

17 June 2008

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Food and Health Bureau
19/F Murray Building
Garden Road, Central,
Hong Kong

Dear Sir,

View of IAM on the Healthcare Reform Consultation

1. Our Institute does not consider the Government and the people in Hong Kong have adequate information relating to the current situation and root problems of the healthcare services. Lacking of these vital data and information, we cannot make any sound evaluation of the effectiveness of the current healthcare system and give any opinion on the way forward of the future healthcare policy and its funding arrangements.
2. We consider that there is a paramount urgency for the Government to perform a thorough review of the efficiency and effectiveness of the current healthcare system. The Government should employ an objective evaluation methodology, such as Activity-based costing (ABC), to break down the total cost of the annual Healthcare expense into defined activity level and then trace the activity cost to various identified activity items and measure the cost against its value. By doing so, it will help us to understand whether the current practices are delivering a good value for money healthcare service to the community of Hong Kong.
3. We do not agree that people in the community have to bear the responsibility of paying any funding deficit resulting from the Government's mistaken strategic policies and subsequently ineffective implementation of these policies, and in this case the future funding deficit of the Healthcare system. The Government should use our tax dollars wisely.
4. Our Institute does not support any of the six schemes in three models for future healthcare financing as proposed in the consultation paper. We urge the Government to perform a thorough review on the current healthcare policy and identify ways to improve its effectiveness. Consequently, the same level of healthcare service can be delivered at a lower cost.

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5. We believe without going through the thorough review of the effectiveness of the current healthcare system suggested in 2 above and without defining what is the basic level of healthcare services that the Government would provide and acceptable to the public, any estimation of the possible future healthcare cost and deficit if any is unrealistic and misleading.

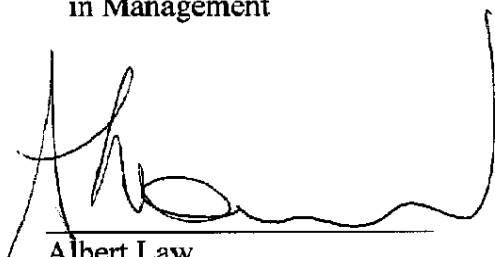
6. The outcome of our suggested review should provide a good basis to determine future healthcare cost. On this, the Institute considers that the Government should establish a public health care fund by allocating a certain sum from the surplus and from the annual budget. The amount to be allocated initially and in the subsequent year should be determined by reference to the expected investment return and the projected healthcare cost for the future. We believe funding the future healthcare cost from the Government surplus and annual budget is the most simple and cost effective way. Any attempt to fund the future healthcare cost through other means in particular medical insurance or compulsory contribution is not cost effective as it would inevitably incur huge administrative cost like MPF and it is difficult to design a scheme that suit public with diverse financial background. We believe the outcome of the suggested review of the existing healthcare system would bring to light the needs to consider other key issues like for example:
 - a. the need to increase the supply of private healthcare facilities like the government to help building more private hospitals by special grant of land etc

 - b. how to lower the private healthcare cost so that more middle class citizen will opt for private medical treatment. For example in addition to building more private hospitals the Government should train more doctors including specialists to cater the need of health care services in both the public and private sectors. In general if we compare using the OECD health data in 2005 the number of doctors per 1000 population HK has 1.5 doctors as compared to 2.4 in UK, 2.7 in Australia and 2.2 in Canada. Had we have more doctors, the whole cost of medical services would come down and becomes more affordable, which will obviate the need for yet another compulsory insurance scheme. The solution lies in importing doctors in the short term and increase medical school intake in the longer term. Increasing consumption power by forced saving would only help to raise cost of medical services and benefit the existing practitioners, and the pharmaceutical companies which by the way practice price differentiation across the world and would no doubt price their products to the disadvantage of HK.

The other problem is with the structure of the industry. Currently the focus in the delivery of services is wrongly centred around the hospitals, which are expensive to operate. The alternative would be to divert resources in favour of family medicine through a decentralized network. (Very much like the situation of mainframe computers vs desktops). The Hospital Authority has now become too big and inefficient.

- c. Exploring the possibility to establish HK as a world class medical hub and to expand the private clinic arm of the Government Hospital for generating surplus to supplement the public healthcare cost.
- d. Role and function of Chinese medicine.

Yours faithfully
For and on behalf of
The Institute of Accountants
in Management



Albert Law
President

*** Information about the Institute**

The Institute of Accountants in Management (IAM) provides an open apolitical platform for accountants for all industries regardless of their institute affiliations, where they can network with fellow finance professionals, share experience, and collaborate on matters of interest to the profession as a whole, whether business, economic or community. More information and activities about the Institute can be found in our website, www.iaccmgt.org.hk.