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By email: beStrong@fhb.gov.hk

**Prudential view on the Healthcare Reform Consultation Document
“Your Health, Your Life”**

The purpose of this paper is to outline The Prudential Assurance Company Limited's position on the Healthcare Reform Consultation Paper tabled by the Food and Health Bureau of the Hong Kong SAR Government in March 2008.

Prudential's views are set out in the points below;

1. Prudential supports the introduction of mandatory medical insurance and mandatory medical savings. This combination of measures is best reflected in Option 6 'Personal Healthcare Reserve' outlined in the Healthcare Reform Consultation Paper.
2. In addition to the measures recommended above, Prudential supports greater transparency in terms of fee charging structures for doctors and hospitals as this would be beneficial to the long term viability of the Hong Kong public health sector.
3. In terms of the provision of private medical insurance, Prudential is of the view that this is best addressed by private companies rather than the government. Apart from the immediate advantage of having an insurance infrastructure already in place, private industry offers expertise in the efficient management of claims using advanced proprietary systems and experienced industry professionals.
4. Prudential's position is that the insurance industry should be entitled to make reasonable profits on the provision of mandatory products. This is the best possible incentive to encourage investment and drive improvement and greater efficiency in a segment that is likely to be of critical importance to the overall success of the Government's healthcare reforms.
5. Prudential would like to see end customers, rather than employers, take responsibility for their choice of mandatory medical insurance provider. This is consistent with an overall objective of encouraging individuals to take up more personal responsibility for the state of their health and healthcare financing.
6. In addition to the introduction of mandatory health insurance, Prudential supports the introduction of a simple process to facilitate the migration of voluntary insurance taken out by an individual or employer to the mandatory scheme so that people need not do more than is required, though they can opt for additional top up coverage to suit their specific needs.
7. Medical savings can form part of the strategy for addressing the issue of rising medical costs in old age and is a sensible component of a retirement income policy. However, studies overseas indicate this will not work as a standalone option. To make medical savings work, Prudential sees a need for it to be supported by insurance which helps stabilize outgoings by spreading costs and risks across the population.