Your Health Your Life
Healthcare Reform Consultation Document
Comments

Introduction

These comments focus on the principle of fairness, the scope of the proposed additional healthcare services, how such might be financed, quality and efficiency gains through increasingly involving the private sector in providing public health care, and how to encourage those who can afford it to secure services directly from the private sector.

Principle of fairness

Any government sponsored initiative to improve health care for the community must be perceived by all as fair, providing equal support to all Hong Kong citizens without discrimination or favour.

Subject to this principle, it would also be desirable to encourage individuals who can afford it to pay for certain services themselves.

Scope

The proposed additional services include better prevention, better primary care arrangements, better information management etc. These are all welcome. But they do not cover some of the main problems identified in the consultation document, namely better and more services to meet the needs of the aging community.

On this, citizens are concerned in particular over the provision of essential, but not necessarily medical, care services in their own homes, in care homes, hospices etc. On the one hand, expenses and personal efforts to meet such services can be crippling for patients and their family – in fact self-provided satisfactory services at home are often simply not feasible. On the other hand, it is understood that some 10% of public hospital beds are occupied by elderly with nowhere to go, but for whom hospital services are no longer needed. This results in unnecessary burdens on the public service.

Citizens are also concerned with costly non-standard treatment for chronic diseases.

The scope of additional services should be extended to address these two concerns, albeit that the provision of care homes is more of a social service than a health service. For citizens, such fine bureaucratic distinctions have no meaning.

If citizen's concerns are met, they will be more willing to contribute more.

Financing

(i) Funding

It is assumed that government revenue will continue to provide a major source of funds, increasing to some 17% of government public expenditure in the next few years.

The financing model for providing additional funding should be:

- Fair
- Not open to abuse
- Simple for citizens to use and understand
- Based on risk pooling

It should provide:

- Good quality and efficient services
- Secure and predictable revenue streams
- Access to additional funds when needed

(ii) Financing Models

There are three main models under consideration: taxation, insurance and savings.

The **savings** model does not meet at least the three of the above criteria and is not considered further.

Taxation: this is the existing model which would therefore be simple for citizens to understand. It meets all the above criteria except the last – a Citizen's Care Fund could address this point, see below. Quality and efficiency should also be further improved – see below. Building on the present system, potential abuse can be effectively regulated. (Note: this model should not be called "Social Health Insurance" as that would confuse it with the insurance model.)

Insurance: this would be a new model, and would therefore raise many questions. Some can relatively easily be addressed – eg fairness, by extending any scheme to all Hong Kong citizens. However, it may not be simple to understand, insurance products are currently perceived as expensive and inaccessible, and there would be questions on the profit element, which would be an inevitable cost on the system. Further, there may be misconceptions by citizens about the extent of insurance coverage under this option, including rights to access services in hospitals of choice, and to immediate service.

Overall, it seems that the taxation model effectively meets the criteria set out above. The refinements proposed below (Citizen's Care Fund, Quality and efficiency gains and Encouraging those who can afford it to pay for their own services) would further strengthen this option.

(iii) Secure and predictable revenue streams

Regardless of financing model, necessary additional funds may come from a new hypothecated levy and/or general revenue. A hypothecated levy would secure regular funding even in times when government faces fiscal deficits. Additional funds from general revenue would demonstrate government's willingness to share the burden with citizens. A combination of the two may be best.

- **A hypothecated levy** may be raised directly on business and/or on employees. The arguments for each approach need to be set out.

  For business, a flat levy may be raised, possibly with an exemption or lower rate for small business. However, employers may argue that they already provide medical benefits to the extent that they can afford. If required to pay more, they may be reluctant to maintain existing schemes, including for primary care.

  For employees, a flat levy of x% of income may be levied, possibly with an exemption for the lowest paid, but (since this is not a savings scheme) with no cut-off at the higher level. Alternatively, the levy rate could start low and be increased for those with higher incomes. In principle, such a levy should cover as many as can reasonably afford it, in order to broaden the base for taxation, and to ensure that citizens take some ownership for their own health care.

- **For general revenue**, it may be appropriate to top up funding from time to time when the government account is in significant surplus – ie similar to the $50 billion committed in the 2008 budget. Alternatively, the initial injection of funds could be significantly more than that already earmarked.

Additional funds when needed: A Citizen's Care Fund

Under the taxation model it may be necessary to establish and administer a fund to hold and apply money according to need. This is because revenue may fluctuate (for example, government contributions may not be made every year), and demand for some services may lie in the future although citizens may contribute now (eg an expanded scheme for care for the aged).

Initially, as any levy builds up, there may be insufficient funding to start all the necessary programmes, in particular better programmes for the care of the aged. The $50 billion set aside in the 2008 budget may be used to kick start the improved services, in effect making up for contributions which have not been made in the past.

It is not clear how this question may be addressed under an insurance model, where premia paid now will surely not be saved for future expenditure.

Quality and efficiency gains

In order to drive efficiency, it will be necessary to divide the purchaser and provider functions.

Under these arrangements, a purchasing authority would purchase services from the public and private sectors, either through competition or direct purchase from either sector as appropriate. The extent of providing opportunities for purchase from the private sector would be driven as fast as possible, subject to experience, capacity constraints in the private sector, and the need for the public sector to provide sufficient volume of services to maintain its key functions (emergency services, catastrophic cases, chronic cases and training).

The purchasing authority should develop transparent performance measures and targets on waiting lists and costs in order to drive improvements, maintain standards and provide a basis for public monitoring.

Some experience has already been gained through contracting out certain primary services in Tuen Mun/Tin Shui Wai, and through a scheme to subsidise cataract operations, in effect a voucher scheme.

Encouraging those who can afford it to pay for their own services

When the National Health Service was established in the UK, it was stated that "In establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family".

In Hong Kong this might be achieved by providing tax-concessions on privately funded expenditure on healthcare or insurance.

Further, we could consider progressively developing a voucher scheme so that for specified services (which should increase year by year in the light of experience), vouchers would be available to all Hong Kong citizens to contribute towards the cost of such services even if provided privately. The vouchers should be for an amount up to that which would be incurred for the service in the public sector. Details of the scope of the voucher scheme would be announced and committed in advance to give certainty to the market. Rules to monitor and ensure standards, and minimize abuse, would be necessary, including arrangements for registered/approved service providers.

Such a scheme could then be taken on board by insurers to develop "top-up" insurance schemes, making them increasingly competitive and attractive for those who wish to use private services. The public benefit would be a reduction of the burden on the public sector, while subsidizing those who benefit by no more than the cost which the public sector would have met if providing the service.

This option would involve subsidizing some who currently receive no subsidy. But such people are those who already pay taxes, and who will be asked to contribute more under these new arrangements. Such assistance would simply be to treat all on the same basis, those who contribute directly and those who do not or cannot. Providing the net additional revenue from the proposed new levy is significant, it will be more than enough to offset this new commitment, will help those who are asked to contribute more, and should serve to transfer more workload from the public sector to the private sector, thereby freeing up resources in the public sector for those who cannot afford to pay.

What's in it for whom?

The above approach would allow for incremental change, preserving the best of our present public health services, while providing a flexible framework for meeting the changing needs of our community and our citizens over time.

Government would be seen to be doing all it can to meet the cost of improved care for our citizens, while minimizing the burden on working citizens. The private insurance and health sectors would benefit from increased business opportunities. The public sector would concentrate on maintaining and strengthening its excellence in its key activities.

Citizens and the community would benefit

- Through improved primary, preventive and other care programmes
- Through improved facilities for care for the aged, and chronic cases
- Through greater choice, especially for those who may be able to pay for private sector services either out of pocket, or through better insurance schemes
- Through prompter delivery of health care in the public sector as those who can afford to pay for private treatment do so
- Through higher quality and more efficient services, driven by competition

In short, this is a deal which will benefit those who are asked to pay more as well as those who cannot afford to do so.

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