



Healthcare Reform Consultation Document “Your Health, Your Life”

American International Assurance Company (Bermuda) Limited is a composite insurance licensed insurance company. As at the end of 2007, we have 935,000 insured from both Group and Individual medical insurance and these constituted 27.8% of Hong Kong’s medical insurance market share. Given our portfolio, before we set our views on the consultation document issued by the Food and Health Bureau of the Hong Kong SAR Government in March 2008, we would also like to share our observations on various areas.

Insurance Trend

1. MIA figures:

According to the Medical Insurance Association’s 2007 statistics, the total medical insured has grown by 8%, where individual and group membership have grown by 11% and 6% respectively. It is encouraging to see this trend as people are more aware of the importance of healthcare risk management even without any mandate from the government.

2. OCI figures

According to Office of Commissioner report in 2007, the split of net earned medical insurance premium are allocated for claims, commission and operation expenses / profits by 76.99%, 10.14% and 12.87% respectively.

3. Benefit usage

In most instances, when an insured is protected by a private medical insurance scheme paid either by himself or by his employer, he will usually elect private healthcare services since this choice provides more convenience and a better healthcare environment. Members who elect to use government healthcare services usually are due to emergency, availability of specialists, or chronic medical conditions where the existing medical insurance may be deemed to be inadequate. With this behavior, according to Medical Insurance Association’s Medical Fee Survey 2005, for every \$100 dollars in claims presented, the reimbursement ratio is \$75 dollars.



Insured Behavior

4. Consumer Knowledge

Even though the insured may have bought medical insurance, he may not fully understand the details of the terms and conditions. There are many reasons:

- Have bought medical insurance for some time, but only realised what he bought when a claim was incurred;
- Complexity of medical insurance terms;
- No standardized policy provisions;
- Intermediary's presentation and understanding of the insured ;
- Corporate provided insurance coverage: the insured do not bother to know the details of the medical benefits until claims were incurred.

5. Doctor "hopping"

The insured in HK do have a habit of doctors shopping instead of attaching himself to a family doctor. Though some of the corporations may want to introduce the idea of a family doctor on Group insurance, it takes time for the insured to adjust.

6. Preventive care

The general population has become more aware of the need for preventive care, however people may not have enough health education to focus on the different aspects of preventive care e.g. by age, by genetic prone disease.

Individual or Corporation Demands

7. Continuation of Medical Coverage

Life long medical insurance coverage is what most insurance buyers look for. People with company provided Group insurance also look for continuation of coverage after they have left the company.

8. Other non traditional coverage

Under the existing voluntary medical insurance scenario, terms and conditions, underwriting requirements are normally applied to minimize the risk of moral hazard. The normal exclusions that commonly found in HK include: pre-existing medical conditions, mental illness, congenital disease etc. These are some of the items where people may also want to be covered.



Healthcare Providers Behaviors

9. Healthcare Providers Fee

It is quite understandable that the healthcare providers' fee, medications and equipment charges continue to increase due to inflation. However, there is no transparency of the charges and sometimes the fees seem arbitrary. As per OCI figures mentioned previously, provider's charges have a direct impact on the medical premium directly.

10. Hospital bed shortage

With local demand and exasperated by an inflow of mainland healthcare seekers, the occupancy of private hospitals is close to full capacity. There have been incidents when we have been requested by our insured to help locate a hospital bed among the private hospitals.



In Healthcare Reform Consultation Document “Your Health, Your Life”, there are a totally of six options of healthcare financing model, namely:

1. Social Health Insurance
2. Out of Pocket Payment
3. Medical Saving
4. Voluntary Health Insurance
5. Mandatory Health Insurance
6. Personal Healthcare Reserve

Given all the above observations, American International Assurance Company (Bermuda) Ltd is supportive of Option 6 Personal Healthcare Reserve with the following comments:

1. On any compulsory medical insurance scheme, there should be well-defined parameters on risk sharing. The Government should consult the insurance industry on the administration charges, so that the insurers have the incentive to offer the most efficient and best services.
2. Enhance the overall transparency of the healthcare providers’ charges and implement a measurement of the encounters’ outcomes. The Government should play a part in these areas.
3. As an enabler, the Government should continue to promote Preventive care and the system of family doctor.
4. We support the implementation of a system so that patients’ records may be shared between all stakeholders in the public and private sectors.
5. Existing capacity of private healthcare providers and facilities should be reviewed to ensure sufficient capacity to meet demand.