



24/03/2008 18:27

To beStrong@fhb.gov.hk

cc

bcc

Subject Recommendations on the healthcare reform
consultation document

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Dear Sir / Madam,

Please refer to the attached file for my
recommendations on the healthcare reform consultation
document for your consideration.

I have no objection for you to published my view but
please don't show my name and contacts.

Should you require further elaboration of my
recommendation, please feel free to contact me either
thro' email or phone.

Thank you very much for your attention and hope that
you would find my recommendation feasible.

Regards,
Citizen of Hong Kong

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Recommendations on the healthcare reform consultation document

We could not deny that none of the option can solve the problem and all options have their owns pros and cons. Therefore, If the government decided to implement either of the alternatives in order to finance the medical health care system of Hong Kong, I think that **encouraging the public to purchase the private health insurance is the most appropriate way to achieve the goals.**

I think that the best financing option should be sustainable in long-term, and equitable and accessible to all members of the community. From my point of view, it should also reduce the financial burden of the Hong Kong Government and strengthen the long term financial sustainability of the public health care system. On the other hand, **I considered that the government should take up the burden of the low income group, and the fees and charges of public health care services should be raised up to a reasonable level.** By taking these considerations, I consider that private health insurance is the best way of financing the health care system in Hong Kong.

I believed that the private health insurance could provide comparatively sufficient fund for the policyholders depends on the plan which is chosen by the public. It is because insurance is a social device which seeks to transfer the risk which is upon the individual to the whole insuring group. This involves a consideration, or payment, called a premium, into a fund managed by the insurer, so that insured

losses for the unlucky few members of the group may be compensated from the accumulated contributions. It could generate more fund by pooling of risk and spreading of risk. As the private health insurance also impose a policy excess, sometimes called a deductible, this is a policy provision which excludes liability for loss or damage up to the stated amount. Public may to shoulder up 20% of the medical expense incurred, therefore, to avoid any abuse of medical service and irresponsible usage of the insurance. **The government would incur a large amount of administration cost whenever a mandatory scheme is lauched, therefore, in order to avoid it and let the market to make the best choice, market mechanism, therefore, we suggested the private medical health insurance should not be make mandatory,** in contrast, it should leave it private. Just like the minimum wage rate, I considered that we should not impose minimum wage rate and the free market would reach the optimize wage rate automatically.

Table A Summary of Comparison of Health Protection Accounts (HPA) and Private Health Insurance (PHI)

Criteria	Comparisons	
	HPA	PHI
1. Sufficiency of funding	Insufficient 1% contribution can only cover 4% of actual health costs	Sufficient Insurance would offer higher and wider coverage than HPA

		depends on the plan offered
2. The function of risk pooling	Saving scheme with no horizontal pooling of risk	With pooling of risk
3. Adequacy of protection for patients suffering chronic disease	Inadquate, may need to rely on safety net	Adquate as the insurance would cover chronic disease
4. The problem of moral hazard	Emergence of demand side moral hazards, people less care about their health and in turn produce burden to health care system	People would aware the cost for health care as they have to burden their cost for excess
5. Administration cost	High administration cost may incur for collecting and distributing resources	No additional administration cost incur as no government intervention at all, the existing office of the commissioner of insurance and consumer council already taken up the

		monitoring role
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In order to work out the private health insurance to the public, the HK Government, Individuals and Insurance Companies have their own responsibilities. The following are the assumptions and proposal for each party:-

The Hong Kong Government

1. The government should take up the burden of the medical expense of the low income group;
2. Tax reduction or deductible offered to those insurance companies and individuals who offered or subscribed a private health insurance (just like the tax deductible for study, MPF). In order to encourage the public to purchase insurance and the insurance companies to provide an adequate cover to the public.

Individual

1. Affordable individuals could purchase a private health insurance to cover the their own medical expenses with tax deductible / exemption.

Insurance Company

1. According to statistic extracted from thematic household survey report no. 12 of census and statistic department in July 2003, there is around 2,974,600 persons or 45.7% of the population of Hong Kong

were entitled to medical benefits provided by employers / companies or covered by medical insurance purchased by individuals or had both kinds of medical protection. Over 80.9% of the population of Hong Kong would consult private doctors.

2. By using the cost and benefit analysis, when the public aware that the benefit they could enjoy is much higher than the expense they paid for the medical insurance, just like life insurance, although there are no tax reduction or any encouragement from the government but the people would purchase a life insurance to financially secure their successor or his or herself. According to statistic extracted from thematic household survey report no. 9 of census and statistic department in Nov 2002, the survey showed that of the 5,371,200 persons aged 18 and over in Hong Kong at the time of enumeration, 37.7% had purchased their own life insurance policies at the time of enumeration. **Therefore, if the insurance industry could offer a comprehensive medical insurance to the public at a reasonable price, we think that it could attract more affordable person to purchase insurance.**

3. I propose the private medical insurance should be comprehensive and with adequate coverage, the plan should be:

- Recommend to start purchase of this insurance at aged 18-23.
- The individual need to contribute premium to the insurance policy for 15 years and the insurance will take effect upon his retirement. No more premium are required to contribute after the 15 years. (the

insurance company will have plenty of time to generate sufficient funds to meet the forecoming medical claims, just like the whole life insurance).

- The medical plan should cover in and out patient
- The insurance plan should provide protection up to the age of 100 or longer
- The insurance plan should not be terminate by the insurance companies once accepted unless:
 1. the insured made no premium payment
 2. the date communicated to the policyholder by the company by virtue of war, act of war, where such date shall be at the discretion of the company.

Example :

A male named LEE Kin-hong, aged 25, he choose to purchase a private medical insurance from an insurance company in Hong Kong. He need to contribute HK\$800 per month for 15 years until aged 40. At his 40 years old, he already contributed HK\$144,000. He then let the fund run and kept by the insurance company until 65 at which he will be retired. Thereafter, he don't need to pay anymore premium to the insurance company but he could enjoy the pre-selected insurance benefit offered by the medical insurance until 100 years old or longer.

By promoting and introducing the private health insurance, we strongly believe that the increasing medical expenditure burden due to

the ageing population could be relax by shifting the burden to the affordable individuals and private insurance industry. Besides, the imbalance between the public and private medical sectors will also be solved as when the public subscribed the private health insurance, they are more likely to go to consult private doctor or hospital instead of public, as it is more customer oriented and save time. At a result, the financial burden would then shift to the pool of the insurance policy holders and the private insurance industry.

By , dated 24 March 2008.