

**PC's Response on
Healthcare Reform Second Stage Public Consultation Report**

Introduction

1. The Government has recently released its Healthcare Reform Second Stage Public Consultation Report (the Report), claiming that there has been broad-based community support towards regulation of both the health insurance industry and private healthcare sector, as well as introduction of the Voluntary Health Protection Scheme (HPS). All these result in a three-pronged actions plan that will push the stagnation of the existing healthcare reform forward in coming 2 years. Despite this, The Professional Commons (The ProCommons) is skeptical to those positive responses and the policy decisions thereon, given that members of the public were not fully informed of the real impacts arising from the proposed HPS and no alternative options were provided for comparison. Meanwhile, as one of the contributors that gave feedback during the consultation, it is disappointed that the Government failed to address most of our concerns.

Favourable Mass Response: Low Reliability

2. It should be highlighted that the favourable result, as self-proclaimed by the Government, is indeed not credible in reliability. First, without providing detailed cost-effective analysis and alternative options for comparison, the respondents were incapable of grasping the amount that could be saved in public sector when the same was to be spent on the proposed HPS. Second, implementation of the proposed HPS appears to be the prerequisite for any regulation of the health insurance industry and private healthcare sector, which might discourage the coming out of negative responses. Last but not least, no exposition of possible reduction in out-patient compensation and extra burden to taxpayers was found in the report.

Improvement of Public Healthcare System: An Empty Promise

3. Despite that the Government pledged that its recurrent funding for healthcare will augment from 16.5% of total recurrent expenditure in 2011-12 to 17% in the year that follows, the increase nominally is only equivalent to a yearly growth of 3%, which cannot even cover the overall upward trend of inflation that has

reached 5.6% in the first half of this year and government's promised pay rise and additional perks to doctors in the wake of the recent brain drain, not to mention the spending on extra healthcare professionals that addresses the caring need of the ageing population.

Promotion of Packaged Charging: No Bargaining Power

4. There should be no dispute that something has to be done to address the malpractice in charging that has been prevalent in private medical sector. However, we hold a pessimistic view on whether the Government can impose the proposed charging mechanism smoothly as its voluntary nature. Many private operators hold a very negative view on the proposal, because it will erode their price-fixing power and subsequently their revenue. Second, how many of the 3000 new private hospital beds will adopt packaged charging is still an unknown. Against this background, the mass market might continue to suffer from shortage of hospital beds. Therefore, it would be simple and naive to assume that private operators would voluntarily undertake the new mechanism if there is no respective price competition through adequate personnel and bed supply.

Healthcare Insurance: Let the Market Do It!

5. The Government should not step into the insurance market by providing the proposed HPS unless gap of supply exists, or it is doomed to violate the "Big Market Small Government" principle. At present, healthcare insurance products offering protections to subscribers up to 100 years of their age are becoming popular in local market, in which applicants are accepted as late as 70 years of their age. Premiums of most of these plans are fixed at some certain levels even subscribers are seriously or chronically ill at certain points of their lives. Emergence of such insurance products suggests that the market force is taking shape to make insurance industry able to bear the necessary risks so that protection on subscribers in their dotage is possible. In the light of this, the Government should point out the deficiency of these insurance products as the justification that favors the establishment of the proposed high-risk pool, if it is regarded as an inevitable option.

Fund for Reinsurance Mechanism: Not Sustainable

6. As reiterated, we cast doubt on the cost-effectiveness and financial sustainability of the scheme. First, the advent of demographic ageing in 20 years will usher in problems including continued expansion of “high-risk” groups and shrinking of young age groups correspondingly, therefore not enough young and healthy subscribers to balance the risk. Second, given the permitted administrative cost amounting to at least 10% of the premiums, the HK\$50 billion subsidy will get depleted sooner than the anticipated period of 20 to 25 years. Meanwhile, the report gave no account on whether the proposed HPS could reach breakeven when the designated funding dries up and if not, the possible burden on taxpayers in the long run.

Low Administration Fees: Mission Impossible?

7. Given government’s failure to subdue MPF brokers from imposing high administration fees, we are not confident that the Government will have the competence and determination to stop the same from happening this time. It is also worried that, as far as the bad government’s track record is concerned, scheme of control arrangement of any sort always becomes an utter profit guarantee. Given these factors, if the Government insists on the installation of the proposed HPS with considerable injection of public money, the public should be fully convinced why government intervention is better than the existing market practice.

Manpower Supply: Back to the Level of the Early Noughties

8. Training quota of various kinds of medical professionals should be stepped up before the review result of healthcare manpower strategy is available. It should be highlighted that both the public and private medical sectors have been suffering from severe shortage of manpower so that wait-and-see attitude by the Government has totally been unacceptable. It is noted that the Government has stepped up the training of medical personnel while the CE announced in his 2009 Policy Address that four sites were to be provided to build private hospitals. However, value to be brought about by these extra human resources will be far from satisfactory. For instance, there have been 70 additional places for medical degree programme since the 2009-10 academic year, which is from 250 to 320.

But it should be stressed that the respective number of school places in 2001-02 academic year was 330, which was gradually dropped to the level of 250 in 2008-09. The quantity of supply was at most restored to the level of 10 years ago. Hence it would be advisable to further increase the number of training places prior to the release of the review result, or the anticipated demand on human resources arising from the additional 3,000 private beds in 5 years will not be met.

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