



Hong Kong Private Hospitals Association

Submission from the Hong Kong Private Hospitals Association

Re: Voluntary Health Insurance Scheme Consultation Document

Introduction

The Hong Kong Private Hospitals Association (HKPHA) comprises all 11 private hospitals in Hong Kong, with the Mission that “Through effective clinical governance, external accreditation, mutual encouragement and cooperation, the Private Hospitals Association strives to attain and maintain excellence in health care for the benefit of the community.”

Overall Comments

As the Government’s policy is towards healthy development of our dual-track health care system, the HKPHA fully supports the objective of the proposed Voluntary Health Insurance Scheme (VHIS) to serve as a supplementary financing arrangement in redressing the public-private balance. We also endorse the direction towards better regulation of the private health insurance market in Hong Kong, which at present is the least efficient among the advanced countries studied by the consultants, in terms of the 36% Expense Loading i.e. premiums spent on administrative cost, profit and commissions rather than reimbursement to patients.

Specific Comments

(1) Impact to Patients

The HKPHA supports the direction of mandating minimal standards for individual health insurance coverage in the proposed VHIS. At present, many patients in need of health insurance are excluded because of pre-existing conditions, or deterred because of exorbitant premium, high levels of copayment/deductibles, or inadequate benefit coverage limit. Without health insurance coverage, they are often forced to utilize the over-burdened public system.

These problems are addressed through the mandatory features of the Standard Package. Benefits to patients include guaranteed acceptance and renewal, no lifetime benefit limit, coverage of pre-existing conditions and cancer, portability, High Risk Pool etc. At the same time, the voluntary nature means that people have a choice to join or not. We fully support the spirit of the VHIS in enhancing patients’ choice and accessibility to private healthcare for the improved access and quality.



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(2) Impact to Society

The HKPHA welcomes the introduction of the VHIS because it represents additional resource injection from individuals, which will serve to enhance financial sustainability of Hong Kong's health care system. Diversion of patients to the private sector will also relieve the long queues and manpower shortage in the public sector.

Another major benefit to society should derive from the greater transparency and anticipated drop in the Expense Loading of insurance products. Through mandating minimal standards across all individual health insurance products, the scheme will enhance consumers' ability to compare meaningfully, which should improve market competition. We note with concern the very high level of 36% Expense Loading in the existing health insurance market. We call upon the government to stipulate reduction targets to achieve in the future. We consider it reasonable to at least benchmark with the 20% Expense Loading level of the United States, even though figures for European countries may be even lower.

(3) Impact to Providers

The HKPHA has examined the capacity of private hospitals taking into account new hospitals and expansion projects of existing hospitals in the pipeline. We confirm that private hospitals have adequate capacity to absorb the projected channeling of 5% public patients to the private sector. Currently, private hospitals are fully capable of dealing with myriads of rules and reimbursement mechanisms arising from the different types of insurance coverage of our patients. We should have no problem accommodating the requirements of the VHIS, which may even streamline some processes.

In line with our submission on the Regulation of Private Healthcare Facilities consultation document, we wish to reiterate our stance regarding paragraph 7.17 of the present document. While the HKPHA fully embraces the principle of price transparency and are moving forward in disclosing historical pricing as well as fee schedules, it is technically difficult if not impossible for hospitals to quote the total hospital fees for patients, which are largely determined by the doctors. Also, any such total estimates should be properly called "estimates", as opposed to "quotes" such as for charges of bed days or certain investigations.



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(4) Financial Incentives

The HKPHA considers that to make the scheme successful, it is important to target as wide participation by citizens as possible. As all insurance schemes thrive on risk pooling, incentives to attract low risk individuals i.e. the young and fit, are crucial. We consider that the proposed tax reduction may not be an adequate incentive, since the majority of the working population does not have a heavy tax burden to begin with. We also note with concern that the earlier Government reserve of \$50 billion to support the scheme is now reduced to just \$10 billion to support the High Risk Pool, which few if any of the young and fit would consider themselves benefiting from. The end result may just be attracting those who would genuinely benefit from the High Risk Pool i.e. high risk individuals, thus defeating the purpose of risk pooling. Such a situation will only lead to rapid escalation of premium with time, thus compromising the sustainability of the VHIS. We strongly suggest the Government consider injecting part of the reserved fund to incentivize individuals as premium subsidy, to make the scheme viable.

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March 2015