposals apart from the six proposed options or any combination are welcome.

The ongoing consultation is the first part of the two-stage consultation exercise. We hope to first seek the views of the public and know more about their preferences in order to build a consensus on an option acceptable to the public and best-suited to the circumstances of Hong Kong. Pending views collected and narrowing down the areas of discussions, we would work out the concrete proposals on the most favoured supplementary financing option for the second stage consultation. The next stage of consultation is expected to be launched next year and the public will be consulted on issues related to operation mode of the option, administrative structure and how to regulate before coming to a decision.

Q23: Being translated.

Q24: Being translated.

Q25: Being translated.

Supplementary Financing Option (1)- Social Health Insurance

Q26: Social health insurance is not familiar to Hong Kong people. What are its underlying philosophies?

A26: The introduction of social health insurance is tantamount to introduction of a new broad-based tax with the tax revenue to be solely used on healthcare services for the whole population. As a relatively stable funding source, it can provide substantial financing for the healthcare system. It also further strengthens the mechanism of seeking healthcare funding according to income level, under the current tax-funded healthcare system. Nevertheless, social health insurance incurs additional administration costs as the Government needs to put in place a new mechanism for the collection of social security levy and administer the operation of the scheme. The implementation of social health insurance will also likely cause an increase in utilisation, or even encourage the tendency to overuse, because healthcare services will remain highly subsidized and will be coupled with less restrictions on utilization including the option to use private healthcare services. In the long run, an ageing population, shrinking workforce and increased utilisation will cause the contribution rate to rise.

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

Q27: Does the Government plan to increase the fees and charges for the services provided by the HA?

A27: The consultation paper has listed increasing user fees for public healthcare services as one of the supplementary financing options. However, relying solely on a significant increase in fees for public healthcare services cannot resolve the financing problem, and will not be conducive to the implementation of healthcare service reform.

Supplementary Financing Option (3)- Medical Savings Accounts

Q28: When can the savings in a medical savings account (MSA) be retrieved? Are they available to meet urgent needs?

A28: The objective of MSA is different from that of the Mandatory Provident Fund (MPF). The MPF is for accumulation of savings and investment returns at a young age to provide one with better livelihood protection after retirement. Therefore, MPF participants can retrieve their MPF contributions at the age of 65. Medical savings, on the other hand, are for healthcare and should be used only in times of illnesses. They will go to the holders' estate upon their death.

In general, people are relatively healthier with less risk of falling ill when they are young, and most people need more healthcare in their elderly years. We may consider imposing certain restrictions on the use of medical savings, i.e. the savings will normally be available for healthcare use only after retirement, except for some specific catastrophic illnesses, so as to allow the accumulation of savings to accrue investment returns to meet healthcare needs at an old age.

Q29: As I am approaching retirement age, it is unlikely that I can accrue sizeable savings in the medical savings account. Would I be helpless in case of illness?

A29: All the healthcare financing options are supplementary financing options. Rest assured that government funding will continue to be the primary funding source for the healthcare system, and the public healthcare system will continue to be the healthcare safety net and take care of those who cannot afford healthcare expenses. This will ensure their access to appropriate healthcare.

Q30: If MSA is introduced, who's going to manage all the savings for us? Any guarantee for returns?

A30: If MSA is introduced, a feasible way of managing the savings is to take reference from the existing MPF arrangements. Contributors can have investment options.

Supplementary Financing Option (4)- Voluntary Private Health Insurance

Q31: Many people have purchased health insurance voluntarily. Why don't we continue to let the public decide for themselves whether to invest in their own health?

A31: Under voluntary private health insurance schemes, the high-risk groups such as the elderly and chronic patients have to pay very costly premiums. Insurers have no guarantee on the number of people who will get insured. There is also a tendency for those who are more likely to make insurance claims to buy insurance. Underwriting is relatively costly. All these factors will lead to costly premiums and make voluntary health insurances less appealing. At present, most voluntary insurance plans do not cover pre-existing medical conditions, and there is no guarantee of continuity. It is also very likely for the premium rate to escalate after claims have been made at times of illnesses. In general, it is very difficult for the high-risk groups to get insured or stay insured.

Q32: Being translated.

Q33: Being translated.

Q34: Being translated.

Supplementary Financing Option (5)- Mandatory Private Health Insurance

Q35: If I have already been provided with insurance protection by my employer, or I have already insured myself, will the introduction of mandatory private health insurance result in double insurance?

A35: If mandatory private medical insurance is to be introduced, we can explore the feasibility of putting in place a transitional mechanism for those who have already taken out voluntary health insurance themselves, or for employers who have provided medical insurance for their employees, so that they may migrate their existing insurance schemes to the mandatory private health insurance scheme regulated by the Government. Generally speaking, the terms under mandatory private health insurance should be more favourable to the insured and the premium should be lower. However, if there are existing insurance schemes, including those taken out by employers to provide medical benefits to their employees that provide better terms than the mandatory one, exemption or other transitional arrangements can be considered.

Q36: What benefits will mandatory health insurance bring to the individual insured?

A36: Mandatory private health insurance can guarantee a sufficiently large insured base, which allows the risks to be effectively shared out among the insured population, thereby lowering the average premium. In addition, the Government can regulate the terms of such insurance to ensure that insurance companies must accept any application for insurance and charge the same premium for all participants regardless of their age and medical history. This will enable even the elderly or high-risk groups to get insured and will also provide guaranteed renewal and portability between employments. All these are currently lacking under voluntary private health insurance. Thus mandatory private health insurance offers better overall protection to the insured population.

Q37: Being translated.

Q38: Being translated.

Q39: Being translated.

Q40: Being translated.

Q41: Being translated.

Q42: Being translated.

Q43: Being translated.

Supplementary Financing Option (6)- Personal Healthcare Reserve

Q44: Being translated.