Health Care Financing Options for Hong Kong

- Pursuing the Ideal: An Academic View -

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Organization of Presentation

• Introduction
• Current Hong Kong Health Care Financing Issues
• Past Reform Reports
• Alternative options
• Criteria of choosing an option
• Conclusion
Ideal Health Care System

- Easy access but affordable
- Available choice
- Satisfactory services
- Cost-effectiveness
- Simple Administration
Goals of Health Care Systems

Access
(Equity, Utilization)

Cost
(Efficiency, Cost Containment)

Quality
(Outcomes, Consumer Satisfaction)
Health Care Financing

• Finding financial resources to pay for health care (revenue)
• Finding payment methods to conserve resources (cost containment)
Implications of Health Care Financing Reform

• Access/insurance coverage
• Cost/efficiency
• Outcome/patient satisfaction
Options for Reform

• Resources mobilization (generate more resources)
• Resources efficiency (increase efficiency to free more resources for other users)
• Increase resources does not necessarily mean improve efficiency
Resources Mobilization (Revenue)

- Additional taxation (general tax or earmarked tax)
- Cost recovery (users fee)
- Expanding existing private health insurance (voluntary or compulsory)
- Subsidize private sector (resources, savings)
- Medical savings account
Resources Efficiency (Cost Containment)

- Allocative efficiency (prevention vs. treatment; primary care vs. tertiary care)
- Technical efficiency (substitution of outpatient vs. inpatient, community care integration, contracting)
Current Financing Issues in Hong Kong

- Heavily subsidized public system
- 97.5% subsidization for HA services
- High demand for HA services
- Narrow tax base, public is particularly vulnerable to the performance of the economy
Concern of Sustainability

• HA facing deficit
• May take 20-23% of future government budget from current 14% by 2016
• Sources of concern – aging, technology, new immigrants
Imbalance between public sector and private sector

- Long waiting time (services) in public sector
- Under capacity utilization in private sector (37% hospital occupancy rate)
Positive Features of Current HK Fee System

• Very affordable
• Good risk pooling
• Low administrative cost
Past Policy Recommendations in Hong Kong (I)

- Griffith Report (1985) – Fee restructuring, recovery up to 15-20%
- Rainbow Report (1993) – Fee restructuring, voluntary health insurance
  Short term – compulsory enrollment in health insurance (Health Security Plan – HSP) and Savings for long term care (MEDISAGE)
  Long term – Competitive Integrated Health Care
Past Policy Recommendations in Hong Kong (II)

- Hospital Authority Report (1999) – Target subsidy with fee restructuring
- Health and Medical Development Advisory Committee (2005), “Building a Healthy Tomorrow”- System Integration
Observations on Responses to Health Care Reform Proposals in Hong Kong

• Health care services are considered public goods rather than consumer goods

• Employers and the public are not ready to make major contributions for their health care financing system

• Hong Kong residents prefer evolutionary change, not revolutionary change, in the health care financing system
Only Policy Implementation in Hong Kong since 1996 was fee restructuring in 2002/2003

(subsidization rate)

Inpatient  97%
SOP       91%
GOP       82%
A&E       86%
Options for Reforming Health Care Financing

• Increase fees (co-payment)
• Integrate with private sector (through contracting, fee reimbursement)
• Promote private health insurances
• Introduce health protection savings account
• Increase taxation (earmarked tax)
Fee Structuring

**Pro**
- Improve efficiency, reducing waste
- Improve equity, if waiver scheme is well established
- Improve quality if part of fees retained by provider
- Administratively efficient

**Con**
- Weaken government’s commitment to health for all
- May deter necessary use
- May increase waiver applications
- Extra revenue may not be sufficient
Integrating with the Private Sector

**Pro**
- Improvement of balance between public and private resources (efficiency)
- Integrate private and public sectors (equity)
- Promote competition

**Con**
- Lack of monitoring (capacity or contracting) may lead to inefficient private contracts
- May subsidize high income users (inequity)
- Private prices may increase
Private Health Insurance

**Pro**

- Mobilize additional resources
- Serve as substitution/complement to public financing (resources transfer)
- Free up resources for public use population
- Relatively rich cross-subsidize the relatively poor

**Con**

- May generate more demand for health care services by high income people, cost increase
- Adverse selection
- (risk adjustment)
- Requires regulation and monitoring
Medical Savings Account

-HPA-

**Pro**
- Mobilize additional resources
- Contain costs and excessive demand
- Promote personal accountability
- Improve integration between private and public providers

**Con**
- Higher income may benefit (inequity)
- Additional administrative cost
- May take time
- Lack of risk pooling
Earmarked Tax (Cigarette/Alcohol)

**Pro**
- Improve population health status
- Extra revenue
- Administratively efficient

**Con**
- Some users are low income, increase inequity
- Increase illegal trade
- Not efficient way of allocating financial resources
General Tax

**Pro**
- Large risk pooling
- Extra revenue
- Administratively efficient

**Con**
- HK has limited tax base
- Not comfortable with HK social norm
Evaluation Criteria

Equity: access, financing
Efficiency: consumption, production
## Evaluation Criteria (under Hong Kong scenario)

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<thead>
<tr>
<th>Equity</th>
<th>Efficiency</th>
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<tr>
<td>General tax/earmarked tax</td>
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<td>Cost recovery (user fee)</td>
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<td>Integrate with private sector</td>
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<td>Medical Savings account</td>
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<tr>
<td>Expanding existing private health insurance</td>
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Policy Implementation Consideration

• Social Value
• Political environment
• Economic environment
• System structure
• Administrative cost
Near-Term Options

• Users fee (restructuring)
• Contracting with private sector (technical efficiency)
Long-Term Options

- Private health insurance
- Health Protection Account
- General/Earmarked Tax
Conclusion

• Health care reform never ends, and is a slow process
• Health care system result of cultural and social values in a society
• Learn from other systems to avoid mistakes