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BY FAX 2840-0467 & BY MAIL

10 February 2015

Your Ref.: FHB/H/50/22

Dr Ko Wing Man  
Secretary for Food and Health  
17-19/F East Wing, Central Government Offices  
2 Tim Mei Avenue, Tamar  
Hong Kong

Dear Dr Ko

**Re: Public Consultations on Voluntary Health Insurance Scheme and Regulation of  
Private Healthcare Facilities**

Your letter dated 17 December 2014 on the above captioned refers. The attached document contains views and suggestions on the two policy proposals from The Chinese University of Hong Kong.

If you have any question, please do not hesitate to contact us.

Yours sincerely

Professor Joseph J. Y. Sung  
Vice-Chancellor and President  
The Chinese University of Hong Kong

Professor Francis K. L. Chan  
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## Consultation on Voluntary Health Insurance Scheme

### General view

The Chinese University of Hong Kong (CUHK) acknowledges the problems of the current dual-track healthcare system and the need for healthcare reform in Hong Kong. The ever increasing healthcare demand has flooded the entire healthcare system, in particular the public sector. Adjusting the public-private balance is a viable option to move to a more sustainable system in the future. We applaud the government's vision to build a more integrated and balanced healthcare system and for formulating the proposals in the 2 consultation documents on Voluntary Health Insurance Scheme (VHIS) and Regulation of Private Healthcare Facilities. The current consultation VHIS focuses on hospitalization and ambulatory procedures, which are the most expensive parts of healthcare expenditure for the government and the public. CUHK supports VHIS as a good first step in the readjustment of public-private balance. It is not going to solve the healthcare financing problem in Hong Kong, but is a necessary and important start. It can provide an alternative for Hong Kong people who are interested to use private hospital service under insurance cover. The vision to build a more integrated and balanced healthcare system also needs to address the structural problem of primary care being provided predominantly in the private sector and hospital care in the public sector. From the survey of the Hong Kong population in the Thematic Household Survey in 2013, 56.8% of the 2,093,100 consultations were attributed to private practitioners of Western medicine and 11.7% were consultations with private practitioners of Chinese medicine. Consultations in the out-patient departments of the Hospital Authority attributed 26.6% of all consultations [1]. From 2007 to 2013, the prevalence of chronic disease had increased from 16.7% to 19.2% [2]. With the ageing of Hong Kong's population, the prevalence of chronic disease is expected to increase further. Managing the expected demands on health services from multimorbidity will require systemic approaches to integrate primary care with secondary care and hospital services. Future investigation should be performed to adjust the public-private imbalance in outpatient and primary care of chronic diseases.

### VHIS Minimum Requirements and Premium

The 12 minimum requirements undoubtedly increase medical coverage of the public and transparency of the policy. The government needs to work with the insurance industry to ensure the feasibility of these minimum requirements. People who have pre-existing medical conditions are most benefited by the VHIS, and they may join the scheme within the first year of launch. People older than age of 40 with pre-existing medical conditions may not be covered starting from the second year. A detailed study of the impact of this policy needs to be made. There is a need to assess the probability of the proportion of patients with pre-existing medical conditions who would take up the VHIS in the first and subsequent years. If the take up rate is high, there will be an impact on the public funds needed for the high risk pool; if it is low, then it could negate the effect of shifting demands from the public to the private sector, as these people with pre-existing conditions would continue relying on the public sector and the



demands and pressures on public hospital services would not be eased. The sustainability of VHIS relies on the enrollment of young healthy people below 40 years old. The consultation document has a modest estimation of 3% increase in private insurance uptake in 2016 (to 26%), and 6% increase in uptake in 2040 (to 27%) as compared to the baseline scenario.

Based on the experience in the West, the uptake of voluntary private health insurance can range from 11% in the UK to 86% in France [3]. There is in general a negative relationship between premiums levels and the probability of having voluntary private health insurance. Most of the research of the current VHIS was based on similar systems in the West where the acceptance and willingness to pay was high; average household spent >2% of the annual income for the premiums in a study in Europe [4]. However, the situation in Asia may be different. A survey in Malaysia suggested the willingness to pay among people in the mid-high income brackets was <1% of their household income [5]. In 2011, the average household income in Hong Kong is HKD 242,400 [6]; the suggested average annual standard premium of HKD 3600 (in 2012 constant prices) is translated to 1.5% of the average household income. Tax reduction of HKD 450 will only reduce the premium to 1.3% of annual household income, which may not be a sufficient incentive for an average person in Hong Kong. Voluntary enrollment of the young population after year 2 of implementation may be affected by the relatively high premium. CUHK therefore recommends the government to investigate the willingness to pay among the young, healthy population in Hong Kong. A careful study on the balance of the amount of protection and the premium will be pivotal to the success of the VHIS. Mechanisms for cost control may also be required to keep premiums affordable.

#### High Risk Pool and Public Healthcare Financing

To encourage the insurance industry to accept high risk applicants, the use of public funding to set up a high risk pool (HRP) is justifiable. By 2040, VHIS may reduce the public inpatient discharge by 5% and inpatient bed days by 2%. Vast majority of Hong Kong people still rely on public hospital service. VHIS targets only the middle class segment. Based on the experience of countries under The Organization for Economic Cooperation and Development (OECD), private health insurance will increase overall healthcare demand, which offsets the shift in cost from public to private sector. In the OECD countries where private health insurance has been actively promoted by government as 'duplicate insurance', individuals with private health insurance have been shown to continue using public healthcare services [7]. With a minimal expected reduction in proportion of public healthcare expenditure in 2040 (53% to 52%) and inflation of healthcare expenses, CUHK recommends the government to review the assumptions of the projected impact of VHIS on public inpatient discharge and inpatient bed days and to keep full commitment in public healthcare financing even after the launching of the VHIS. A mechanism should be installed to monitor the utilization of public healthcare resources, which will serve as the basis for future adjustment of VHIS and healthcare financing system in Hong Kong.





#### Group Hospital Insurance

CUHK understands that the VHIS does not intend to cover a group policy being held by an employer for the benefit of its employees. Employer-provided group medical benefits are the second largest financing source of private health expenditure (only behind out-of-pocket payments), contributing more to the overall financing of healthcare system in Hong Kong than individually purchased insurance [8]. We suggest the government to take a closer look at the future possibility of better integrating the group policies into VHIS, as not only it represents a large market share, but the members currently covered are healthy productive individuals that would benefit the overall risk pool, if successfully migrated to VHIS. As one project conducted by CUHK researchers suggests, some employers welcome the idea and indeed this could lead to a win-win-win situation among government, employer and employees [9].

#### Supporting Infrastructure

CUHK acknowledges the increase in university intake of medical, nursing and allied health students since the academic year of 2012/13. This will increase the pool of new graduates of the healthcare profession to support the increasing demand. With a limited capacity of post-graduate training in public hospitals, CUHK recommends the government to support new initiatives in specialist training. On top of manpower, the government should also support the development of infrastructure of the private sector including beds numbers and healthcare facilities. The future teaching hospital of CUHK will be a unique model integrating doctor training and private patient service. In 2040, the private sector is estimated to expand by 36% with the launch of VHIS. A significant portion of healthcare workers may move from the public to the private sector and as the doctor to patient ratio is lower in the private sector than the public sector, accurate manpower projection with regular monitoring is mandatory for the sustainability of the dual-track healthcare system in Hong Kong.

#### Regulation of VHIS

CUHK supports the establishment of a regulatory agency under Food and Health Bureau to overlook claim disputes of the VHIS. Careful auditing and transparent reporting of cost to run the regulatory agency is recommended. The resolution of claims can be very expensive, and will involve both legal and medical expertise. CUHK recommends the government to monitor closely the resources and expenses required and minimize drainage of public money into litigation processes.

#### Consultation on Regulation of Private Healthcare Facilities

CUHK welcomes the proposed regulation of private healthcare facilities as patient safety should be set as the first priority of all healthcare services. In fact, public hospitals under Hospital Authority and many private hospitals have joined the accreditation of the Australian Council of Healthcare Standards (ACHS). Based on Australian experience in the accreditation of healthcare organizations, the success of the



program is strongly linked to the mindset of people; a mindset that the regulation is an opportunity to improve with external resource rather than a burden to the organization [10]. While private hospital may have the resources to comply with these regulations, the government should work with different stakeholders including medical group and clinics on the implication of resources and real-life feasibility of the proposed regulations. In the present proposal, clinical audit and credentialing of doctors are not required for facilities providing high-risk medical procedures in ambulatory setting. For patient safety, mechanisms for clinical audit and credentialing should be investigated for all doctors or facilities performing high risk procedures. The government should also support and facilitate the operation of private ambulatory service units that can comply with the proposed regulations.

#### Complementary Strategy for a More Integrated and Balanced Healthcare System

The Government policy for public private partnership is a critical strategy to build a more integrated and balanced health system. Impressive progress has been made in the development and piloting of several programmes. Academics within the Faculty of Medicine of the University have been researching these initiatives to identify factors which would be critical for the success of the strategy [11, 12]. We have also conducted policy courses in conjunction with the World Bank Institute and the Asia Network for Capacity Building in Health Systems Strengthening for Senior Officials in the Region to provide them with the skills to both engage the private sector and in applying policy instruments which will enable the private sector contribute to health system goals [13]. Hong Kong shares many of the challenges of the jurisdictions in Asia with a mixed health system of public and private financing and delivery. Much more research and study needs to be done the strategy of public-private partnerships is to realize its potential of enabling a more integrated and balanced health system. CUHK recommends the government examine how this important and critical research should be structured and funded as a priority.

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