



## **Civic Party's Submission on the Administration's Healthcare Reform Consultation Document**

1. The Civic Party has taken time to study the Administration's Healthcare Reform Consultation Document ("the Document"). This submission contains the view taken by the Civic Party.

### **The Present Problems**

2. The Civic Party sees the most notable of manifestations of problems with our healthcare system as follows:

- (a) Lengthening of waiting time for treatments in public hospitals.
- (b) Shortening of time for consultation and treatment of patients in public hospitals.
- (c) Poor working conditions and unbearable pressures in hospitals are seeing an exodus of frontline medical personnel from the public sector.
- (d) By reason of (c), (a) and (b) become worse, with queues getting longer and time spent on treatment of patients getting shorter.
- (e) As a result of (d), (c) becomes worse and more medical personnel are leaving.
- (f) The vicious cycle, if not broken, will go on until the public healthcare system breaks down.

3. The life of patients caught in the vicious cycle is made worse by the Drug Formulary maintained by the Hospital Authority. They have one of two options. First, to pay for better drugs with moneys that ought to have been spent on food or other necessities. Second, to tolerate less effective drugs. Neither is desirable.



**The Document lacks vital information for a meaningful engagement**

4. In the Document, the Administration says it plans to undertake reform in five areas which include:

- (a) Enhancing primary care to put greater emphasis on preventive care;
- (b) Promoting public-private partnership in healthcare;
- (c) Developing electronic health- record sharing;
- (d) Strengthening the public healthcare safety net; and
- (e) Reforming healthcare financing arrangements.

5. As for (e), the Document outlines six options for discussion, which include:

- (a) Increasing user fees for public healthcare services;
- (b) Requiring the workforce to contribute a certain percentage of their income to fund healthcare for the whole population;
- (c) Encouraging more individuals to take out private health insurance in the market;
- (d) Setting up personal healthcare reserve;
- (e) Establishing medical savings accounts; and
- (f) Mandatory private health insurance.

6. The Civic Party does not quarrel with 3(a), (b), (c) and (d), which list areas in need of reform. The Administration has yet to make out a case for (e).



7. The Civic Party finds it difficult to meaningfully engage the Administration on Healthcare Reform and Supplementary Medical Financing based on the Document. The major reasons include, but are not limited to, the following:

- (a) We are told by the Administration that the new moneys needed to sustain the Healthcare System will come from us. But, we are not told to where such moneys will go.
- (b) The Document identifies problems with the present system. But, we are not told what steps the Administration are taking or will take to solve these problems. We are also not told how the new moneys produced by any supplementary medical financing scheme will be applied to solving such problems.
- (c) We are not given details about how the annual sum of about HK\$30 billion is being spent. In the premises, we do not know whether there has been wastage given the present *modus operandi*. There is also no way we can observe on cost effectiveness and efficiency, which are essential for judging whether new moneys are needed and from where they should come.
- (d) In respect of the six options under 4, the Administration has not articulated enough about some relevant concepts involved. To use just one example, when it talks about “regulated private health insurance” and “mandatory regulated health insurance”, the Administration must inform us about the regulation it has in mind to prescribe so that we can fully fathom such a scheme’s impact on the provision of public healthcare services in the overall scenario.

8. The Civic Party is also skeptical about the Administration’s declared commitment to delivering a better public healthcare service. The problems haunting our system were first identified in studies commissioned by the Administration more than a decade ago, if not earlier. The Administration has practically not done very much to address them, let alone effectively.



9. Taking into account also the four matters identified under 7, we certainly think the Administration has to do much better in order to convince the public about the need to fork out more moneys. And, with such moneys we would end up enjoying better health and a healthcare system superior to what we now have.

10. In the rest of this Paper, the Civic Party will point to some fallacies in the Administration's case as found in the Document. We are also making proposals for the way forward.

### **Ageing alone cannot be the justification for changing the tax-based system**

11. The Civic Party finds it distasteful for the Administration to justify supplementary medical financing by portraying the aged as society's burden. And, it is definitely an oversimplification to say that when the population ages, money spent on healthcare must increase substantially. The Party wants to point out how such an oversimplification can be flawed:

- (a) Both the OECD and European Commission have statistics and projections to show that increase in public healthcare expenditure due to ageing is in the region of 0.4% to 0.7% per annum.
- (b) Advancement in technology can reduce cost of treatment, thus cutting back on overall medical expenditure.
- (c) We live longer because we are generally healthier. The sum to be spent by any individual during the last few years of his life's journey, whether incurred in his 60s or 90s, will remain more or less the same.
- (d) More and more of our aged population remain gainfully employed after retirement. It is not right to assume that they must depend on the young for payment of their medical bills.

12. Predictions and projections are not an exact science. The Harvard Report also predicted about 10 years ago that government spending on public healthcare would have increased by 3-fold by now. That prediction has not come true. Our spending has consistently been capped at an annual average of HK\$30 billion or thereabout.



13. The *status quo* in Hong Kong is still for every \$100 spent on healthcare, \$54 comes from the public coffers and \$46 comes from the private purse. The Administration must make out a strong case to require us to fork out even more.

14. Hong Kong is a place where we are spending more on education than public healthcare. In most developed cities, the reverse is true. The Administration ought not to assume that the public does not want to spend more of the tax revenue on healthcare.

### **Effect on wealth distribution**

15. The Administration has been shy to admit that healthcare financing has the practical effect of redistributing wealth in our society. In a tax financing system with progressive tax liability, incomes are transferred from the wealthy to the less wealthy and from the healthy to the less healthy. Any shift from tax financing to private financing, such as user charges or private insurance or any out of pocket payments, will benefit the healthy and wealthy at the expense of the unhealthy and non-wealthy, and *vice versa*.

16. The Administration has been heavily hinting that it prefers the mode of supplementary financing called Personal Healthcare Reserve (see Chapter 13 of the Document for what is called Option 6) that incorporates elements listed under paragraphs 4(b) and (d) above.

17. In justifying its preference for the Personal Healthcare Reserve, the Administration emphasizes on two matters, namely,

- (a) Hong Kong being a low tax region would not want to disturb the *status quo*; and
- (b) People will have more choices of medical services of quality than now.

18. The Civic Party must point out that if one takes into account the amount of indirect taxes, especially the disproportionately large sums spent on rentals and home purchase, the people are paying, our taxes cannot be described as low.



19. The Civic Party remains unconvinced that going down the Administration's proposed route must end people up with more choices. On the contrary, we are worried that once we have a tier of medical service catering for those who can pay and another tier for those who cannot, the standards of public healthcare will deteriorate. Choice will then be more limited for the have-nots. For the haves, whether they enjoy more choices may depend on the terms of the insurance policies they take out.

### **Reform immediately without supplementary financing**

20. The Document apparently conveys the message that without new moneys from supplementary financing, none of 4(a), (b), (c) and (d) can be done. The Party disagrees.

21. Areas identified in the Document as needing reforms are indeed the root causes of present problems found with our Healthcare System. In fact, most of them were already so identified in consultancy studies commissioned by the Administration since more than a decade ago. These include:

- (a) 1993 - "Towards Better Health"
- (b) 1999 - Improving Hong Kong's Health Care System Why and For Whom
- (c) 2000 - Lifelong Investment in Health
- (d) 2005 - Building a healthy tomorrow

22. The one single most notable of such failures is the development of a community-based integrated primary healthcare service. Such a service will be most useful to reduce the overall medical spending and ensure about better efficiency in at least the following ways:

- (a) Better preventive care effected by community doctors and nurses can reduce the number of hospital admissions;
- (b) A pool of competent and able community doctors and nurses can instill confidence in patients and their families for convalescence and rehabilitation to take place outside hospitals, which results in early discharge from hospitals thus reducing their loads;
- (c) Community doctors can act as trusted advisers to patients in recommending suitable medical examinations and treatments and acting



as referral agents for specialist medical services. This will enhance the overall efficiency of our Healthcare System.

23. An efficient and effective Healthcare System is a matter of life and death. The Party does not accept that nothing can be done without new moneys produced by supplementary financing. It urges the Administration to immediately implement measures to tackle the identified problems in order to, if not for any other purpose, demonstrate its determination and commitment to improving Hong Kong's Healthcare System.

24. The Party urges the Administration to make use of the \$50 billion put on reserve by the Financial Secretary in the 2008 Budget to implement forthwith new measures including, but not limited to, the following:

- (a) To issue to the poorest 20 percentile of the population a certain number of medical vouchers every year, which they can use for consulting general practitioners providing primary healthcare service. This could bring about a change in patients' behavior that would eventually lead to a better equilibrium between healthcare services provided by the public and private healthcare systems.
- (b) To make available to private practitioners the electronic health-record sharing system already in use amongst public hospitals. This would forthwith increase the mobility of patients between the public and private healthcare systems.
- (c) To train more community doctors and nurses conducive to the development of a community-based integrated primary healthcare service. This would lead to better sickness prevention and readiness of patients to convalesce outside hospitals.
- (d) To outsource to the private sector treatments that have proven to be a heavy burden on public hospitals. This could immediately shorten the queue of patients waiting to be treated and take considerable pressure off medical personnel in public hospitals.
- (e) To commission a detailed study with a view to finding out what is best for Hong Kong in terms of ratios between doctors and patient and between public and private healthcare services.
- (f) To expand the list of drugs in the present Drug Formulary immediately with a view to abandoning the drug list eventually.



## The Way Forward

25. The only way of taking the consultation forward is for the Administration to grapple with those issues identified under 7 above. The Administration must also provide enough information to satisfy the public that moneys are efficiently spent and there is no wastage in the *status quo*.

26. In order to demonstrate its vision and conviction to deliver better healthcare services for the people, the Administration must be prepared to immediately implement reforms it has identified without supplementary financing.

27. When a reformed healthcare system is in place, the public will naturally be more amenable to consider forking out more for footing the medical bill if the Administration can then demonstrate that additional funding is needed if further improvement is desired. The public can then rest assured that we are not throwing good money after bad by injecting new funds into an inefficient system that cannot deliver.

28. A better healthcare system is vital to building the Hong Kong We Want. It is a form of social investment that is necessary for *making Hong Kong* a fair, caring and healthy community we want to call home.

29. The Civic Party is keeping an open mind about the consultation and looks forward to more meaningful engagement with the Administration and other stakeholders in the civil society on matters raised in this Submission.

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