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10th June, 2008

Dear Sir,

HKCIP's View on the Healthcare Reform Consultation Document

HKCIP is an insurance society consisting of professional insurance practitioners from all fields and we would like to give our views on the said Consultation Document.

We agree that Hong Kong's healthcare service is one of the best in the world. It provides access for every Hong Kong Resident who is in need of such service. This Society fully understand the big challenge that the Government will face in the years ahead due to various issues as mentioned in the consultation paper.

It is difficult at this stage for us to comment in detail on any of the six financing options proposed by the Government without details and an actuarial review. However, we are of the view that any suggestion for healthcare financing should ensure that:

- (a) It encourages people to save for their healthcare expenses, particularly after retirement;
- (b) It helps to reduce use of healthcare services from the public sector;
- (c) It encourages the use of private health insurance;
- (d) It has minimum disruption to the current system; and
- (e) It does not add unnecessary administrative burden or expenses to the current system

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It seems that the 6 proposals do not sufficiently address the above principles. With this in mind, we have the following views on the options in the consultation paper:

1. Insurance definitely should play a major part in the healthcare reform as it is a perfect way to spread out the people's healthcare costs and to divert healthcare services needs to the private sector, therefore ease the burden on public health services.
2. Building up one's own healthcare fund for future medical need should be encouraged and a mandatory saving account will ensure that people will save for their future needs, though the adequacy of the sum at retirement depends very much on how long they have saved. A 2% -3% saving will take a long time to build up to a meaningful fund but the younger generation will see the benefits at their retirement. Save for one's own future need is a meaningful and responsible thing to do.
3. Private healthcare services will need to be enhanced and further increased as current private medical sector appeared to be 90% utilized and will soon be insufficient when more people are diverted to them through insurance. Government should encourage and assist more private hospital to be set up and/or to promote private and public partnership in healthcare services to meet the needs.
4. Medical costs control is an area not being addressed much in the paper but it plays an important part in all options. Government must look into possible control and get higher transparency on medical charges in private medical sector. Insurance became passive in this area and a good control will result in premium consistency.
5. Setting up of primary care for the people through family doctor register with more preventive care services and electronic patients' record are most welcome as preventive measures helps in lowering needs of medical services.
6. Mandatory insurance has its benefits, and most important is all within the category will have a minimum insurance cover regardless of health condition or age. The larger portfolio will result in lower average risk costs. We do not need to worry on anyone's insurability. However, it is important that no unnecessary administration burden will be created or excessive costs being charged. MPF had already received criticisms on the fee charges. In addition, safety net will be needed for any mandatory insurance, similar to motor and Employees' compensation and this will mean additional costs.
7. Mandatory Insurance must be able to provide sufficient cover and not just small limits that can easily be exhausted. If this is the case, a large proportion of serious cases will fall back onto the public sector and depleted the main purpose.
8. Mandatory Insurance premium will be subject to increase due to higher costs on medical technology advancement and more expensive drugs coming into use. The likely over use of medical services with insurance in place will also drive premium up year after year.

9. Mandatory insurance on non-profit making may not be a viable option as it may not attract enough insurers to come on. It is true that insurers may obtain profit by selling top up covers but the current profit margin from medical insurance is small because of competition. A detail in-depth study and consultation with insurers is required.
10. If insurers are not allowed to make profit on Mandatory scheme, they should be guaranteed no loss too. Who is going to back this up?
11. Claims control is very important but this function will fade out once profit and loss is not a concern. If this is not controlled, claims experience will drive premium up fast.
12. Mandatory insurance run by the government or a special scheme operator are not viable as it will create unnecessary costs.
13. There are currently some 2.95 million medical insurance policyholders and about 1.4 million of them are under employer/group medical plan (per HKFI information on SCMP). It is therefore necessary to study and find out how many more policyholders will be added if a mandatory scheme for employees earning above a certain level of income is put in force. It might be uneconomical to disturb the current system by creating a new mandatory product.
14. Voluntary insurance cover appeared to be cost effective and less disruptive. It is however important that government will be able to encourage insurers to come up with suitable products for the choice of consumers. Open market competition will generate a lot more choices on products to meet the needs of the individual. Government must encourage taking up of insurance cover via attractive tax relief, subsidies or other means of encouragement. The system is there and can be used right away.
15. Insurability of people with chronic illness and serious illness etc. is an issue, but by estimation, not too many will fall into the Mandatory Insurance category (i.e. employed and earning, say, above \$10,000 per month). A high proportion of them may be at old age and/or retired people. Even if they have mandatory insurance cover, they might continue to use public health services because of being used to the services and their worries on adequacy of insurance cover. This smaller group of people will need to be taken care of by the government one way or another.
16. Products carrying renewal guarantee and no increase in premium due to claim is currently available in the market. This would mean that the industry is able to come up with products matching closer to the requirement of mandatory insurance.
17. Pre-existing condition and mental illnesses are more difficult subjects but on the back of the need of healthcare reform insurers should be willing to study together with the government for an acceptable solution.
18. In any case, premium goes up with adverse claims ratio whether voluntary or mandatory. The more high risk groups being included in a pool or scheme, the claim costs will likely be higher and lead to higher premium for everyone.

19. Whether mandatory insurance would be the best choice depends a lot on the details of the scheme and with the current information it is not possible to come to a conclusion. One thing we know for sure is Mandatory scheme will take a relatively long time to prepare and launch. Should we wait or do something within a short time frame?

To conclude, our current view is:

“We would support the option to have Mandatory Savings Account (proposal 2.2) plus an insurance cover.

Mandatory Health Insurance is welcome but it should be provided by commercial insurers with agreeable detail information on the scheme, including scope and limits of cover, premium level etc. Before an acceptable mandatory product is seen, we believe it is worth exploring Voluntary Health Insurance (proposal 3.1) plus incentives provided by to the participants on premium, such as tax relief and/or Government subsidies as the insurance option”.

With sufficient saving in the Medical Savings Account, people will likely be able to obtain proper healthcare services from the private sector after retirement. It goes without saying that people would divert from seeking public healthcare services if they are financially able to seek such services from the private sector, either through insurance or their own medical saving account.

Yours Sincerely,
Jackie Chun
President