



Hong Kong General Chamber of Commerce
香港總商會 1861

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Helping Business since 1861

13 June 2008

Dr York Y N Chow
Secretary for Food and Health
Food and Health Bureau
19/F, Murray Building
Garden Road, Central
Hong Kong

Dear York,

Financial Sustainability with Universal Coverage

The Hong Kong General Chamber of Commerce places reform of the SAR's healthcare financing regime high on the public policy agenda, and is pleased to submit our views on this year's consultation document. In the process of formulating the views below, we have consulted with our members through a special Working Group and collected views from a number of forums organized for this purpose. We have been fortunate to benefit from briefings from senior government officials, including yourself and your Deputy Secretary Ms Ingrid Yeung.

We fully agree that Hong Kong has, today, a high quality of healthcare service and that it is important to our international standing to maintain that vital competitive edge. We agree that healthcare is a special kind of service, and as such it should be provided to anyone in need, regardless of ability to pay.

The financing choices laid out in the consultation document present a wide range of options, any one of which would contribute to raising the additional funds the government anticipates needing in the longer term. Yet, we find any one solution to be insufficient, and so prefer to choose from among the offerings, and to present one of our own: cost control.

Cost Control

Throughout the document are reasons why the price of healthcare may rise, and while we appreciate the efforts that have been made in recent years, there seems to be a sense that enough has been done, for now, and it is time to turn our attention to new financing sources. We feel there is still a need to keep an eye on costs.

As we have stated many times in the past, Hong Kong's narrow tax base and wide open economy makes it mandatory that we reduce the total cost of government to a sustainable level. We have repeatedly advocated doing so through the adoption of modern human resource management techniques such as pay for performance; through delayering the overly large Civil Service; and through a rationalization of the myriad of bureaucracies that may have outlived their usefulness. While the Hospital Authority itself has toned up in recent years, there is still room to improve on the efficiency with which we spend public funds elsewhere, and would wish to see that prioritised in the financing reforms.

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Opening the closed shop

In the healthcare field, the sustainable solution requires a clear understanding of the factors driving costs: people. On simple demographics alone, we cannot hope to supply all of the sectors of our economy with the talent they need to provide world class services at a reasonable price. So, we import the skills we need and grow what we can. Except, it seems, in healthcare.

Not being doctors ourselves, we have to rely on input from outside professionals. What we are told is that a fully licensed physician from well-recognized jurisdictions is considered to have no value to our public or private sector healthcare system. If a licensed doctor with a degree from a top university and years of experience under his or her belt wants to practice in Hong Kong, the mandatory first step is to sit through all of the relevant exams, and then undertake an internship.

Clearly, such a system cannot provide us with sufficient supply of trained nurses, surgeons and other experts. Considering the expected demand for nursing care for the elderly, this approach is not sustainable. Naturally, we understand that each jurisdiction has the right to establish its own licensing regime. However, it is not *necessary* to do so where the unintended consequences so heavily outweigh the supposed benefits.

Further, we note the heavy emphasis in the consultation document on the future high cost of drugs and technology. While we agree that such costs are rising, and are likely to continue to do so, they are not the problem. The vast majority of our spending today, and in the future, is for people. Expand the supply of qualified medical personnel, and the price of new equipment and pharmaceuticals will be well within a sustainable budget.

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Responses to specific suggestions for additional funding

0. Continued reliance on tax revenue. We believe this is desirable, but not feasible, as it would require both substantial cost reductions and a significant broadening of the tax base. We would not support, as some suggest, raising existing tax rates.

1. Broad-based health tax. While this option appeals to our strong bias in favour of broadening the tax base, it would be very difficult to develop a consensus in favour of such financing. We are also concerned that subsidies for low-income families would place a larger burden on the few who already pay taxes.

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2. User pays. We support the concept of raising user fees to better reflect the cost and value of service provided by the public sector, and we have often pointed to the principle of 'user pays' in addressing issues such as construction waste management. Moreover, we believe increasing user fees would encourage more 'customers' to make use of private sector care. Finally, the experimental \$100 minimum charge for out-patient services, we are told, reduced nonsense demands on staff time. This suggests that healthcare services are not valued highly enough, and points directly to user fees as part of the solution.

3. Medical savings scheme. We believe this approach is likely to pay dividends only well into the third or fourth decade of this century. Although few will willingly give up disposable income today in favour of shouldering additional costs in the future, we believe it is a responsible approach. We do feel we should point out that there is no risk-sharing element, which minimizes the benefits to those who most need care, and over-provides for those needing less care.

4. Voluntary health insurance. We would favour a scheme that encourages voluntary healthcare insurance, perhaps with an element of incentive attached to ensure adequate take-up. Good household financial management includes insurance cover for those aspects of life where the risk out-weighs the premium. And, as is the case elsewhere, those who do elect to purchase their own insurance should be permitted to use such funds in either the public or the private sector, without discrimination. Our own preference would be for minimal public sector subsidy for *primary* healthcare and maximum dependence on patients' own resources or insurance. As the cost and severity of care rises to the *secondary* level, there would be more of a balance between public subsidy and private insurance. At the *chronic or catastrophic* care level, where insurance is unlikely to be affordable or even available, public subsidies would remain much as they are today.

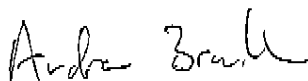
5. Mandatory healthcare insurance. A mandatory insurance product is likely to be favoured by many respondents for its simplicity and broad scope. We agree that a large pool will permit substantial risk sharing, and would expect mandated benefits to be broad enough to cater to the needs of a diverse society. While some employers may replace existing healthcare insurance with this mandatory policy, we believe it would provide a useful foundation for a program that includes higher user fees and perhaps some incentives for individuals to purchase voluntary "top-up" insurance. Once again, we would advocate universal acceptance of insurance coverage, and not just for private sector care.

6. Savings plus insurance. In the near term, a mandatory insurance scheme combined with higher user fees and voluntary top-up insurance would likely cover any shortage in funding. Over the longer period, a planned savings scheme may also contribute to better family financial planning.

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We hope that these views will help the Government formulate a programme under which our excellent healthcare services remain available to all who cannot afford them, at a cost that is both sustainable and broadly shouldered. We believe the way forward lies in a combination of higher user fees, lower cost of services, broader use of voluntary healthcare insurance and an element of mandatory basic coverage for families would give us the best chance of continuing to provide good quality care to everyone who needs it, regardless of ability to pay. We look forward to continuing to provide input when more specific details are brought forward for further consultation.

Yours sincerely,



Andrew Brandler
Chairman