



**Employers'  
Federation  
of Hong Kong**  
香港僱主聯合會

Ref.: G2008 – 055

12 June 2008

Ms Sandra Lee  
Permanent Secretary for Health  
Food and Health Bureau  
19/F., Murray Building  
Garden Road  
Central, Hong Kong

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Dear Sandra,

**“Your Health Your Life” – Healthcare Reform Consultation Document**

The Employers' Federation commends the Hong Kong SAR Government for publishing a consultation document on this important topic. The document is comprehensive, especially as with regard to financing options, and offers much food for thought. As in other jurisdictions, reform of health care is a difficult process and requires strong leadership from the Government. The Employers' Federation encourages the Hong Kong SAR Government to follow through with their recommendations. Hong Kong cannot afford another false start on health care reform.

We agree with a number of the key comments and assumptions in the consultation document, in particular that:

- i) Hong Kong, generally speaking, can be proud of its health care system;
- ii) we should not as a community accept any deterioration in this system;
- iii) good health care should continue to be available to all residents of Hong Kong;
- iv) our ageing population will make the overall cost of health care significantly higher in future years;
- v) new financing methods will be required to pay for this increased expense.

The Consultation Document is in two distinct parts. The first part covers proposals to reform the system. The second and longer part discusses financing options to cover the future increase in costs.

The Employers' Federation supports the proposals to reform the system (primary care, public-private partnership, record sharing, strengthening of safety net). We will however make no particular comments on these proposals as they are not within our area of expertise. Our only comment is that surely some of these proposals can proceed independently from the financing issue, which might take some time to implement.

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Naturally, the Employers' Federation responds to the Consultation Document from the perspective of our members. We therefore start with the following biases:

- i) We do not want to see taxes rise in Hong Kong. Our low tax environment is a crucial competitive advantage for Hong Kong that MUST be maintained.
- ii) While acknowledging the Government's role in legislating for health care reform, we would like to see as much as possible of health care and health care financing in the private sector.
- iii) We would like to see individuals taking increased responsibility for their health care financing needs.
- iv) Although most Employers' Federation members provide supplementary health care benefits to their employees, we appreciate that most health care costs are currently borne by the Government
- v) We are willing for employers to assist the Government in implementing new programmes (as in MPF).
- vi) We do not feel it is appropriate or desirable for employers to shoulder the increased costs of the health system.

With the above in mind the preliminary views of the Employers' Federation on the six financing options are as follows:

***Option 1 (Social Health Insurance)***

This is just a tax increase under a different name. It increases the burden on the working population and is wholly government run. We reject option 1.

***Option 2 (out of pocket payments)***

We agree with the consultation document that this alone is not a solution. However the current Hospital Authority user fees are far too low and are not reflective of the true cost of the relevant procedures or of the medicines dispensed. There should be significant increases in these fees (with appropriate support for those on very low income) in order to encourage users to think carefully about their need for the services. This would also reduce the differential in pricing between the public and private sectors.

***Option 3 (Medical Saving Account)***

It is a sound idea for individuals to put money aside for their future medical needs and a linkage with MPF would make this fairly easy to implement. However this option does not involve risk sharing which we believe should be central to a new system.



***Option 4 (Voluntary private health insurance)***

We already have this in Hong Kong and it represents a key support for the private medical sector. Clearly this option alone will not solve Hong Kong's problem. When a mandatory system is introduced a key concern of the Employers' Federation is how it will integrate with existing voluntary schemes. This must be done carefully or the private medical sector may be threatened.

***Option 5 (Mandatory Private Health Insurance)***

The Employers' Federation is normally in favour of less, rather than more, government intervention. However in this case, as in MPF, we agree that a mandatory system is required if Hong Kong is to maintain its quality of health care without major tax increases.

Much needs to be worked out to make a mandatory insurance work optimally:

- Will the premiums vary by age? (We consider that they should, otherwise it will place too great a burden on the young who typically have lower incomes).
- How will the insurers be compensated for administering the schemes?
- Will the insurers take the risk? (If so, special treatment would be required for high risk individuals)
- Who will have the primary responsibility for expense control - the insurers or the Hospital Authority?
- Will people in voluntary schemes have to pay twice? (We consider that they should, with the voluntary schemes providing add-ons to the basic system).

***Option 6 (Personal Health Reserve)***

This is an intelligent combination of Options 3 & 5. Individuals contribute to a savings account which is then used to pay the mandatory health insurance premiums. When they are working the contribution would be higher than the insurance premium and a fund builds up to pay post-retirement premiums. This option appears to be the preferred one in the Consultation Document and we support this preference. The administration of the Personal Health Reserve should be fully integrated with MPF. To have two systems would be a duplication and result in significant cost increases to the public.

The Employers' Federation recommends that the Government make a firm decision to implement the Personal Healthcare Reserve system in Hong Kong combined with mandatory health insurance. Once this general direction is agreed the Employers' Federation would be delighted to assist in the detailed design of the new system.

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We have already listed (under Option 5) some of the key issues to be resolved. Early on it must be clearly defined what percentage of the public medical sector should be paid for by Government directly (say in 2023) and how much should be paid for from the mandatory health insurance premiums paid from the new Personal Healthcare Reserve accounts. Should we be aiming at a 70/30 split?

A final comment is with regard to the funds set aside in the budget for health care reform. This was an excellent idea. We recommend that these funds should go to individuals over 50 (at the time of implementation) to give them an initial balance in their personal healthcare reserve. Those under 50 will have more time to build their own reserve before retirement.

The Government is on the right track with regard to the reform of health care financing. The Employers' Federation strongly encourages the Government to continue in the same direction as quickly as is practically possible.

Yours sincerely,

John C C Chan  
Chairman  
Employers' Federation of Hong Kong

Victor Apps  
Chairman  
Taskforce on Health Care Reform & Financing