Supplementary financing in Hong Kong’s mixed health care economy – Health Protection Scheme

Mr. Chris Sun
Head, Health Care Planning and Development Office
Food and Health Bureau
HKSAR Government
29 June 2012

The Life Underwriters Association of Hong Kong
Overview of HK’s Health System

- Macro-organisation
- Health outcomes
- How much we spend on health
- International comparison
- Breakdown of HK’s health spending by financing sources
### Macro-organisation of the HK Health System

**System**
- **Funding sources**
  - **Government general revenue**
  - **Minimal out of pocket fees (waived for the indigent)**
  - **Private insurers/ MCOs**

**Purchasers**
- **Department of Health & Centre for Health Protection**
  - Disease prevention and control (communicable and non-communicable diseases)
  - Elderly health
  - Health education
  - HIV/AIDS service
  - Maternal and child health
  - Port health
  - Student health
  - Tobacco control
  - Tuberculosis service

**Providers**
- **Hospital Authority**
  - 41 hospitals
  - GOPCs, SOPCs
  - (predominantly Western allopathic medicine)

**Consumers**
- **General population**
- **Universal coverage**
- **Public Health**
- **Personal Health Care**

**Market share**
- #Inpatient (bed-days) (admission): 90% 80%
- #Overall outpatient incl. TCM: 30%

### Funding sources

- **Public** (Food and Health Bureau)
- **Private**
  - Employers
  - Individuals

### Providers

- **Western allopathic medicine (75%)**
- **Chinese medicine (11%)**
- **Dental medicine (11%)**
- **Laboratories (3%)**

### Consumers

- **Public Health Personal Health Care**
  - **General population**
  - **Universal coverage**
  - **Public**
  - **Private**
- **Market share**
  - #Inpatient (bed-days) (admission): 90% 80%
  - #Overall outpatient incl. TCM: 30%

Source: *Hong Kong’s Domestic Health Accounts 2008/09, Hospital Authority, Department of Health 2009/10*
### Hong Kong’s Population Health Facts 2011

<table>
<thead>
<tr>
<th>Health Indicator</th>
<th>2011 Provisional</th>
<th>2039 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Birth Rate (per 1,000 mid-year population)</td>
<td></td>
<td>12.5*</td>
</tr>
<tr>
<td>Crude Death Rate (per 1,000 mid-year population)</td>
<td></td>
<td>6.0*</td>
</tr>
<tr>
<td>Infant Mortality Rate (per 1,000 registered live births)</td>
<td></td>
<td>1.3#</td>
</tr>
<tr>
<td>Life Expectancy at Birth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male (2011, provisional)</td>
<td>80.5</td>
<td></td>
</tr>
<tr>
<td>Female (2011, provisional)</td>
<td>86.7</td>
<td></td>
</tr>
<tr>
<td>Male (2039, projected)</td>
<td>83.7</td>
<td></td>
</tr>
<tr>
<td>Female (2039, projected)</td>
<td>90.1</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Department of Health, Census and Statistics Department
*2010 figures
# 2011 provisional figure
How we compare with other jurisdictions

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Expenditure on Health as Percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>16%</td>
</tr>
<tr>
<td>France</td>
<td>14%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>10%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>8%</td>
</tr>
<tr>
<td>Singapore</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: OECD Health Data; World Health Statistics 2011 and Hong Kong Domestic Health Accounts

Note:
The ratio of Hong Kong’s public health expenditure to GDP should also be considered in conjunction with its low tax regime and stringent control on government expenditure for the sake of fiscal prudence. The public health expenditure as percentage of total tax revenue in Hong Kong is higher than the corresponding figures for most other economies under comparison. This reflects the Government’s ongoing commitment to healthcare.
Hong Kong has spent relatively less on health compared to OECD countries.
...although public spending is commensurate with the different levels of public revenue between countries
**Health spending by financing source**

![Chart showing health expenditure by financing source from 1989/90 to 2008/09. Key points:
- Government expenditure.
- Employer-provided group medical benefits.
- Private insurance.
- Household out-of-pocket payment.
- Others.

Source: Hong Kong's Domestic Health Accounts 1989/90 – 2008/09.
Health spending by healthcare function and financing source (2008/09)

- Inpatient curative care: 63% Public, 37% Private
- Day patient hospital services: 87% Public, 13% Private
- Ambulatory services: 36% Public, 64% Private
- Home care: 93% Public, 7% Private
- Rehabilitative and extended care: 97% Public, 3% Private
- Long-term care: 81% Public, 19% Private
- Ancillary services to health care: 71% Public, 29% Private
- Medical goods outside the patient care setting: 8% Public, 97% Private
- Prevention and public health services: 92% Public, 8% Private
- Health programme administration and health insurance: 10% Public, 90% Private
- Investment in medical facilities: 61% Public, 39% Private

Source: Hong Kong’s Domestic Health Accounts: 2008/09
## Total Health Expenditure by Financing Source, 1989/90-2008/09 (HK$ Million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>7,749</td>
<td>15,844</td>
<td>25,316</td>
<td>35,800</td>
<td>39,152</td>
<td>37,090</td>
<td>38,828</td>
<td>41,257</td>
<td>9.2%</td>
</tr>
<tr>
<td>PHI</td>
<td>2,337</td>
<td>3,620</td>
<td>6,013</td>
<td>8,197</td>
<td>8,110</td>
<td>8,394</td>
<td>10,883</td>
<td>11,752</td>
<td>8.9%</td>
</tr>
<tr>
<td>Individually purchased PHI</td>
<td>263</td>
<td>419</td>
<td>1,336</td>
<td>2,188</td>
<td>2,721</td>
<td>3,284</td>
<td>4,721</td>
<td>5,417</td>
<td>17.3%</td>
</tr>
<tr>
<td>Employer-provided PHI</td>
<td>2,074</td>
<td>3,201</td>
<td>4,678</td>
<td>6,008</td>
<td>5,388</td>
<td>5,110</td>
<td>6,162</td>
<td>6,335</td>
<td>6.1%</td>
</tr>
<tr>
<td>Out-of-pocket</td>
<td>9,215</td>
<td>14,379</td>
<td>19,011</td>
<td>21,466</td>
<td>21,055</td>
<td>22,107</td>
<td>27,916</td>
<td>29,850</td>
<td>6.4%</td>
</tr>
<tr>
<td>Others</td>
<td>370</td>
<td>375</td>
<td>993</td>
<td>926</td>
<td>568</td>
<td>619</td>
<td>1,734</td>
<td>1,532</td>
<td>7.8%</td>
</tr>
<tr>
<td>Total</td>
<td>19,671</td>
<td>34,217</td>
<td>51,334</td>
<td>66,389</td>
<td>68,884</td>
<td>68,211</td>
<td>79,361</td>
<td>84,391</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

Source: Hong Kong’s Domestic Health Accounts 1989/90 – 2008/09
The Need for Reform

- An ageing population
- Escalating health expenditure projection
- Public-private imbalance
- Long-term sustainability of our health system
A growing population with changing demographics

Projected total population, 2009-2039

Source: Hong Kong Population Projections, 2010-2039, Census and Statistics Department
Figures may not add up due to rounding
Our population is ageing markedly

![Elderly dependency ratio, 2009-2039](image)

Note
Our population is expected to remain on an ageing trend. The proportion of the population aged 65 and over is projected to rise markedly from 13% in 2009 to 28% in 2039. On the other hand, the proportion of the population aged under 15 is projected to be between 11% to 13% throughout the entire projection period.

The changing age structure of the projected population can also be seen from variation in the elderly dependency ratio. This is defined as the number of persons aged 65 and over per 1,000 population aged between 15 and 64. The ratio is projected to increase from 171 in 2009 to 454 in 2039.

Source: Hong Kong Population Projections, 2010-2039, Census and Statistics Department
HK’s health expenditure projected to continue to rise as a share of the economy

Health expenditure as % of GDP 1990 - 2033

Past Health expenditure in HK in 1990 - 2004

Projection Health expenditure in HK in 2005 - 2033

Total health expenditure

Public health expenditure

Private health expenditure

Source: Hong Kong’s Domestic Health Accounts: 1990 - 2004
Financial projection of Hong Kong’s total expenditure on health from 2004 to 2033
Public Private Imbalance

Source:
(1) Inpatient (secondary & tertiary care): “Public-private share by in-patient bed day occupied in 2010” from HA and Dept of Health
### Fees and Charges for Eligible Persons

<table>
<thead>
<tr>
<th>Service</th>
<th>Fees</th>
<th>Cost</th>
<th>Subsidized Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accident &amp; Emergency</td>
<td>$100 per attendance</td>
<td>$700</td>
<td>86%</td>
</tr>
<tr>
<td>In-patient (general acute beds)</td>
<td>$100 per day</td>
<td>$3,790</td>
<td>97%</td>
</tr>
<tr>
<td>In-patient (convalescent, rehabilitation, infirmary &amp; psychiatric beds)</td>
<td>$68 per day</td>
<td>$1,460</td>
<td>95%</td>
</tr>
<tr>
<td>Specialist out-patient</td>
<td>$100 (1st attendance) $60 (subsequent attendance)</td>
<td>$530</td>
<td>81%-89%</td>
</tr>
<tr>
<td>Specialist out-patient (drug)</td>
<td>$10 per drug item</td>
<td>$120</td>
<td>92%</td>
</tr>
<tr>
<td>General out-patient</td>
<td>$45 per attendance</td>
<td>$250</td>
<td>82%</td>
</tr>
</tbody>
</table>
Healthcare Reform in HK

• Chronology of public consultations on healthcare reform
• Supplementary healthcare financing reform
• Health Protection Scheme
  – Key features
  – Work plan for implementation
A historical timeline of public consultations
Healthcare Reform: Enhancing Services on a Sustainable Basis

**Healthcare Reform**

- **Health Protection Scheme**
  - **Second Stage Public Consultation**
    - Introduce supplementary financing
    - Strengthen healthcare safety net
    - Promote public-private partnership
    - First Stage Public Consultation
      - Enhance primary care
      - Develop electronic health record

**Sustainable Healthcare System:**
- Provide holistic primary care
- Provide more quality choices
- Provide lifelong health protection
- Continue partnership for health

*My Health  My Choice*
Voluntary Private Health Insurance Preferred

<table>
<thead>
<tr>
<th>Option</th>
<th>Strongly Agree / Agree</th>
<th>Strongly Disagree / Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax increase</td>
<td>35%</td>
<td>42%</td>
</tr>
<tr>
<td>Social health insurance</td>
<td>40%</td>
<td>39%</td>
</tr>
<tr>
<td>Personal healthcare reserve</td>
<td>42%</td>
<td>30%</td>
</tr>
<tr>
<td>Mandatory private health insurance</td>
<td>44%</td>
<td>31%</td>
</tr>
<tr>
<td>Out-of-pocket payments</td>
<td>47%</td>
<td>35%</td>
</tr>
<tr>
<td>Medical savings accounts</td>
<td>58%</td>
<td>25%</td>
</tr>
<tr>
<td>Voluntary private health insurance</td>
<td>71%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: Opinion Poll on Healthcare Reform and Financing, March to August 2008
Population Coverage of PHI, 2005 to 2009

Source: Thematic Household Survey 2005 and 2009
Health Protection Scheme:
Voluntary and Government-Regulated

HPS benefits everyone

Health insurance:
- Accessible to all
- Guaranteed renewal
- Fully portable
- Transparent premium
- Consumer protection

Private healthcare:
- Increase capacity
- Quality assurance
- Healthy competition
- Transparent pricing
- Consumer confidence

Public healthcare:
- Safety net for all
- Queue relief
- Needy groups
- Acute & emergency care
- Catastrophic care

Healthcare system:
- More choices and better protection
- More sustainable development

My Health My Choice
HPS Complements Public Health System

4 Core Targets:
• Acute and emergency care
• Care for low-income and under-privileged groups
• Catastrophic illness requiring professional team work, advanced technology and high cost
• Training of healthcare professionals

* Recurrent expenditure on health as a share of the Government’s total recurrent expenditure
## Health Protection Scheme – What it is (is not)

<table>
<thead>
<tr>
<th>HPS is …</th>
<th>HPS is not …</th>
</tr>
</thead>
<tbody>
<tr>
<td>A <strong>supplementary financing</strong> option for more effective use of private health expenditure, with a positive effect on the sustainability of long-term healthcare financing</td>
<td>Not a panacea that can solve the long-term healthcare financing problem completely given its voluntary nature</td>
</tr>
<tr>
<td>A <strong>regulated scheme</strong> to promote value-for-money services and enhance consumer protection in the private healthcare insurance and healthcare markets</td>
<td>Not a reduction of public health expenditure or public healthcare services which remains the safety net for all</td>
</tr>
<tr>
<td>A measure to facilitate <strong>healthcare service development</strong>, enhance service capacity, competition and transparency in private healthcare, relieve pressure on public system, and enhance sustainability of healthcare system</td>
<td>Not a once-and-for-all scheme – it requires continued monitoring and adjustment, including the use of the $50 billion fiscal reserve set aside</td>
</tr>
<tr>
<td>Health insurance plans under Health Protection Scheme</td>
<td>Private health insurance plans generally available in the market</td>
</tr>
<tr>
<td>------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Guaranteed renewal for life</td>
<td>Yes</td>
</tr>
<tr>
<td>Coverage for pre-existing conditions</td>
<td>Increasing protection after waiting period</td>
</tr>
<tr>
<td>Portability of insurance policies</td>
<td>Yes</td>
</tr>
<tr>
<td>Upfront certainty of protection &amp; charges</td>
<td>Yes (packaged charging based on diagnosis-related groups (DRG))</td>
</tr>
<tr>
<td>High-Risk Pool reinsurance</td>
<td>Yes</td>
</tr>
<tr>
<td>No-claim discount</td>
<td>Yes</td>
</tr>
<tr>
<td>Premium adjustment</td>
<td>With published guidelines</td>
</tr>
<tr>
<td>Standardised terms and conditions</td>
<td>Yes</td>
</tr>
<tr>
<td>Govt-regulated claims arbitration mechanism</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Health Protection Scheme – Coverage

HPS Plans

Core requirements

Hospital admissions or ambulatory procedures

Chemotherapy or radiotherapy for cancer

Associated specialist services and advanced diagnostic imaging

Top-up
Better amenities and higher benefit limits

Top-up
Other services not covered by Standard Plans, e.g. general out-patient, dental care, maternity, etc.

Top-up
Specialist services and advanced diagnostic imaging in general
Health Protection Scheme – Migration of Existing Health Insurance

Insurer to offer renewal into HPS Plans

Plan A → Standard Plan

Plan B → Standard Plan with top-up

Plan C → Standard Plan with top-up

My Health My Choice
Health Protection Scheme – Access for Higher Risk Groups

### Higher Risk Groups to Access HPS

<table>
<thead>
<tr>
<th>Lower risk / premium</th>
<th>Proposal</th>
<th>Higher risk / premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower accessibility</td>
<td>1-year waiting period; reimburse 25% in 2nd year; 50% in 3rd year; 100% after 3rd year</td>
<td>Shorter period for full cover Higher ratios for reimbursement</td>
</tr>
</tbody>
</table>

#### 1. How long should people with pre-existing conditions wait to be covered?
- Longer waiting period
- Lower ratios for reimbursement

#### 2. How much more premium should people with higher risks pay?
- Higher premium cap
- Lower reinsurance

#### 3. How may the elderly get health insurance?
- Set upper age limit for entry
- 65+ may join within 1st year with no cap on premium plus loading

Apply premium cap Higher reinsurance

My Health My Choice
Health Protection Scheme – Provider Payment

Reimbursement of medical fees

**Scenario 1: Packaged charging**
- Check private hospital for packaged charging
- Check insurer for coverage and co-payment
- Certain coverage and transparent co-payment upfront
- Insurer pays private hospital and charges patient for co-payment

**Scenario 2: Itemized charging**
- Check itemized benefit schedule of insurance plan
- Check with private hospital for medical fees
- Do not know in advance how much would be charged and how much extra payment needed
- Patient pays private hospital first, then gets reimbursement from insurer and foots the difference
Future Roadmap–Three-pronged Action Plan

Health Protection Scheme

Health Care Manpower and professional Development
(Manpower Supply, Professional Qualities, Regulatory Structure)

Supervisory Framework for HPS
(Legislative Proposal, Statutory Framework, Financial Incentive)

Healthcare Service Development
(Private Hospitals, Market Competition, Packaged Charging)
Oversee scheme implementation and operation, and monitor achievement of scheme objectives

Proposed supervisory structure:

- **Prudential regulation**: a regulator (Office of the Commissioner of Insurance) to supervise financial soundness and capability of insurers, ensure that they could discharge obligations to the insured, and oversee complaint handling mechanisms applicable to insurance in general

- **Quality assurance**: an authority (Department of Health) to supervise quality and standards of hospital services, oversee hospital accreditation and clinical audits, collect benchmarking information and statistics, and carry out other quality assurance measures

- **Scheme supervision**: a new dedicated agency to supervise scheme implementation and operation - product registration, regulation of health insurance products, collecting pricing and costing information, compiling pricing and costing information of healthcare service, and administering claims arbitration mechanism

Require legislative changes to support implementation of these supervisory functions
A Working Group has been set-up to make recommendation:

- HPS Authority: the supervisory body for the governance and overseeing of corresponding insurance products, policy provisions in relation to the high-risk pool and the dispute/mediation mechanism.
- Measures to safeguard public interest and long-term viability of the scheme allowing for mitigation of potential risks against the HPS.
- Standard Plan: plan benefit coverage, co-payment requirements and standardized terms and conditions.
- Operation: rules and mechanism in support of the operation of HPS
- Public Subsidy: effective use of the government earmarked reserve.

A Consultant has been appointed to make quantitative proposals allowing for current market situation in support of the Working Group

This is expected to complete by mid-2013.
• **Healthcare Manpower Planning**
  – A Steering Committee was established to have a strategic review and make recommendations on healthcare manpower planning and professional development in Hong Kong.
  – Manpower needs aside, the review will also recommend measures to upkeep the professional standard and qualities under medical professional disciplines.
  – Both the University of Hong Kong and the Chinese University of Hong Kong have been engaged on the required quantitative modelling and survey of the regulatory framework to allow for local and international contexts.
  – This is expected to complete by mid 2013.
Healthcare Service Development

- **Private healthcare capacity**
  - Implementation of the HPS requires corresponding expansion in the capacity of the private healthcare sector both in terms of allowing for adequate amenities and ensuring quality supply of professional.

- **Private hospital development**
  - Government has reserved four pieces of land for development of private hospitals to increase overall capacity of the healthcare system
  - The open tender of two of them has already commenced in April.
  - Government will also review the corresponding regulations of private hospitals to safeguard consumer rights and quality of service level.
Thank You