

Given the facts and information laid out in the policy document, I personally see funding by way of general tax superior to any of the six proposals listed. The advantage of general tax being:

1. keeps the existing simple income tax structure
2. younger (working) population supports older (retired) population
3. affordable (high income earner pays more tax) supports the poor

In addition, all six proposals have the following drawbacks:

#### Introduce unfairness to society

As Basic Law mandated the level of salary and welfare of government employee to be unchanged, they will be exempted from contribution regardless of which proposal is. All along, government employees is allowed to consume public health service at zero cost, and asking them to contribute for public health service would likely be a violation to basic law. It would mean that the rest of the society is additionally contributing to the public health system of Hong Kong whereas government employee benefits from it at the expense of larger society. This creates huge unfairness in society, especially government employee is not a small group of workforce. It is also politically unwise to underestimate the negative social sentiment associated with this.

#### Employer's responsibility is relieved

There is no mention of employer's responsibility in any of the proposal. Currently, many companies offer non-contributory medical plan to employee covering out-patient and hospitalization/inpatient. Employee is not required to make any contribution. The proposal requires employee to contribute for health insurance is effectively relieving employer's responsibility of providing medical plan to employee. MPF is the best failure example to illustrate this. Prior to MPF, many companies offer contributory pension scheme (ORSO) at 10% (of employee's salary) with the employer matching the contribution of employee. After MPF, many employer ceased their ORSO scheme and replace it with MPF, effectively reducing employee's pension benefit from 10% to the lower of 5% or HK1000,. The employer is in fact the biggest gainer in the introduction of MPF.

#### Failure to address imbalance between private and public health care system

None of the proposal adequately addresses the under-utilization of private health system for hospitalization/in-patient treatment. Currently, there is 'consumer wastage' in health insurance which insurer often still goes to public hospital for in-patient treatment:

1. any claim record will result in increase premium.
2. insurance operates on reimbursable basis and the lengthy policy coverage document is quite complicated. Very often, one is not sure whether the particular illness is covered by insurance or not
3. the full cost of treatment is often not known in advance. Even the particular illness is covered, there may still be substantial shortfall which the insurer needs to pay on his/her own

On the contrary, out-patient cost can often be reasonably estimated and claim procedure is much simpler. This explains why public tends to rely more on private doctors for out-patient and on public hospital for in-patient treatment.

There is no mention in any of the proposals how government can regulate insurance business to eliminate this 'consumer wastage'. In fact, this 'consumer wastage' is a gain to insurance business, any regulation changing the landscape of insurance business is likely to cause lots of resistance.