36D One Robinson Place
70 Robinson Road
Mid-levels
Hong Kong

3 June 2008

Food and Health Bureau
19/F, Murray Building
Garden Road
Central, Hong Kong

Re: Healthcare Reform Consultation Document

Dear Sir/Madam,

In relation to the Consultation Document on Healthcare Reform, I would like to provide my following views for the Bureau to consider for the preparation of detailed arrangements for the second stage consultation: -

1. The current healthcare system has the following structural weaknesses as identified in the Consultation Document: -
    a. Emphasis on curative care other than on holistic primary care to improve individual wellness so as to reduce the demand for medical services;
    b. Over-reliance on the public health system with over 90% inpatient services provided by the public hospital system;
    c. Significant imbalance of public and private hospital services, as the private services now offered would potentially incur material financial risks to patients other than those who are sufficiently well off to bear the financial consequences;
    d. Limited continuity and integration of care due to the current emphasis on curative care, and the frequent switch of doctors by patient due to preference of quick cure, cost considerations or the restricted choices of panel doctors provided by employee benefit schemes, together with little sharing of patients' medical records by medical practitioners.

2. As a result, the following measures are proposed for the reform: -
    a. Enhance primary care
    b. Promote public-private partnership in healthcare
    c. Develop electronic health record sharing
    d. Strengthen public healthcare safety net
    e. Reform healthcare financing arrangements

3. For the betterment of individuals, I fully support the concept of enhancing primary care and developing an electronic health record sharing system. I would like to see detailed arrangements and the implementation framework being mapped out for discussion in the second consultation. Preventive

healthcare measures to slowdown the increase in demand of medical services due to the ageing effects should be a key for the healthcare reform.

4. Turning to the other 3 points – promoting public-private partnership in healthcare, strengthening public healthcare safety net, and reforming healthcare financing arrangements, I see that the Consultation Document has placed all focuses on the 6 financing options in order to conclude that one of the options might provide a better answer to address these and our future challenges.

5. However, we understand that our future challenges stem on two fundamental forces, namely: -
   a. Ageing population, which will naturally and continuously increase the consumption rates for medical services;
   b. Rising medical costs due to advances in medical technology and growing public expectations.

   However, the shortage of medical practitioners and facilities may likely be the root cause of the future medical cost inflation.

6. Unless we can balance the demand of medical services (or the demand for sophisticated medical services) with the relevant scale of supply, any financing scheme will not cure the fundamental imbalance as experienced in our healthcare system (whether currently or in the future). Unfortunately, I do not see that the Consultation Document has addressed or described any means to increase or develop the relevant supply of medical services to meet the rising demand.

7. In this respect, a critical assumption may have been made in the Consultation Document that the private medical service sector will develop itself to provide the relevant supply of medical services to meet the coming demand should monies be there. However, I would consider this assumption as a very aggressive (and less responsible) assumption in relation to social matters.

8. I support that we should consider a relevant and sustainable financing arrangement now to meet the future medical service costs so that we may reduce our burden to the community when we get old as well as to be fair to our future generations. However, it is risky to assume that free market forces will ensure the availability of sufficient supply of medical services in all areas and at reasonable prices, particularly for social matters where the public interest and shareholders' interest will not always be in harmony.

9. Unless the financing arrangement can link with the development of the medical services to hedge against the rising demand of medical services with the relevant scale of service supplies, the healthcare reform as highlighted in the Consultation Document will face the risk of just shifting the future cost burden from the Government to the middle-income class. The middle-income class, having assumed a greater liability or financing responsibility on the

healthcare costs under the proposed reform, will remain no control on the rising costs, no guarantee of easy access and availability of medical services at affordable prices in the future.

10. In the second stage of consultation, it is important that the Government can map out a proper plan on the required development of medical services in all areas, for say the next 25 years, to meet the projected rising demand. This plan should include training and supply of new medical doctors and practitioners (or licensing non-Hong Kong trained professionals to open up the source of supply); the relevant number of medical schools and resources for the development and advancement of medical services in line with public expectations and needs; the expansion plan on the number of hospitals and beds, and other rehabilitation services, etc.

11. With the required supply side being mapped out, the Government may highlight what part of the developments it expects the private sector to take or play a major role. What the fallback plan will be if the private sector fails to provide the relevant scale of services as planned. The availability of such a detailed plan (including lower level service item details) for discussion as part of the reform will help the public (particularly the middle-income class) gain a greater confidence that the Government will have an ability to help address any un-controlled rising costs in the future.

12. If the above-mentioned confidence issue can be addressed, the remaining issues for the reform will be how to pre-finance the "controlled" future medical costs, and how to manage the monies as accumulated for the pre-financing.

13. Unless the future medical cost inflation can be kept at least in line with the investment return as generated on the savings accumulated to meet the future medical costs, any pre-financing arrangement will not provide a real benefit to the public. The public will eventually consider any such arrangement as an alternate tax. If so, it is preferred to take the social health insurance route for the reform. In that, the Government cannot shed the responsibility to continually maintain reasonable medical costs for the community.

14. If the Government can demonstrate that it will take up the responsibility to ensure that medical costs can stay reasonable and future cost increases can be in line with public expectations, it is preferable to take the personal healthcare reserve approach for the reform. This approach will provide individuals with more choices of affordable services, and will naturally increase the health-consciousness of individuals and the community. The increase in health-consciousness by the community will help improve its productivity too.

15. Under the concept of personal healthcare reserve, one may elect to use part of the savings to subscribe any "approved" voluntary medical insurance. The

Government may define certain minimum standards, including non-rejection of applications or maximum premium charges for the "approved" insurance schemes, similar to the mandatory provident fund practice.

16. In addition, the existing infrastructure of the mandatory provident fund system should be leveraged if the personal healthcare reserve approach is to be implemented so as to reduce the administration costs. Individuals should be given choices to subscribe "approved" insurance schemes or to keep the savings in the individual accounts, to meet against any "approved" medical expenses when incurred.

17. Rather than letting individuals select and switch investment funds for the purpose of maximizing retirement income in the MPF, the investment for healthcare savings is worthwhile to be centrally managed by appointing a number of investment firms by the relevant authority. These centrally managed assets can be pooled in the form of Approved Investment Funds for individuals to select for their medical saving accounts.

18. The assets for the medical saving accounts should be invested to meet against the medical cost inflation, if relevant. It may include defining in the investment mandates a certain percentage of assets being invested in healthcare and medical sectors. Additionally, funds may be allocated for hospital or relevant infrastructural projects, or linked with the development plan of medical services as mapped out in the Government's plan.

In summary, the Consultation Document, which focuses on the discussion of the 6 financing options, is silent on one important element -- how the Government will help the community minimize the "uncontrolled" medical cost inflation in the future.

If little medical cost inflation control is available after the reform, the social health insurance practice is desirable for the community. In that, the Government will continually play a major role to contain medical costs for the community.

Provided that we believe the future medical cost inflation will not be out of control, the personal healthcare reserve approach is worthy to be considered.

Hence, it is of paramount importance that the Government should have a clearer plan on how to ensure sufficient supply of medical services in all areas to be available in the future in the next stage of the consultation.

Yours faithfully,

C.F. Yam