

**Response on the HealthCare Reform Consultation Document:
“Your Health Your Life”**

Munich Reinsurance as a leading reinsurer of health insurance and health finance related products in Greater China and the world, would like to take this opportunity to respond to the Government’s consultation document during the public consultation phase. We would like to do this not only to help add clarity to some issues we feel are of importance in this debate but also to assist in setting the stage for the second round of consultations to come. As with any consultative process good debate often fosters good and long lasting results once decisions are made.

General Comments: On the whole, the issue of healthcare and healthcare financing reform is something that has long been discussed in Hong Kong and is long overdue. It is clear that this time around in the debate the Government is taking a firm and active leadership role that will benefit all as the process moves forward and we support this process wholeheartedly. The fact that the principles of taking care of those less fortunate and who lack the means to gain adequate care while providing an ongoing financing system that will foster quality care at a reasonable cost, are key to this process, and this is heartening.

Specific Comments: We agree, along with many others in and out of the realm of insurance financing that the consultation document is on the right track towards fostering a better understanding of where Hong Kong stands and where it must go to serve all the citizens fairly and as broadly as possible. Specifically we are in favor of:

1. Proposed efforts to create a workable services support model that involves all sectors of the medical community.
2. The promotion of efforts at public/private partnerships in both outpatient and inpatient services in order to solve the “imbalance” in our healthcare system where the public sector dominates in-patient care while the private sector dominates and provides mostly outpatient care.
3. The establishment of an electronic health record to help with data tracking and improve care delivery.
4. The fact that the financing structure is being critically examined and that the Government is open to various ideas for its improvement and long term viability.
5. Access to care is a key cornerstone to any reform that will go forward. All citizens should be able to access care regardless of ability to pay.
6. The fact that the Government is willing to foster a transparent, efficient financing system that will enable quality care and keep costs to a reasonable level of increase over the coming years.
7. Putting an emphasis on preventative healthcare and disease management.

Main Issues Surrounding the Financing Options: As a company involved in many health reform initiatives around the world and in many countries where health care is heavily debated, we would like to offer some observations regarding the current system and how the consultation document proposes to address them:

1. The current tax base will shrink and financing will be more dependant on government based subsidies as the years progress as the population ages.
2. The present delivery system has funding gaps that are well known and growing.
3. Government funding is subject to the economic health of the SAR which is affected by a host of outside influences.
4. The current system financially incentivizes more use of government facilities over private facilities for major care.
5. The benefits of “risk pooling” and managing the quality of care delivery have not been fully explored to this point.
6. The current voluntary insurance system fosters coverage on an illness basis and not a preventative basis.
7. The current voluntary insurance system has not fostered a large amount of cooperation amongst providers and insurers.

Munich Re's Views:

As a reinsurer with a global health care perspective, Munich Re is in a unique position to offer insight in this debate on the “path forward” to comprehensive reform. The following lists some of these observations:

1. Any healthcare reform must involve the provider community (hospitals, clinics physicians) and the financers of the current voluntary system to support a comprehensive solution to any financing issues that are discussed. Any mandatory scheme needs to involve all potential payers of such a scheme in order to coordinate and facilitate a simple migration process from a voluntary “sickness” related insurance system in place now to a more pro-active health prevention oriented system which encourages investment in health initiatives at all levels.
2. Setting up interim measures ranging from further encouragement of voluntary private insurance to more progressive fee involvement of the utilizers of government facilities to pricing reforms must be looked at as reform moves to an ultimate conclusion.
3. The concept of “Mid-Range” or “Mid-Way” hospitals can be implemented that will allow for the government to contribute to a percentage of costs for the facility while implementing market driven reforms. This could be provider oriented transition tool.
4. Medical Savings plans or schemes in combination with a mandatory health insurance scheme should be looked at in order to involve people in their healthcare choices and encourage a larger more viable “risk pool” to ensure proper financing for quality of care initiatives.
5. The Government should not ignore Hong Kong’s rich history of fostering business competition while instituting this reform. Traditionally, competition helps keeps cost low and improves creativity and Hong Kong is known more than any other place in the world as a place where creativity has led to sustainable market led growth.
6. Insurers must be allowed to make profits in order to help grow and sustain proper reserves and foster quality of care and prevention related programs like disease management programs, healthy lifestyle programs and to provide preventative care benefits which are not currently provided in most voluntary schemes at the moment. A reasonable profit level can be set and worked on

between the government, the insurance industry and providers. All three sectors need to be involved in such a conclusion.

7. Patient choice should be promoted via plan benefit options that allow patients to be involved in the economic consequences of their healthcare choices via deductibles, plan incentives and other cost utilization and control features.
8. The community must decide how best to foster preventative care and quality of care initiatives while working in a framework of benefit options that will address care for the young and the elderly by either setting minimum benefits with top up options or providing comprehensive managed care based plan structures that will encourage keeping people to stay healthy rather than treating illness usually at a later stage which is what happens now.

Concluding Remarks:

The insurance and reinsurance industry can play an important role under a mandatory insurance scenario. Reinsurers experienced in medical reinsurance can be the reinsurer for individual direct writing companies that are qualified to participate in a mandatory scheme or even the ultimate reinsurer for the entire mandatory program. In addition to sharing financial risks; the knowledge of medical reinsurers in mandatory program administration, claims and claims abuse control and product development for basic, top-up and comprehensive coverage options are invaluable to the both experienced and inexperienced insurance companies that provide health insurance cover. Indeed, any solution should consider how the insurance industry as a whole can utilize such expertise in realizing the Government's vision of quality care at reasonable cost levels.

Healthcare and healthcare financing reform are difficult issues at best to address in such a public forum as the current consultation process. Yet, the Government must be applauded for its efforts in this regard. Munich Re stands ready to be further involved in the debate and help shape the future of health care in Hong Kong in assisting in any manner possible. Thank you for this opportunity to comment on this important issue.

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