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Subject Healthcare Reform comments

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To Whom It May Concern,

Attached is my short comments on the healthcare reform

Regards,  
Eric

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healthcare-reform-2008-response.pdf

e-mail: [beStrong@fhb.gov.hk](mailto:beStrong@fhb.gov.hk) before Jun 13

The followings are excerpted from the section "Lemons, health care, and the United States" in Tim Harford's book *The Undercover Economist*

"The superficial reasons are simple enough to describe: the system is hugely expensive, very bureaucratic, and extremely patchy. The expense first: US health care costs a third more, per person, than that of the closest rival, super-rich Switzerland, and twice what many European countries spend. The United States government alone spends more per person than the combination of public and private expenditure in Britain, despite the fact that the British government provides free health care for all residents, while the American government spending program covers only the elderly (Medicare) and some of the marginalized (Medicaid). Most Americans worry about health-care costs and would be stunned to discover that the British government spends less per person than the American government but still manages to provide free health care for everyone. In fact, if you figure in the costs of providing health insurance to government employees and providing tax breaks to encourage private health care, the US government spending on health care, per person, is the highest in the world.

Bureaucracy next. Researchers at the Harvard Medical School found that the administrative costs of the US system, public and private, exceed \$1,000 per person. In other words, when you count all the taxes, premiums, and out-of-pocket expenses, the typical American spends as much on doctor's receptionists and the like as citizens of Singapore and the Czech Republic spend on their entire medical care. Both places are countries with health outcomes very similar to those in the United States: life expectancy and "healthy life" expectancy (a statistic that distinguishes a long healthy life and a long life plagued by years of severe disability) are a shade lower in the Czech Republic than in the United States; and in Singapore they are a little higher than in the United States. The costs of US bureaucracy is also more than three times the \$307 cost per person for the administration of the Canadian health system, which produces noticeably superior health outcomes.

Then there is the patchy coverage of the system. Health insurance is usually packaged together with a job, which reduces the efficiency of the labour market; workers are hesitant to quit their jobs without lining another job up first for fear of being uninsured. Worse, 15 percent of citizens have no insurance coverage of any kind – which should be a stunning statistic for the world's richest economy, but probably isn't because it has been lamented for so many years. Compare it to Germany, where 0.2 percent of the population has no coverage, or to Canada or Britain, where everyone is provided for by the government.

Given what we have learned from George Akerlof and his lemons, the troubles of the US health-care system should be no surprise. We should expect a voluntary private insurance system to be patchy. A few people who have more pressing costs than health insurance (for example, the young poor, who have little money and rightly expect that they are unlikely to become seriously ill) will drop out of the system. As a result, health insurance companies, needing to cover their costs, will raise the premiums for the average client, driving out more and more people. Unlike the very stark lemons model, the market does not completely collapse; this is partly because many people find that the risks of having to pay for medical treatment are so worrying that they're willing to pay substantially more than an actuarially fair premium. As a result, the process of unravelling stops, but not before many people have been excluded from the system.

Thanks to Spence and Stiglitz, we should also expect insurance companies to devise ways to get around this lemons problem, but that although the solutions may be effective they will probably also be wasteful. The huge bureaucratic burden of the US system is one of the results, as insurance companies struggle to monitor the risks, behaviour and expenses of their customers. The clunky linkage of health insurance with jobs is another result: at first sight, there is no reason why a job should come with health insurance, any more than it should come with a house or free food. Employees are frequently forced to buy the health insurance that is packaged with their job. This packaging compels the healthiest members of society to buy insurance packages and so come cheap: health-care plans are not chosen by their beneficiaries, who would aim to get the ideal coverage for the right price, but by human resource managers with other priorities, such as making their own lives easy with a "one-size-fits-all" bulk purchases. The result is likely to further wasteful spending.

Not every drawback of the US health-care system should be blamed on Akerlof's lemons problem. Even without the difficulty of inside information, the system of insurance is problematic, because patients are

not always able to choose their treatment. With the insurance company picking up the bill, choosing the appropriate treatment is always going to be something of a matter of negotiation. When you ask somebody else to pay for your health care, don't be surprised if you don't get exactly what you would have chosen yourself"

I don't know if the data and the situation in the above excerpt is very reliable or up-to-date, but I think the concerns should also apply to the reformed healthcare system in Hong Kong. We don't want to use our money just to create jobs for some other people and let them exploit the system.

Mandatory personal savings is not very practical. For example, people who install and use Linux knows that if the harddisk size is too small, say 1GB, it is better to use the whole harddisk as one partition to store the various system and user files. If you divide the small harddisk into several partitions, you can only re-format the whole harddisk if you find that you won't have enough space for certain partitions.. If you have 30 GB harddisk space, you can create 300MB for the boot files /boot, 10G for the system files /, 4G for the temporary files /tmp, 4G for the log files /var and 12G for the user file /home. The creation of fixed size partition is similar to the MPF and mandatory personal savings. What's the point to save money for your retirement if you don't have enough money to cure disease and won't live long enough for retirement?