



Healthcare Financing and Insurance in Hong Kong



HA Convention
Symposium 2
8 June 2011



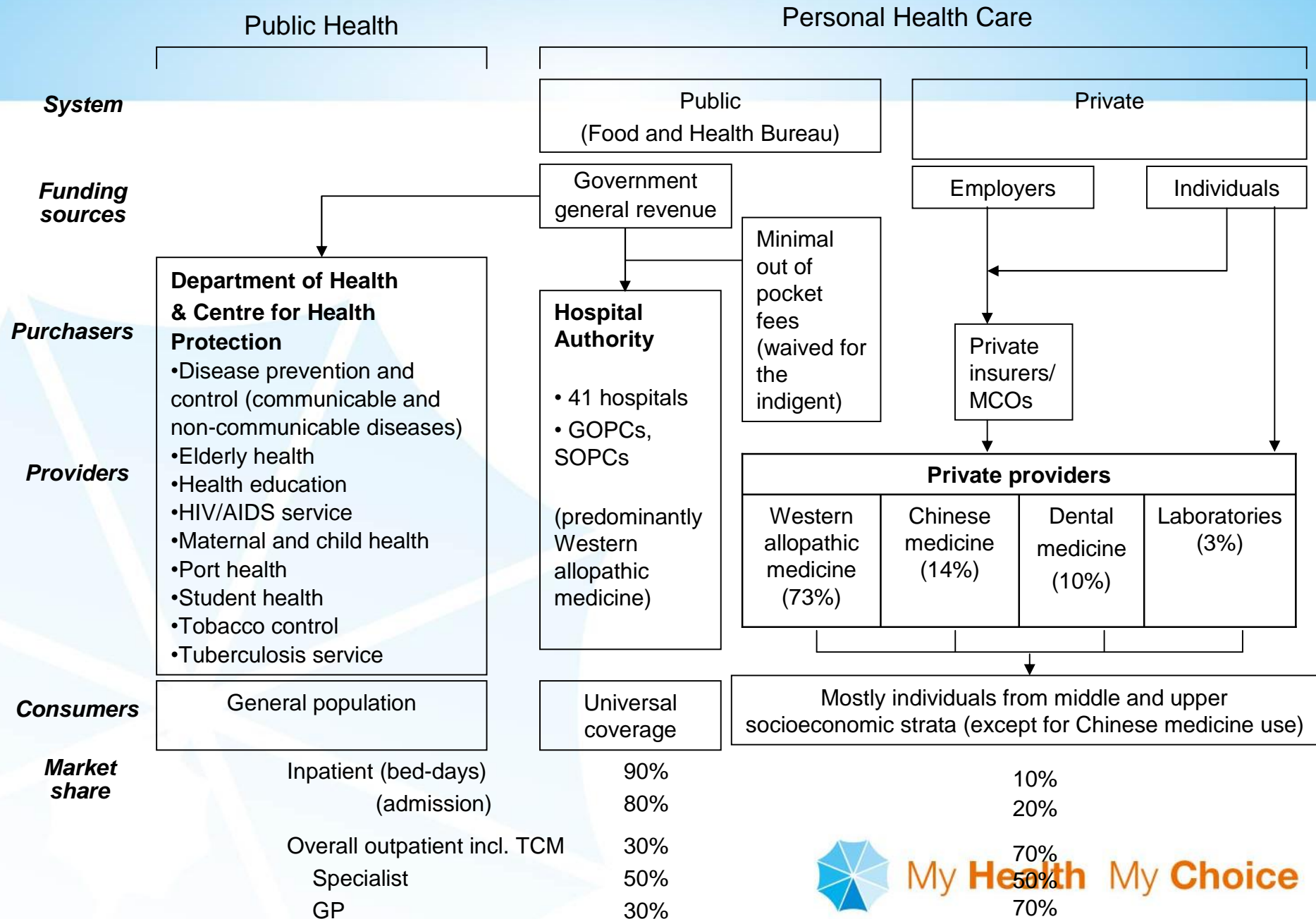
Food and Health Bureau
Hong Kong Special Administrative Region Government

HK's Healthcare System



My **Health** My **Choice**

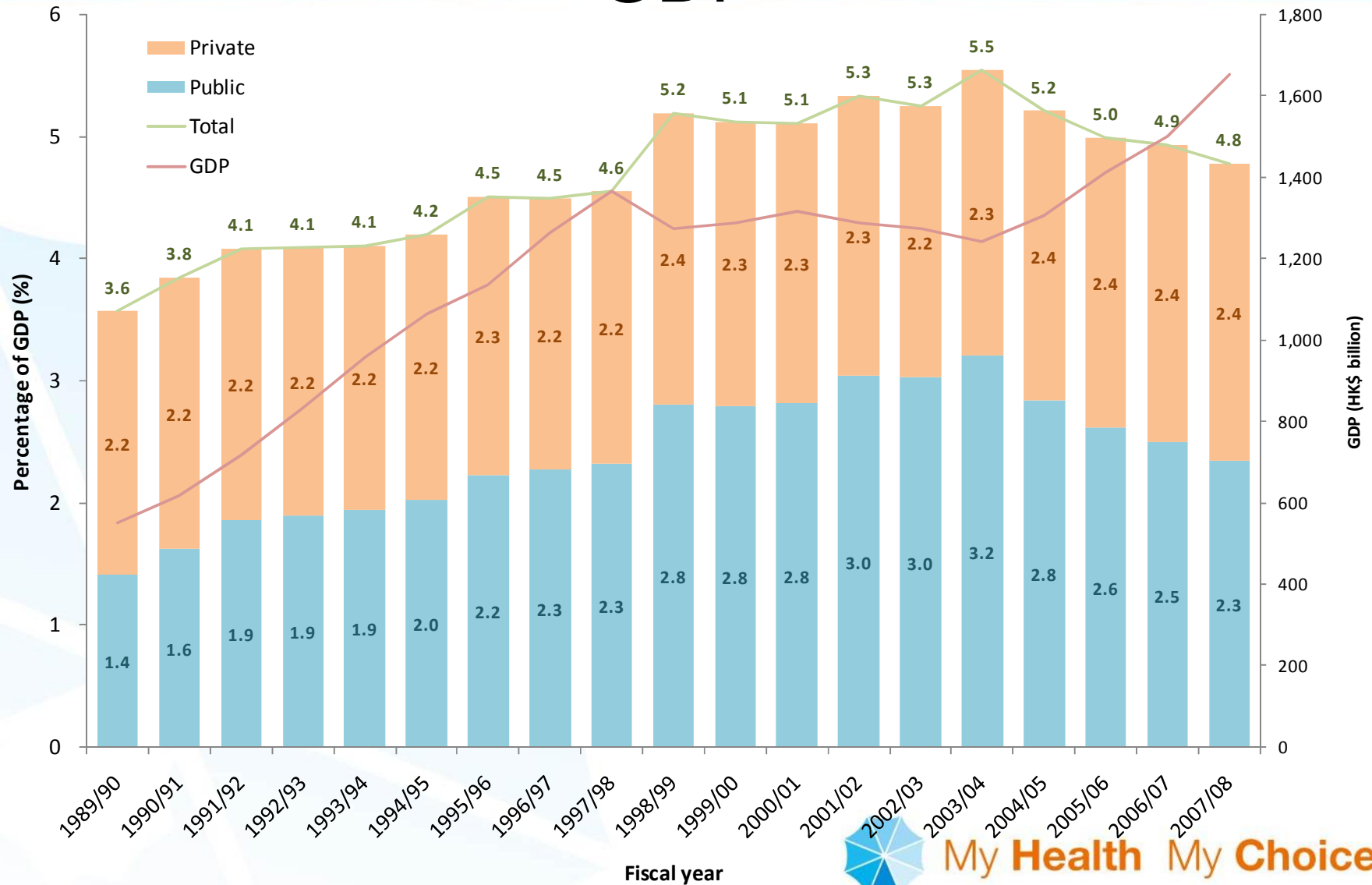
Macro-organisation of the HK Health System



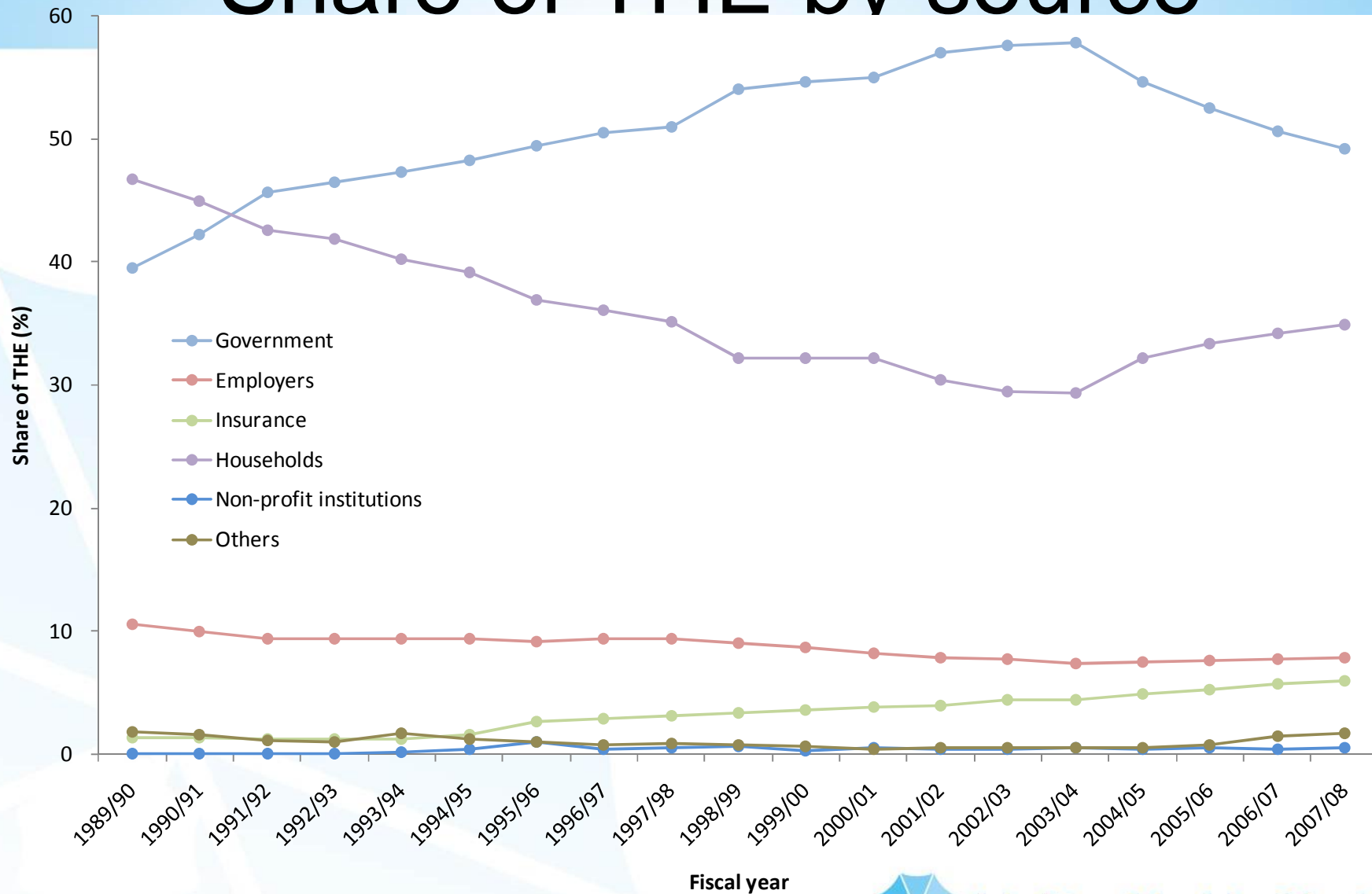
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HK's Health Expenditure

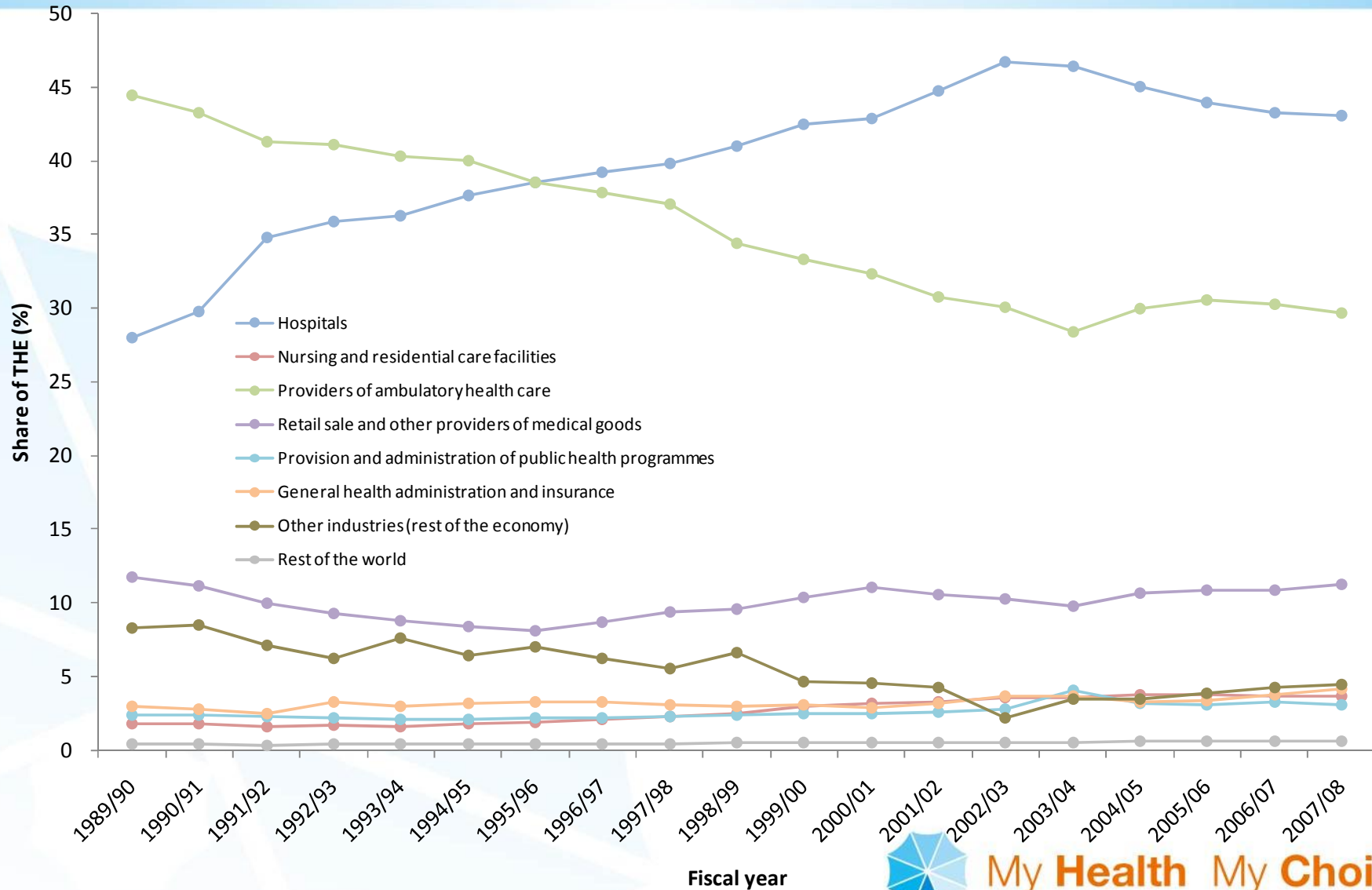
Health expenditure as a percentage of GDP



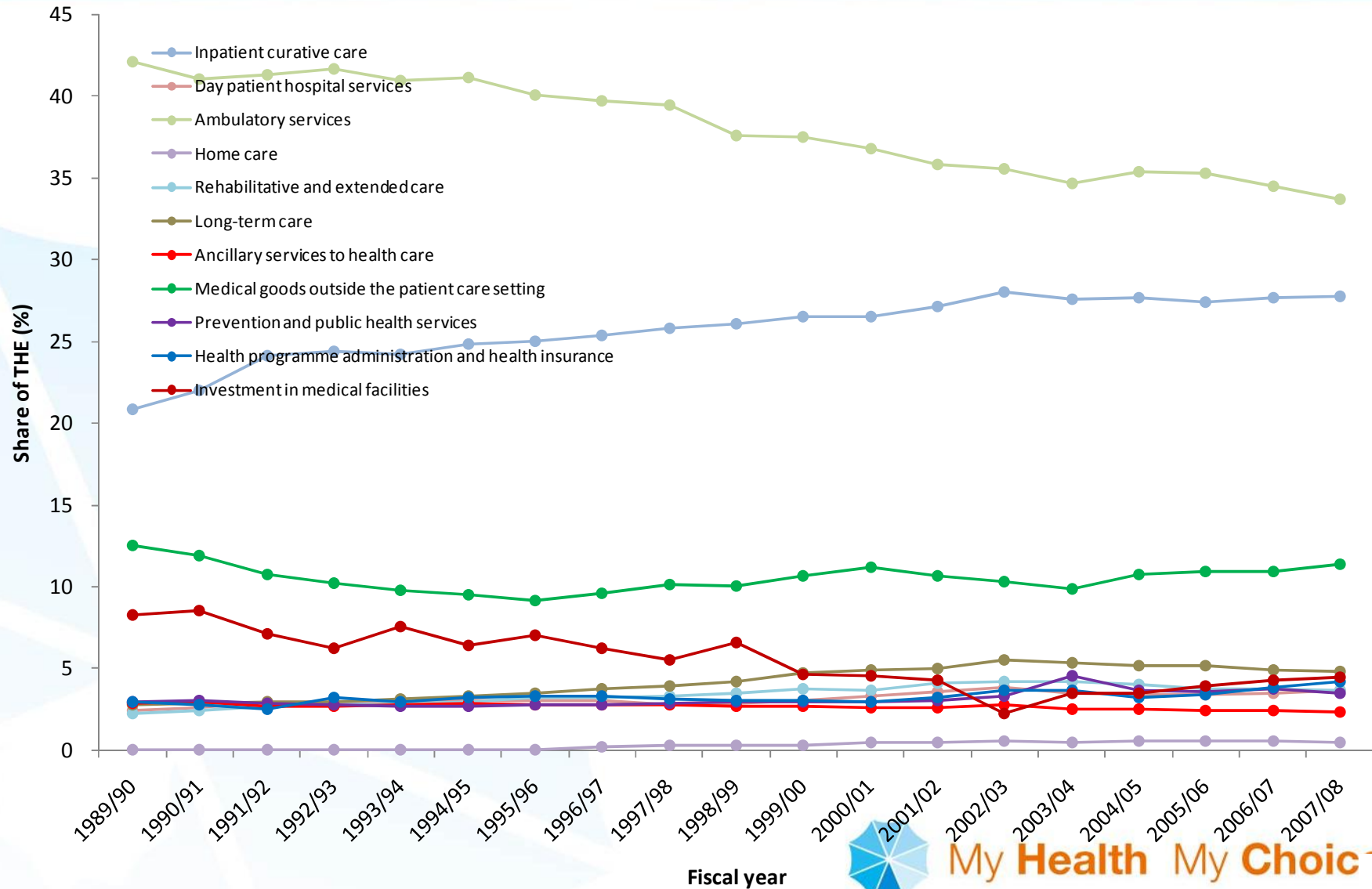
Share of THE by source



Share of THE by provider



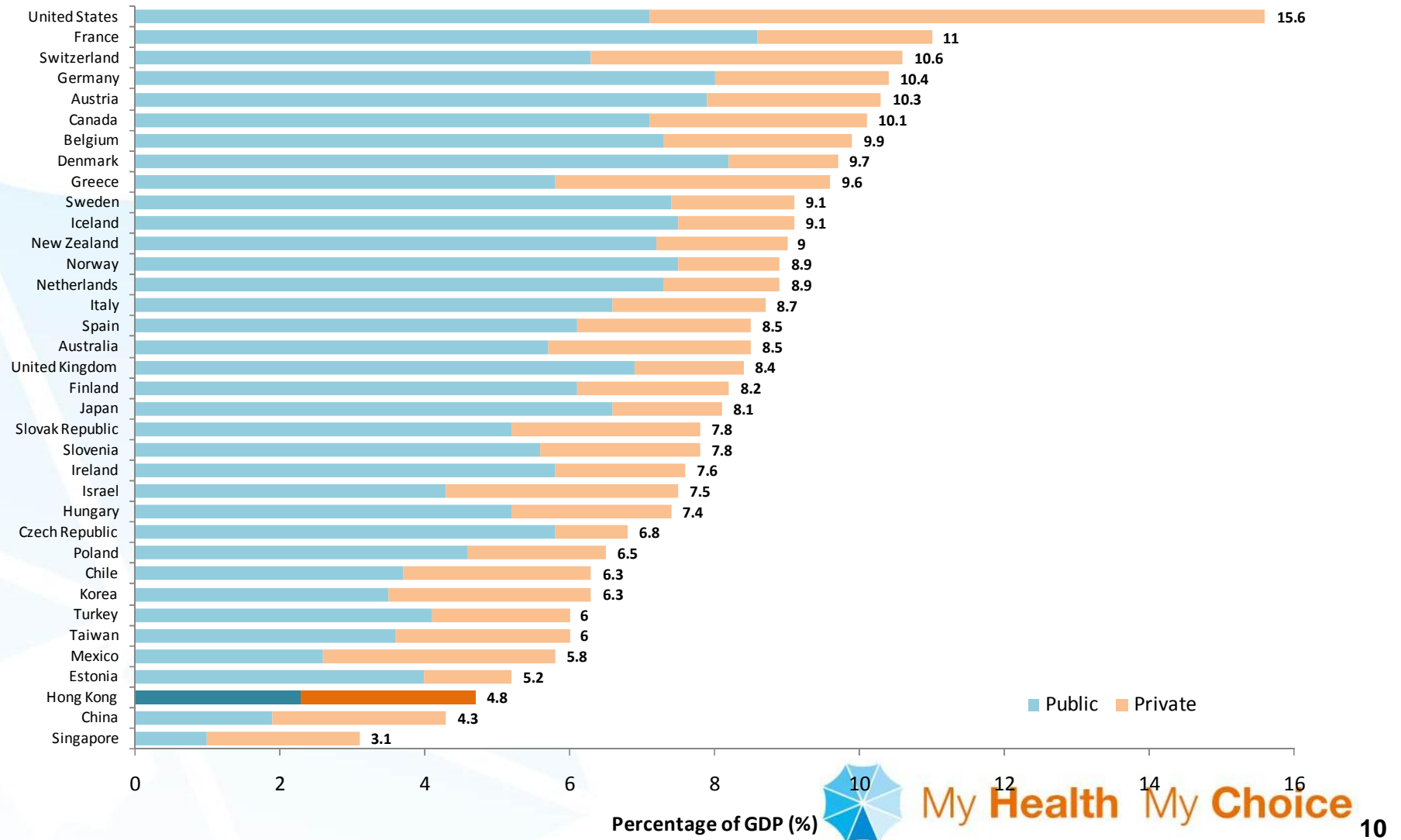
Share of THE by function



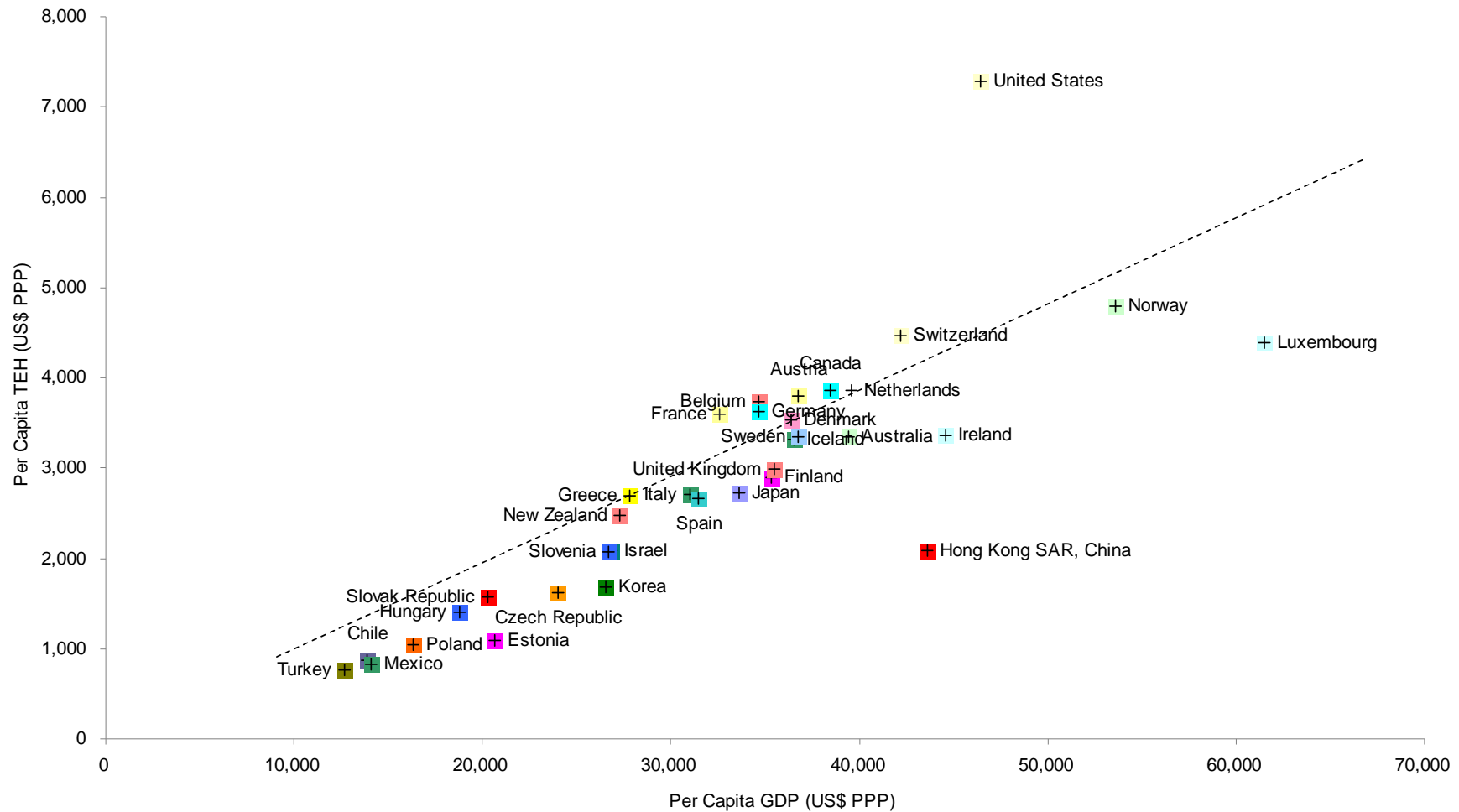
International Comparisons



International comparison by public vs private source (2007)



Hong Kong has spent relatively less on health compared to OECD countries



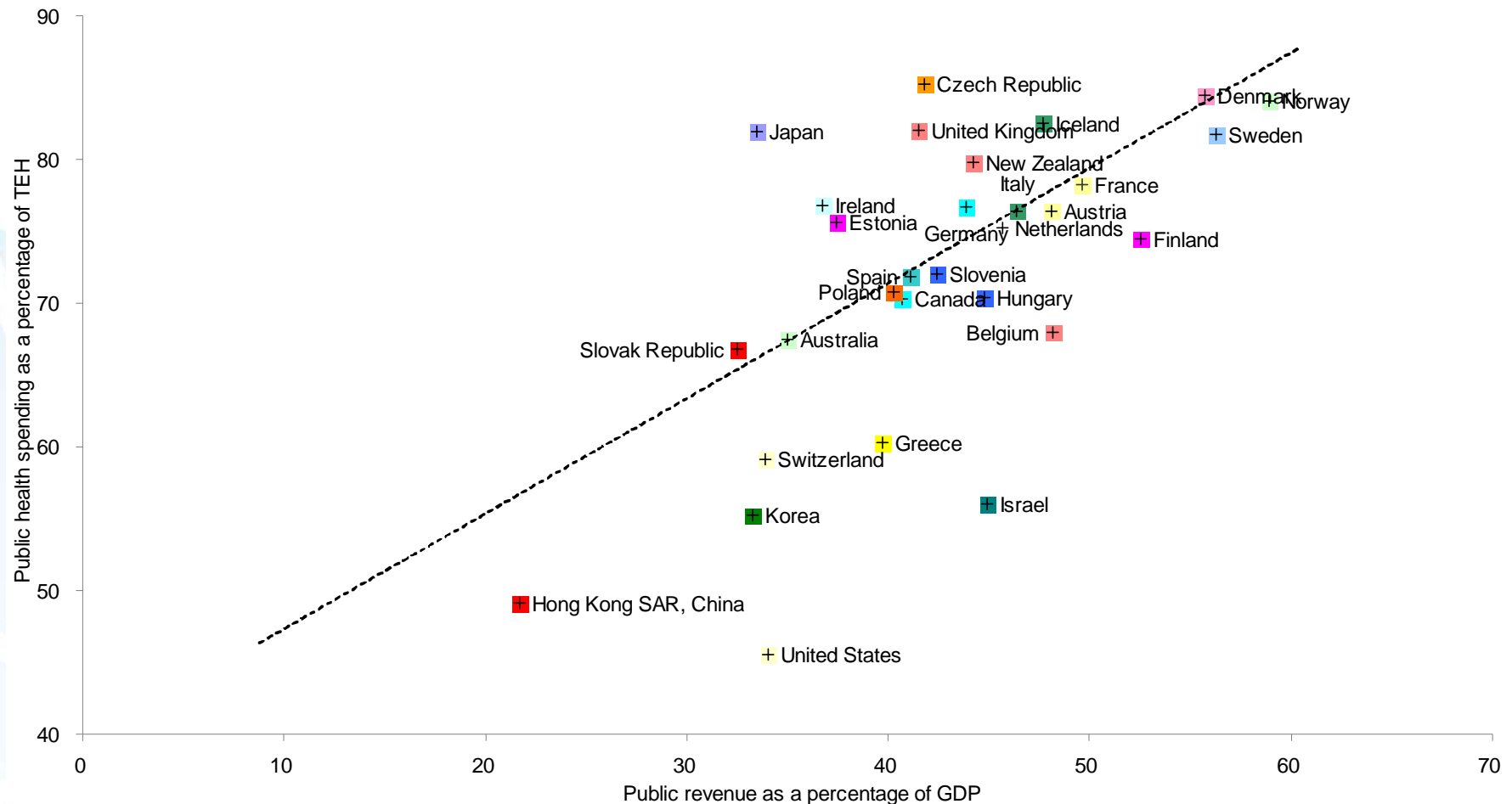
2007

Source: OECD Health Data 2010, October 2010
 Hong Kong's Domestic Health Accounts: 2007/08



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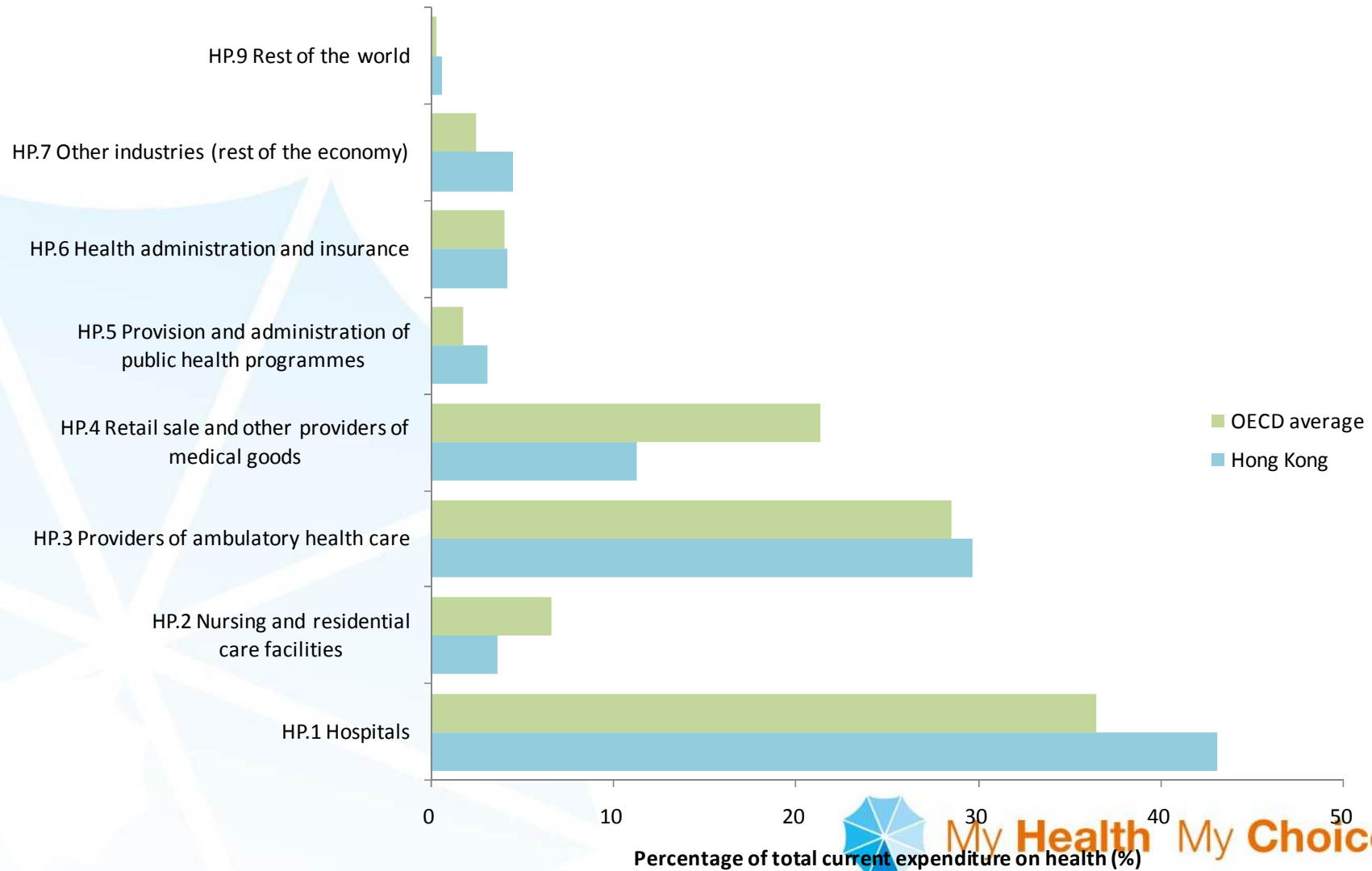
...although public spending is commensurate with the different levels of public revenue between countries



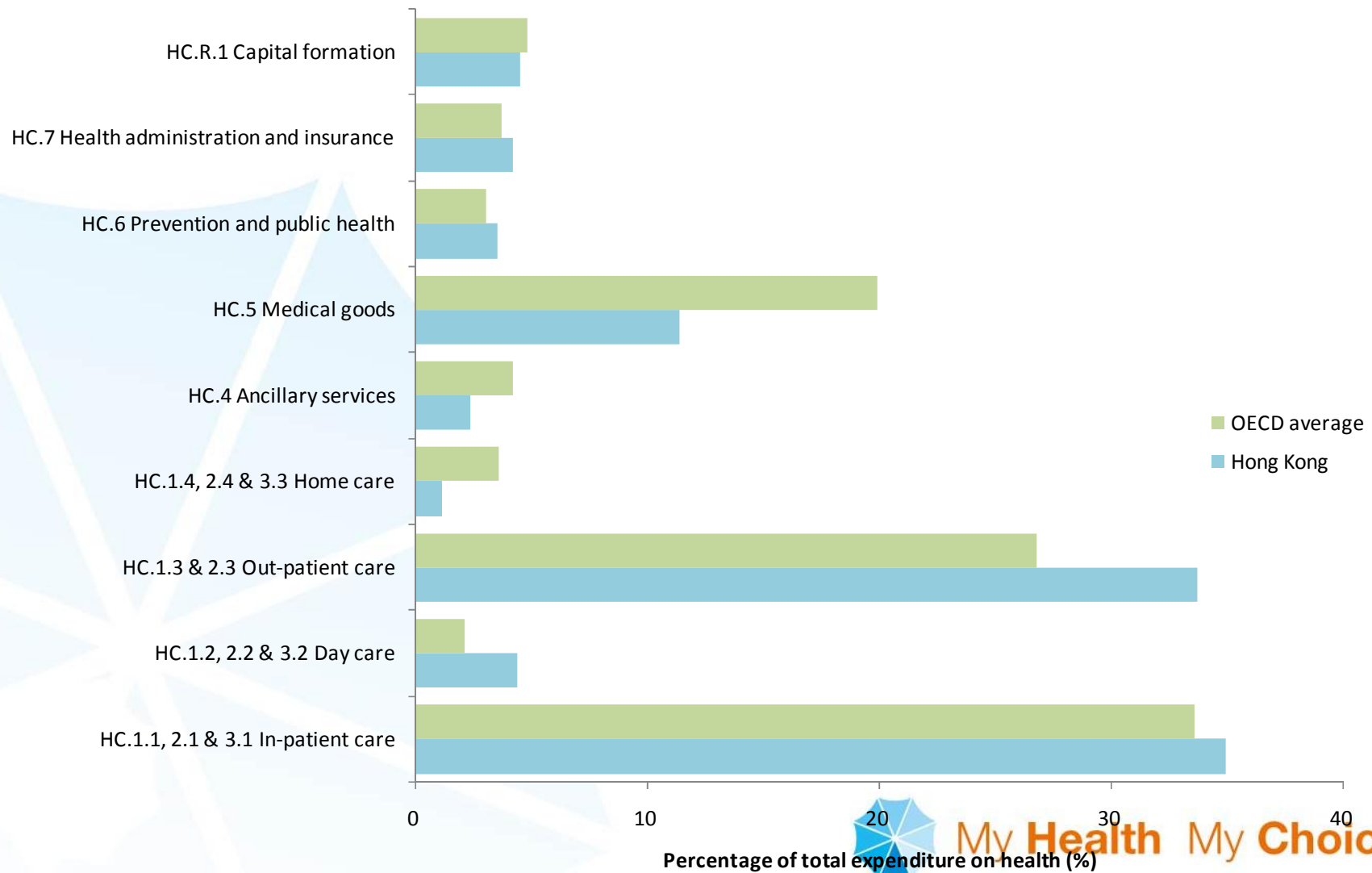
2007

Source: OECD Health Data 2010, October 2010
 Hong Kong's Domestic Health Accounts: 2007/078

International comparison by provider (2007)



International comparison by function (2007)



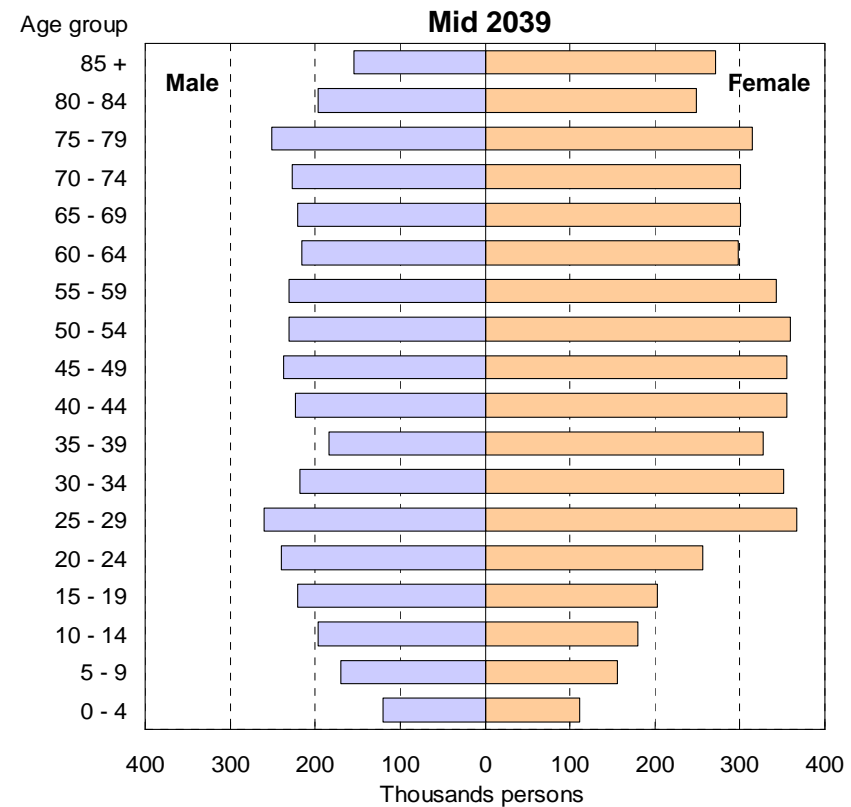
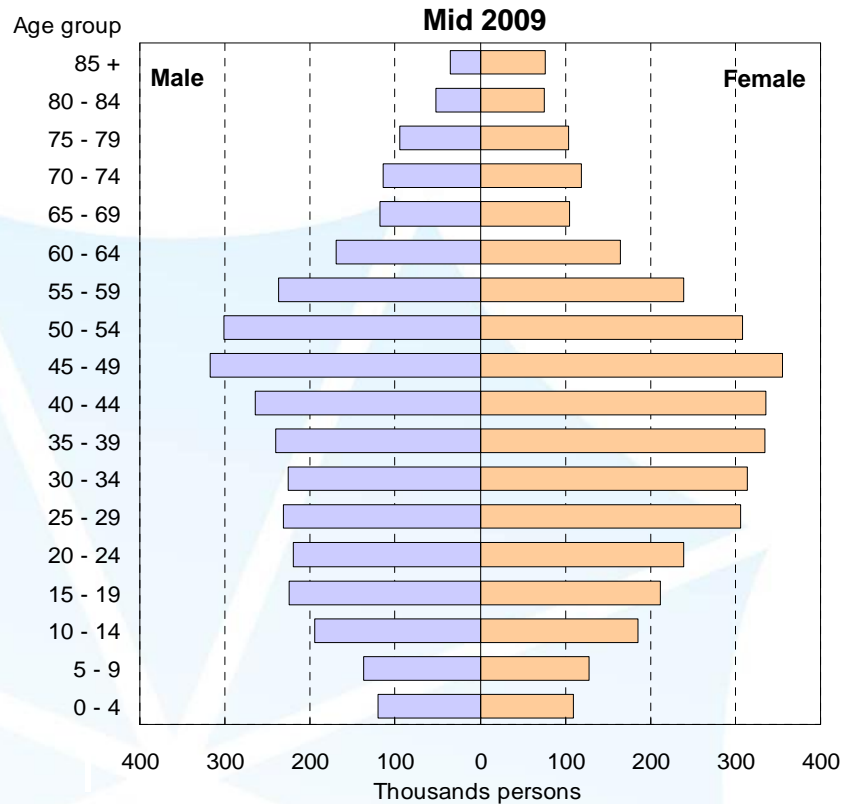


HK's Demographics



HK's population will be ageing rapidly

Population profile in 2009 & 2039

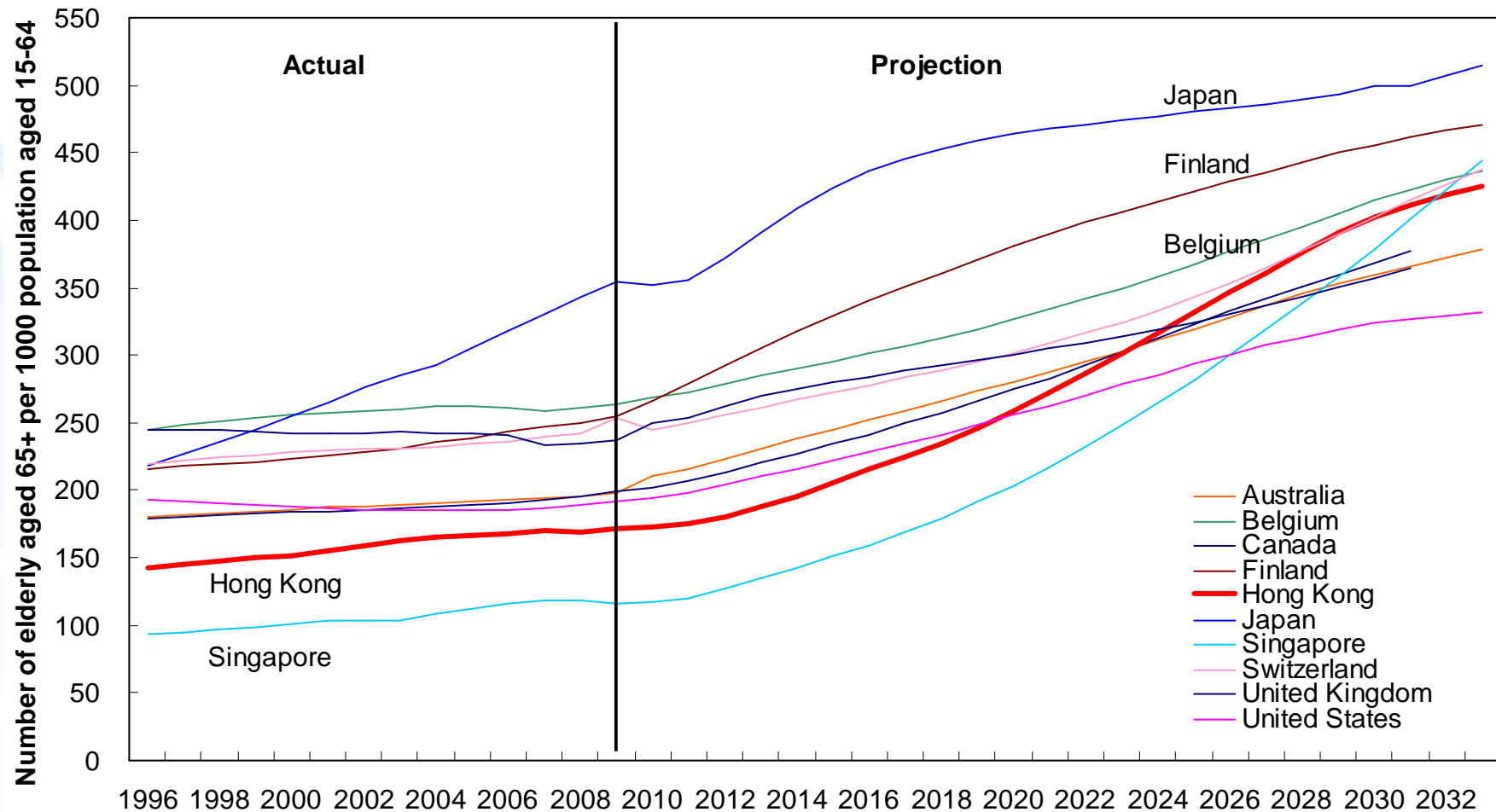


In 2009 – 1 out of 8 persons was an elderly person.
 By 2039 – 1 out of 4 persons will be an elderly person.



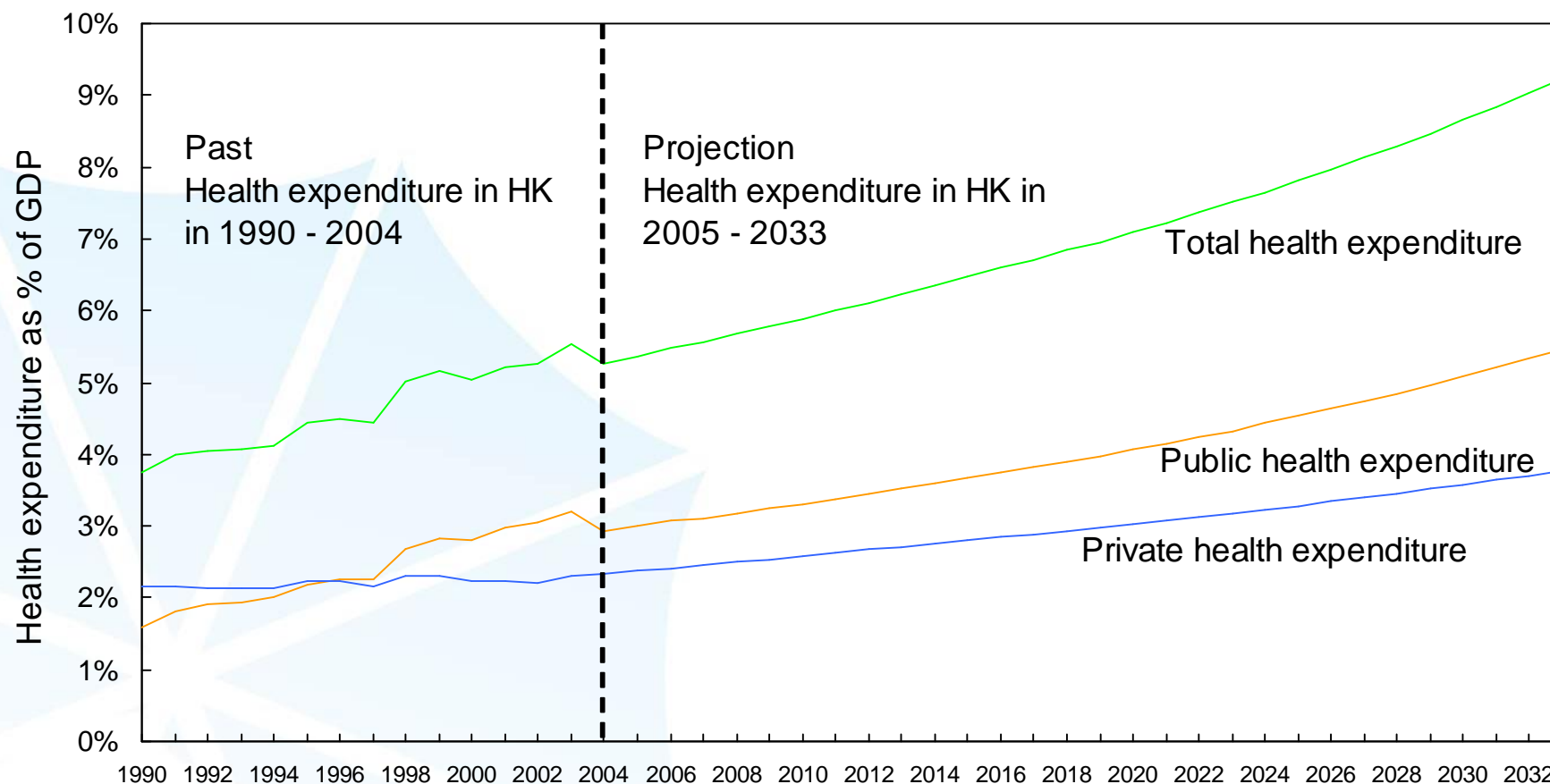
Hong Kong will see one of the fastest ageing among advanced economies

EDR of Hong Kong and Selected Economies



HK's health expenditure projected to continue to rise as a share of the economy

Health expenditure as % of GDP 1990 - 2033



Source: Hong Kong's Domestic Health Accounts: 1990 - 2004
Financial projection of Hong Kong's total expenditure on health from 2004 to 2033



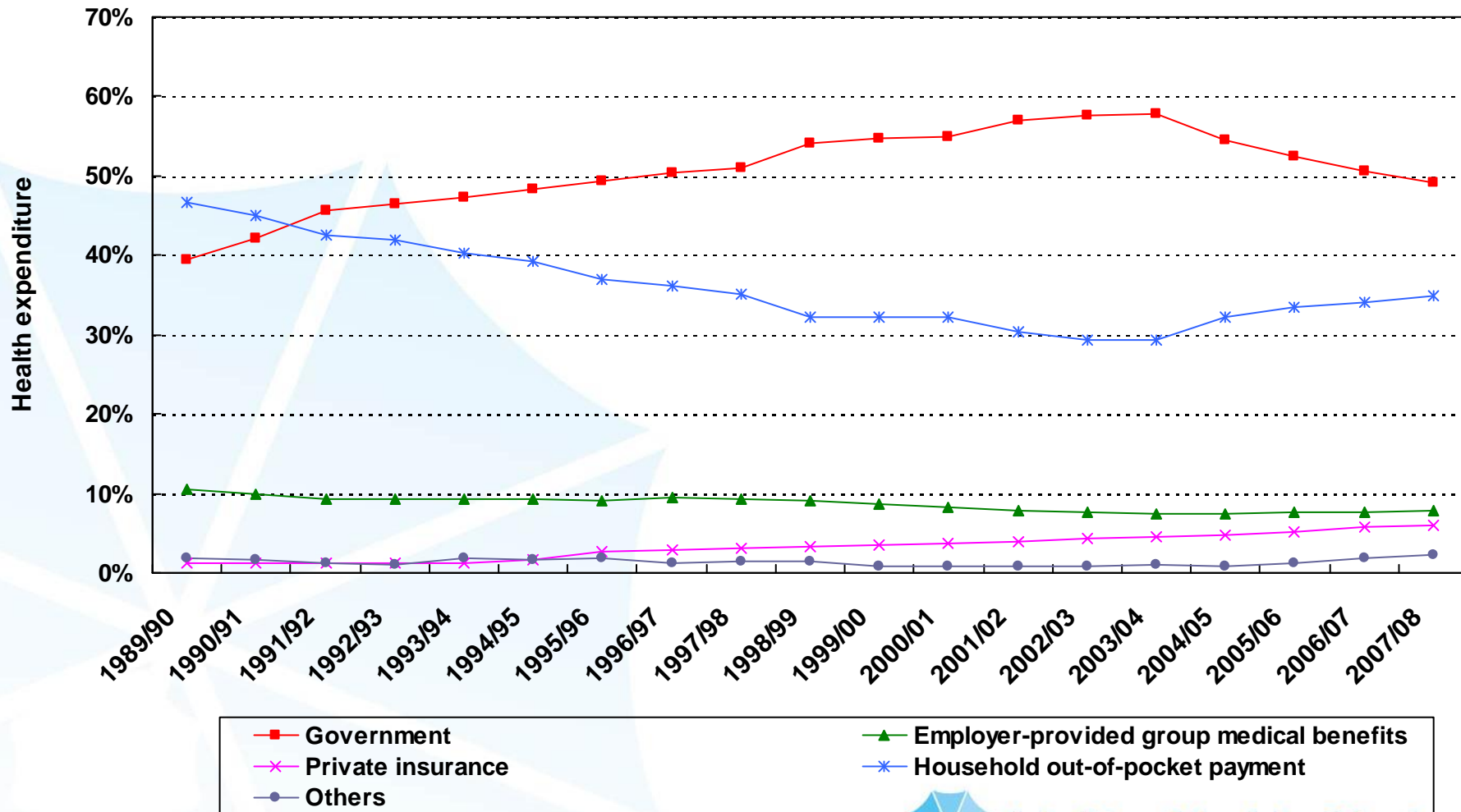
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HK's Healthcare Financing



Health spending by financing source



Source: Hong Kong's Domestic Health Accounts 1989/90 – 2007/08

Total Health Expenditure by Financing Source, 1989/90-2007/08 (HK\$ Million)

	1989/90	1992/93	1995/96	1998/99	2001/02	2004/05	2005/06	2006/07	2007/08	Average Annual Change 1989/90 to 2007/08
Government	7,749	15,844	25,316	35,800	39,152	37,090	36,934	37,419	38,809	9.4%
PHI	2,337	3,622	6,016	8,195	8,109	8,394	9,022	9,924	10,883	8.9%
Individually purchased PHI	263	419	1,336	2,188	2,721	3,284	3,663	4,213	4,721	17.4%
Employer-provided PHI	2,074	3,203	4,680	6,007	5,388	5,110	5,359	5,711	6,162	6.2%
Out-of-pocket	9,157	14,264	18,882	21,306	20,890	21,872	23,508	25,268	27,522	6.3%
Others	370	375	993	926	568	619	901	1,396	1,732	9.0%
Total	19,613	34,104	51,207	66,227	68,720	67,975	70,365	74,008	78,946	8.0%

Source: Hong Kong's Domestic Health Accounts 1989/90 – 2007/08

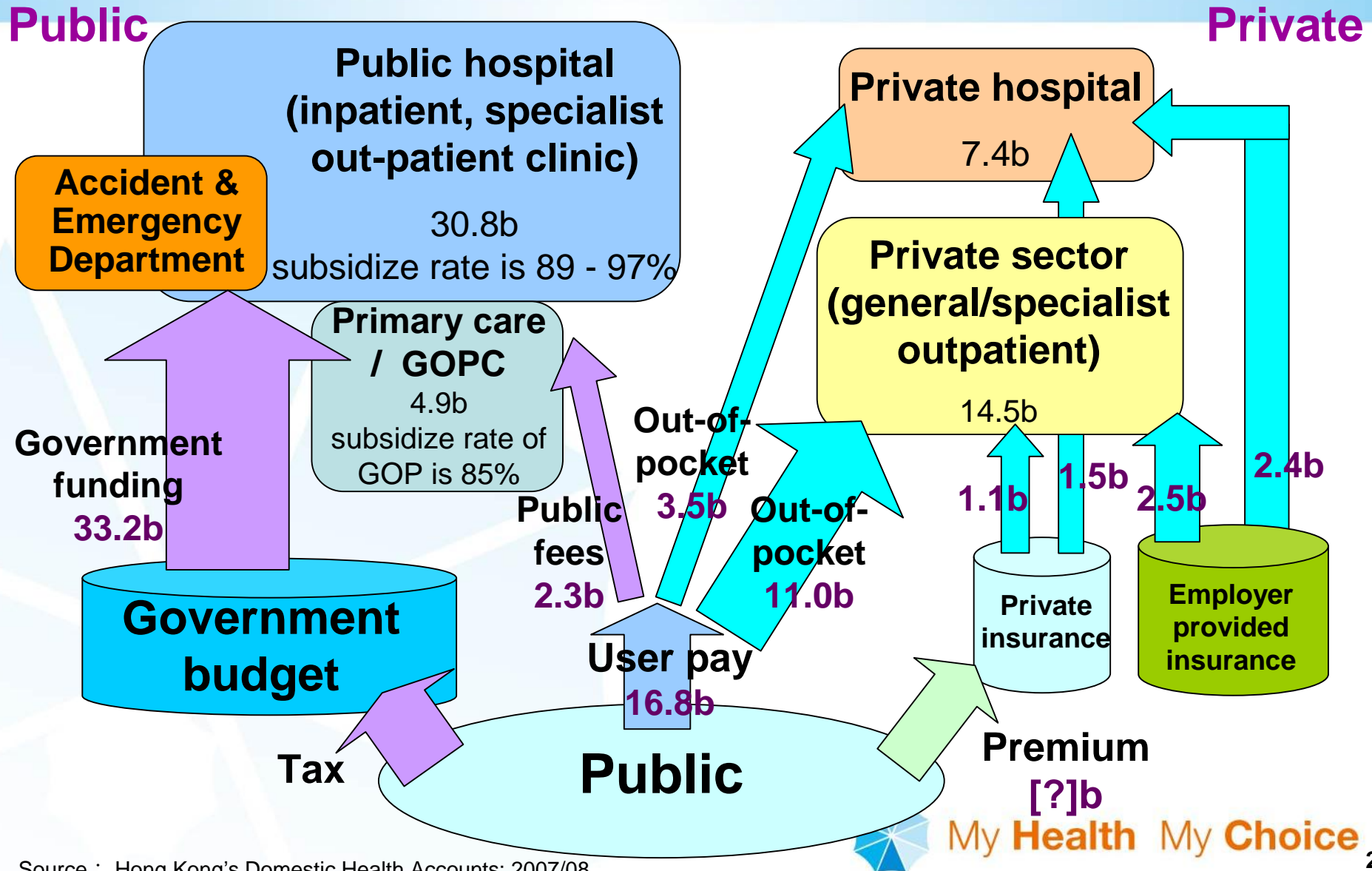
Total health expenditure of Hong Kong in 2007/08 by financing source and function

	Government	Private household out-of-pocket expenditure	Employer-provided group medical benefits	Private insurance	Others ⁸	Total
Public in-patient ¹	21,264	968 ⁴	-	-	48	22,280
Public specialist out-patient	7,484	1,004 ⁴	-	-	#	8,488
Public primary care/general out-patient	4,501	328 ⁴	-	-	37	4,866
Private in-patient ¹	745 ³	3,499 ⁵	2,427	1,488	3	8,162
Private primary care/out-patient ²	2	10,957	2,452	1,051	4	14,466
Dental care	489	1,938	84	65	9	2,585
Medical goods outside patient care settings	234	8,635	-	-	119	8,989
Others (including ancillary medical services, investment and administration)	4,090	193	1,199 ⁶	2,116 ⁷	1,512	9,109
Total	38,808	27,522	6,162	4,721	1,732	78,946

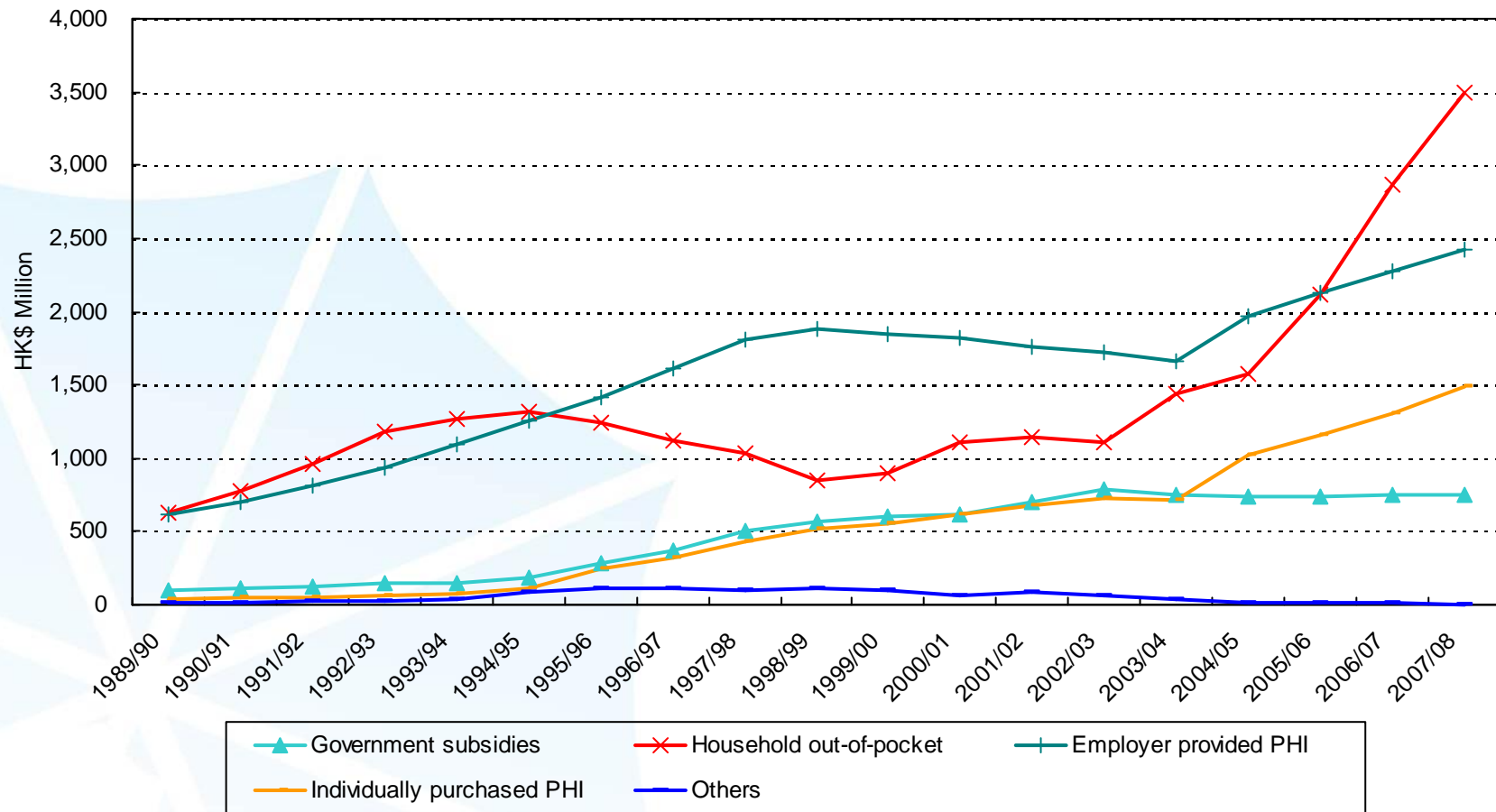
(HK\$ million)



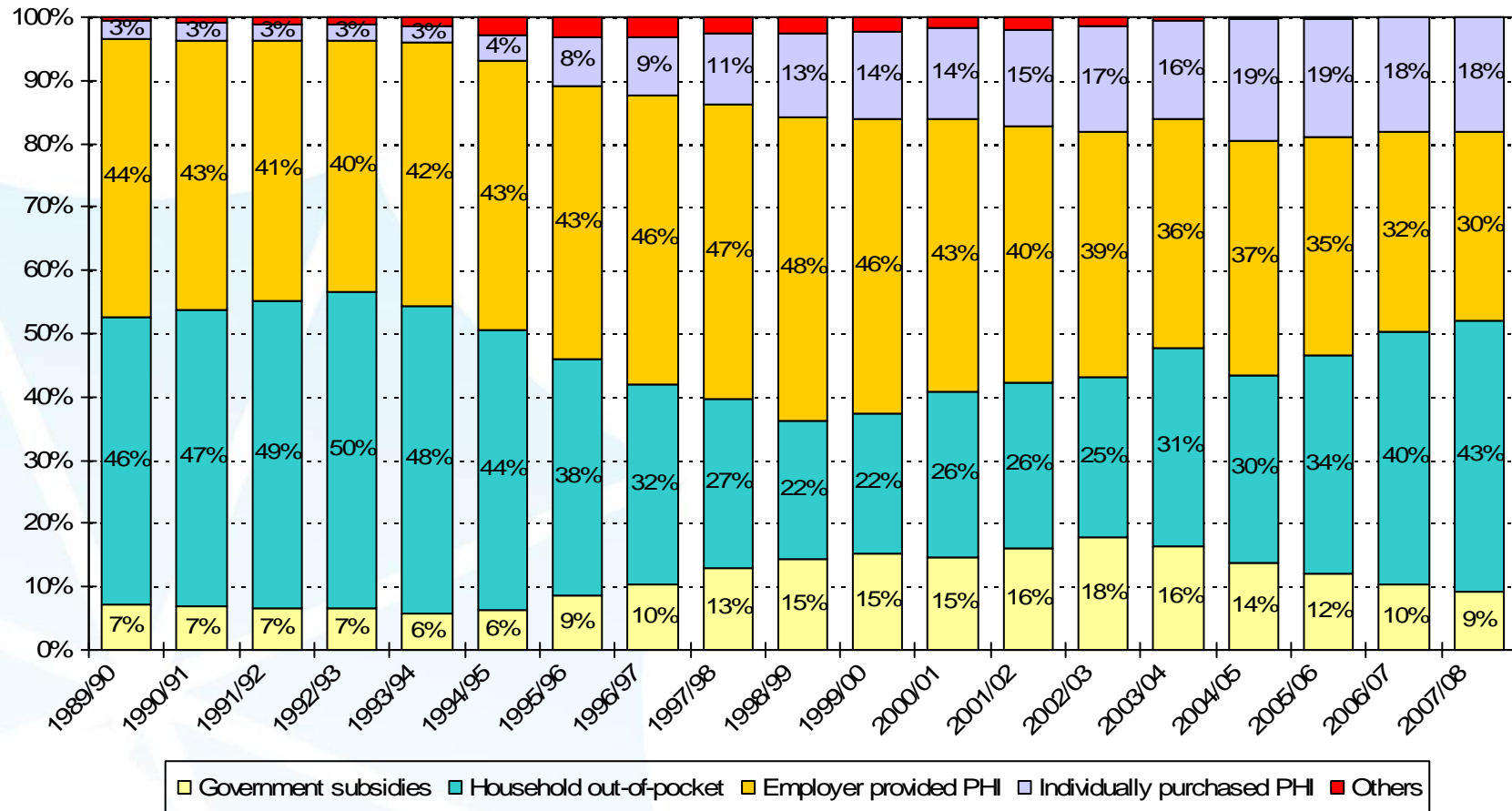
Healthcare Financing – Present



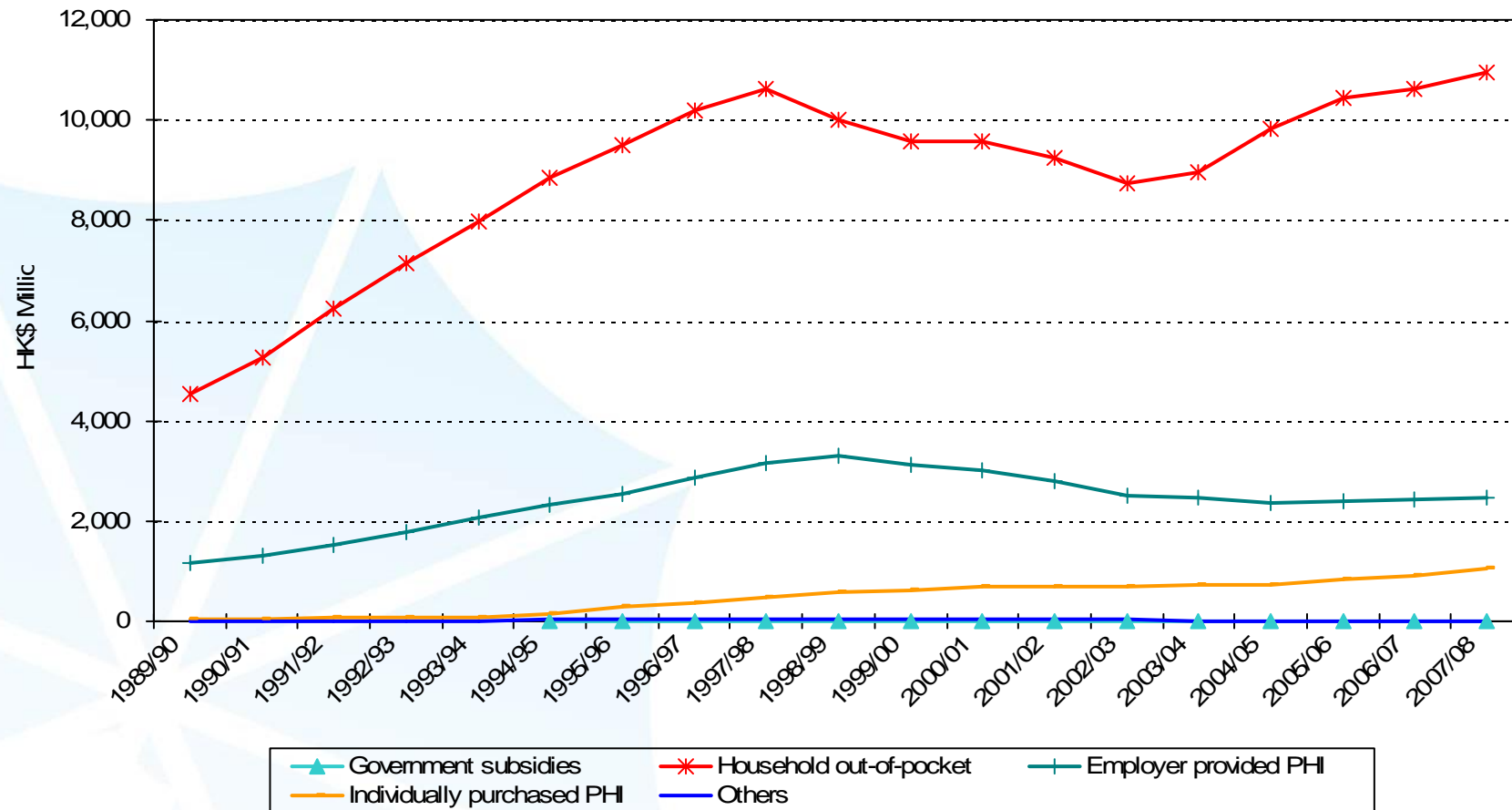
Expenditure on private inpatient services by financing source



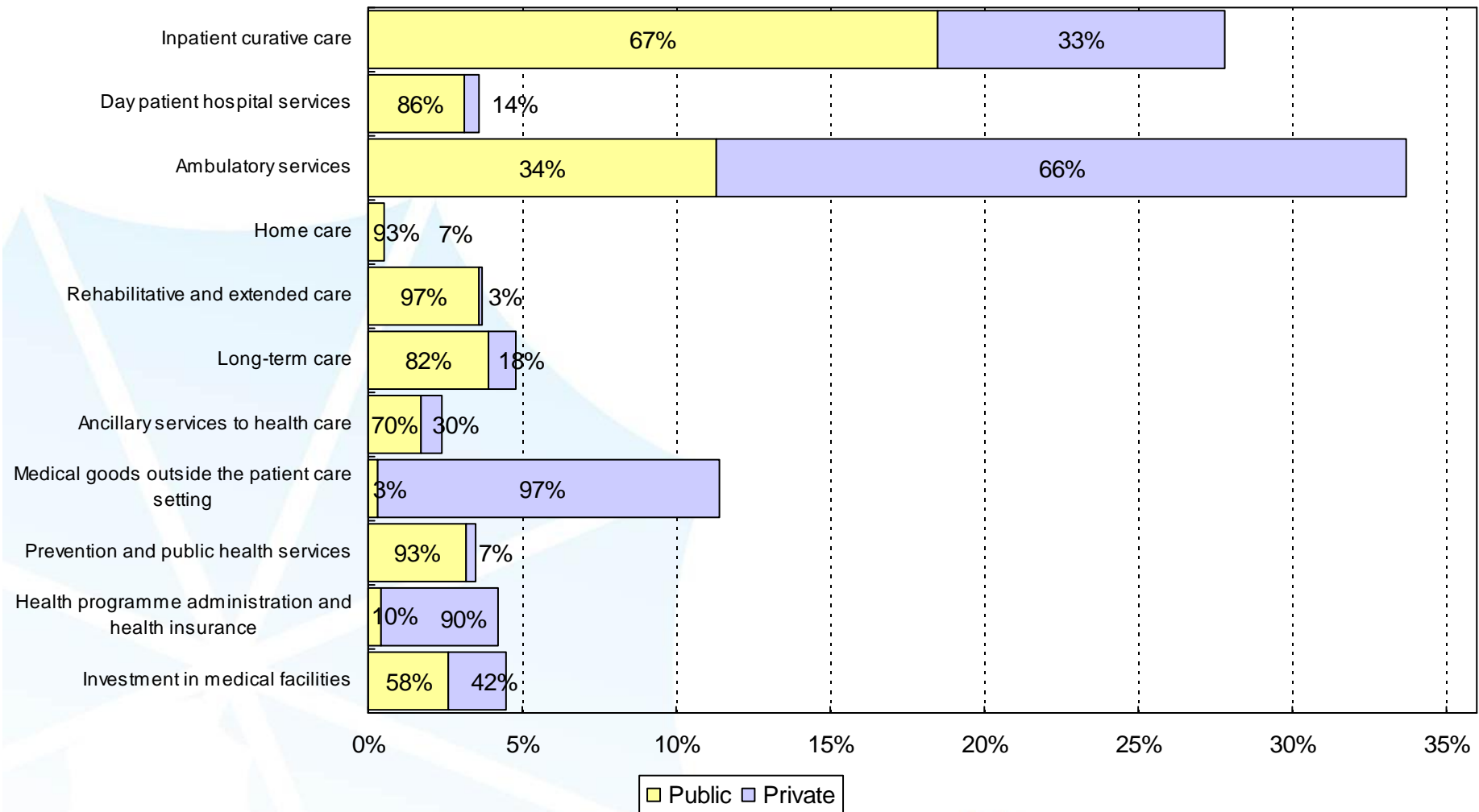
% expenditure on private inpatient services by financing source



Expenditure on private primary care / outpatient services by financing source



Health spending by healthcare function and financing source (2007/08)



Source: Hong Kong's Domestic Health Accounts: 2007/08



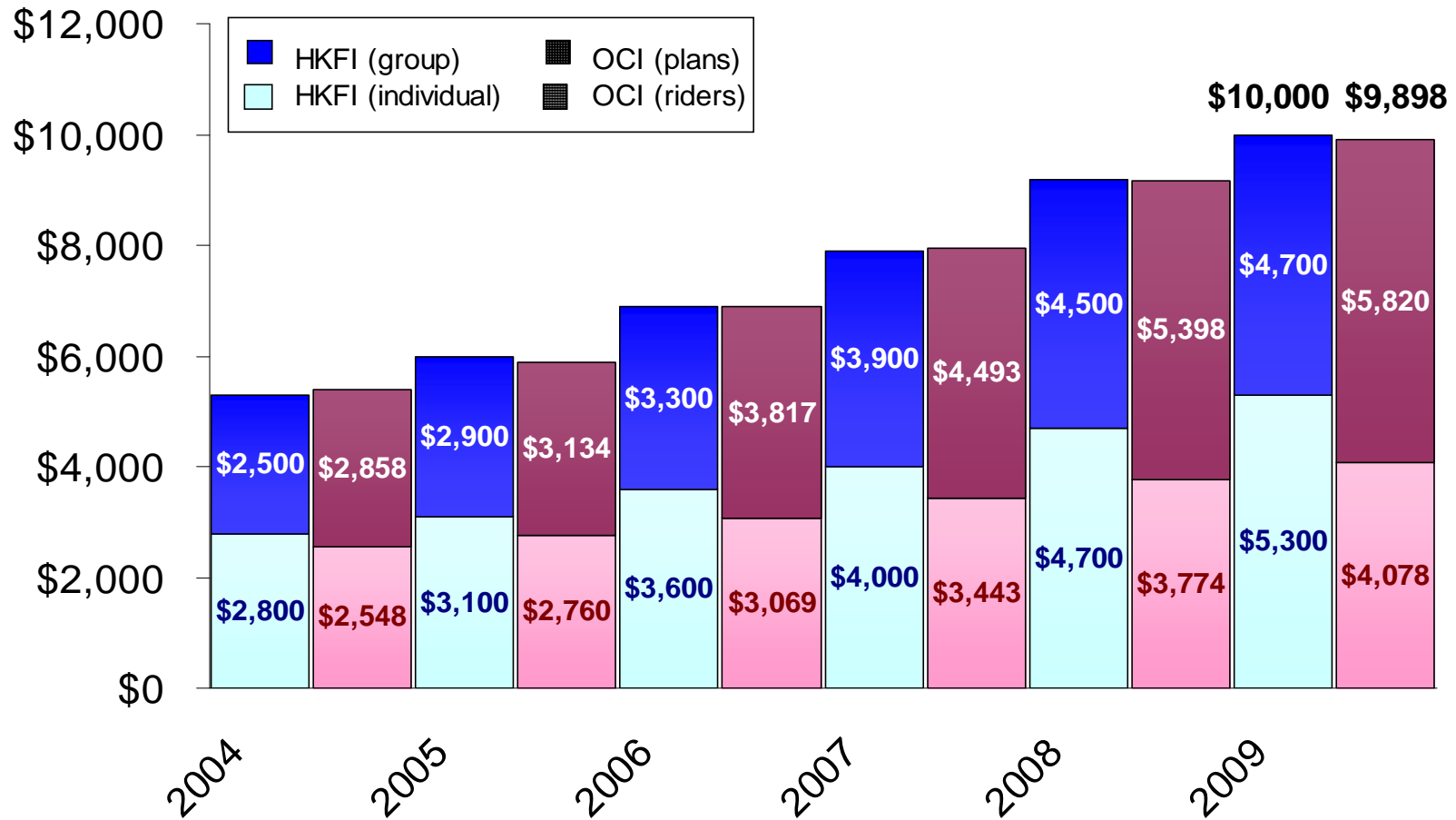
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Health Insurance in HK

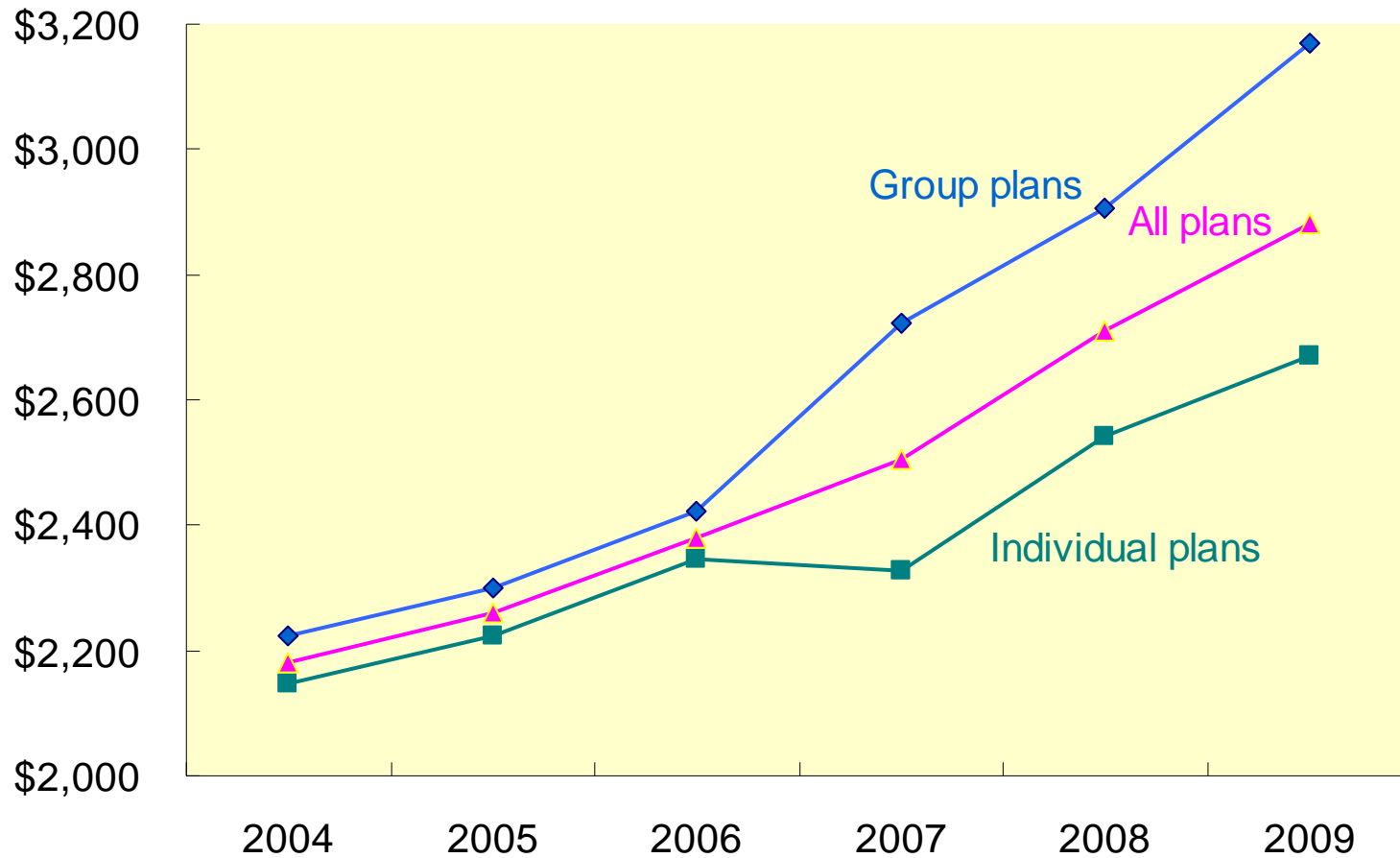


PHI premium revenue (\$Mn)



Source: HKFI & OCI

Average annual premium per member

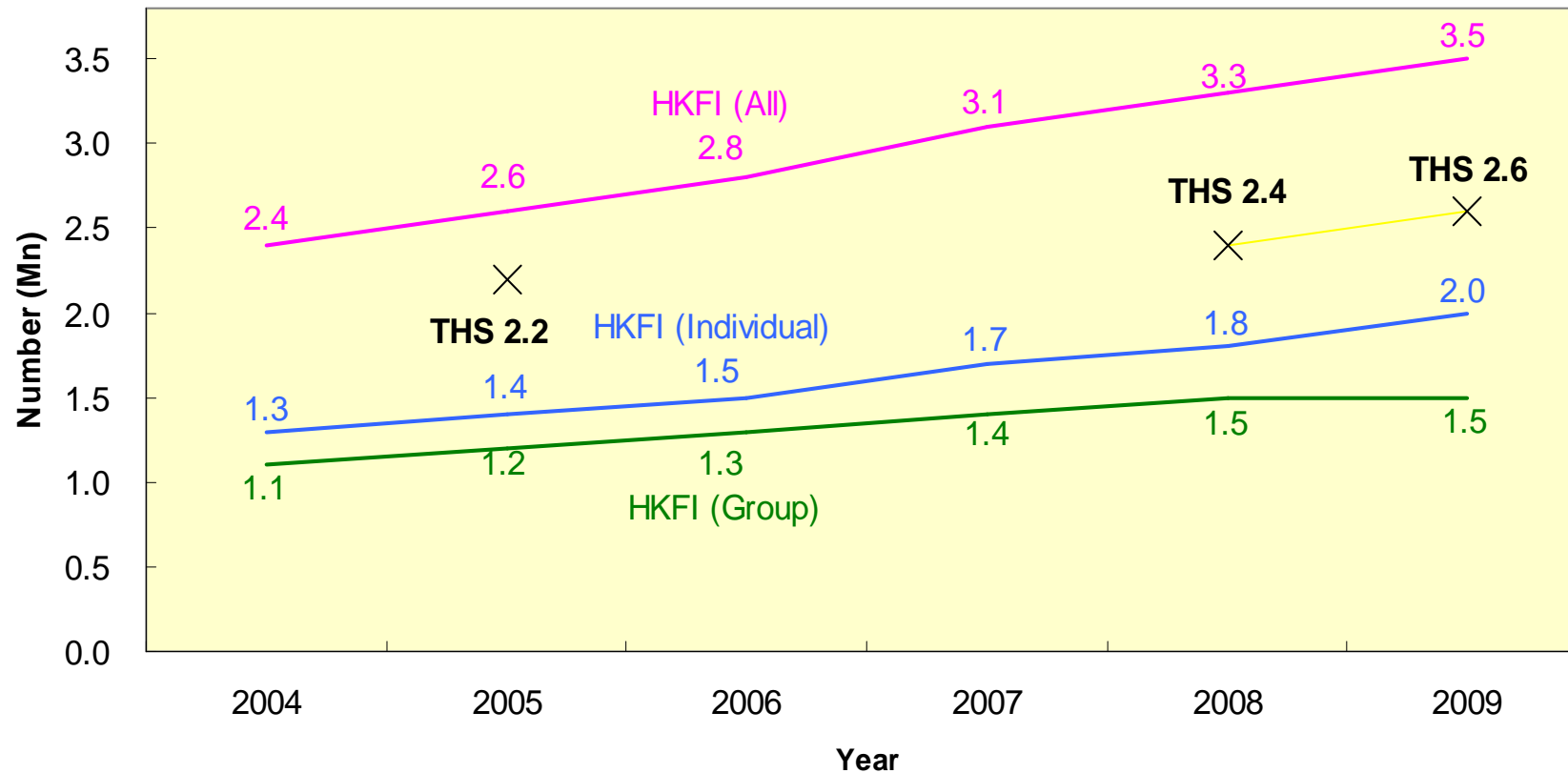


Source: HKFI



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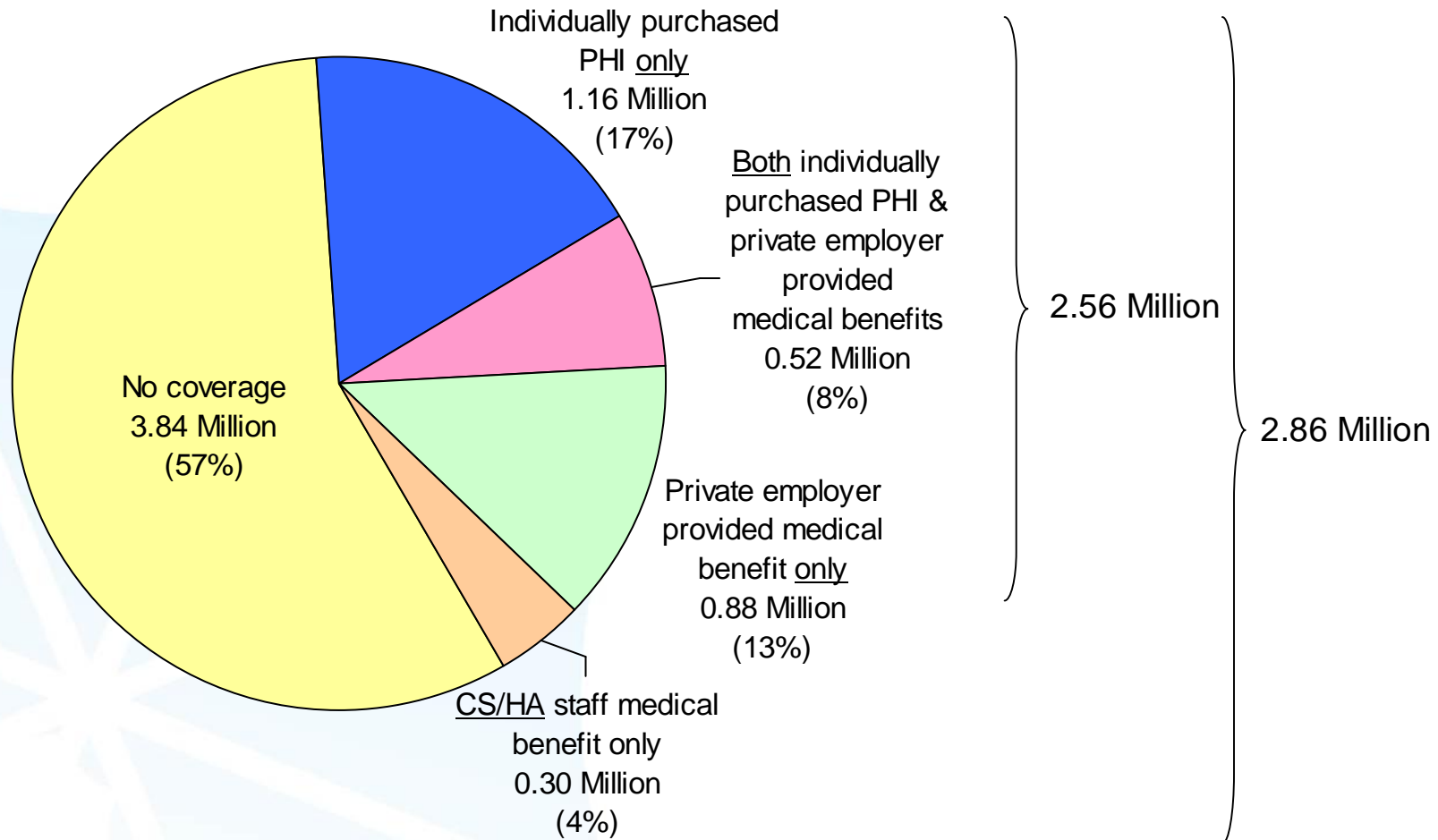
Size of insured population



HKFI – count by membership

THS – count by identity (concurrent cover of individual & group plans = 0.52mn in 2009)

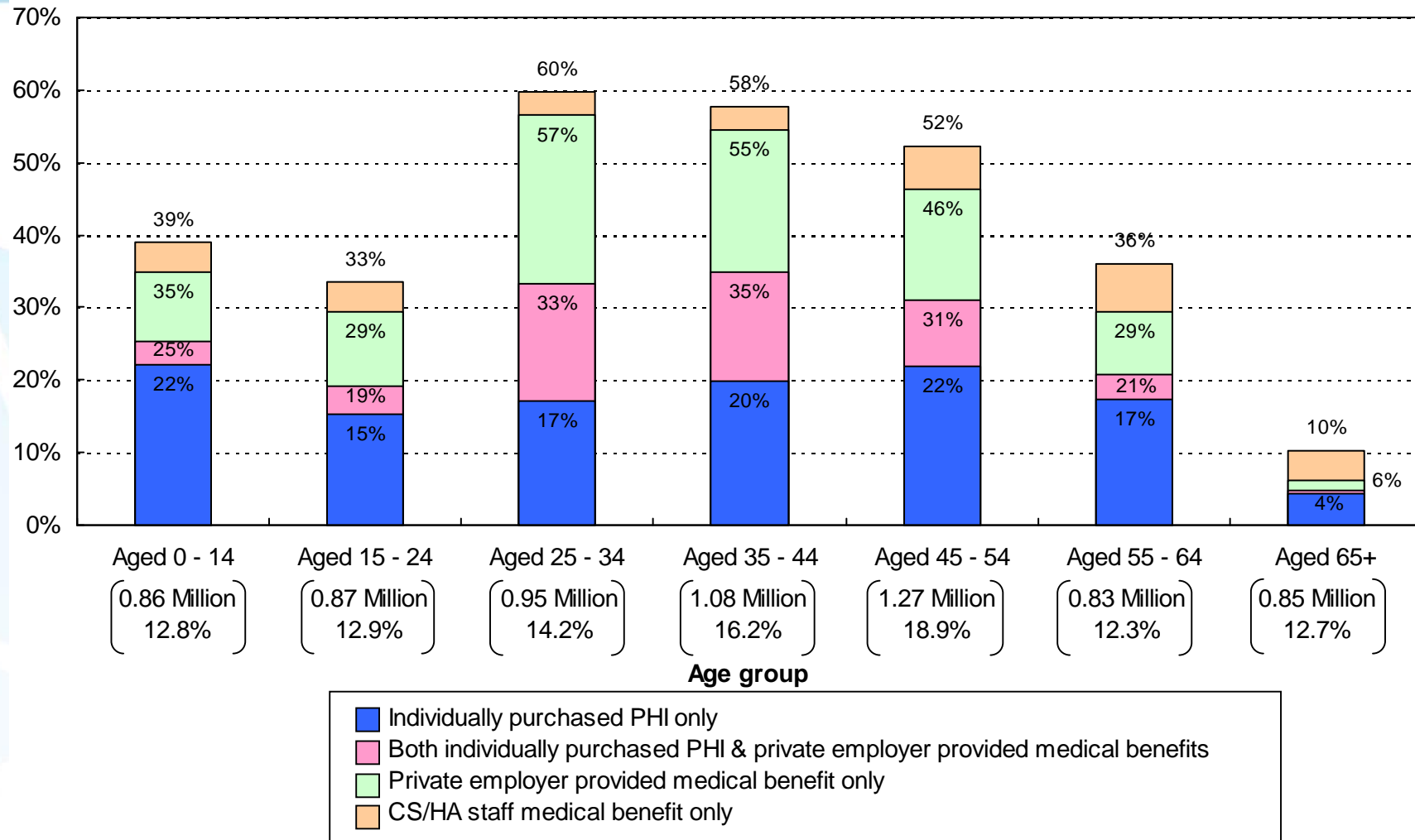
Thematic Household Survey 2009: Population Coverage of Medical Insurance / Benefit



Base: Land-based non-institutional population excluding foreign domestic helpers (6.70 Million)



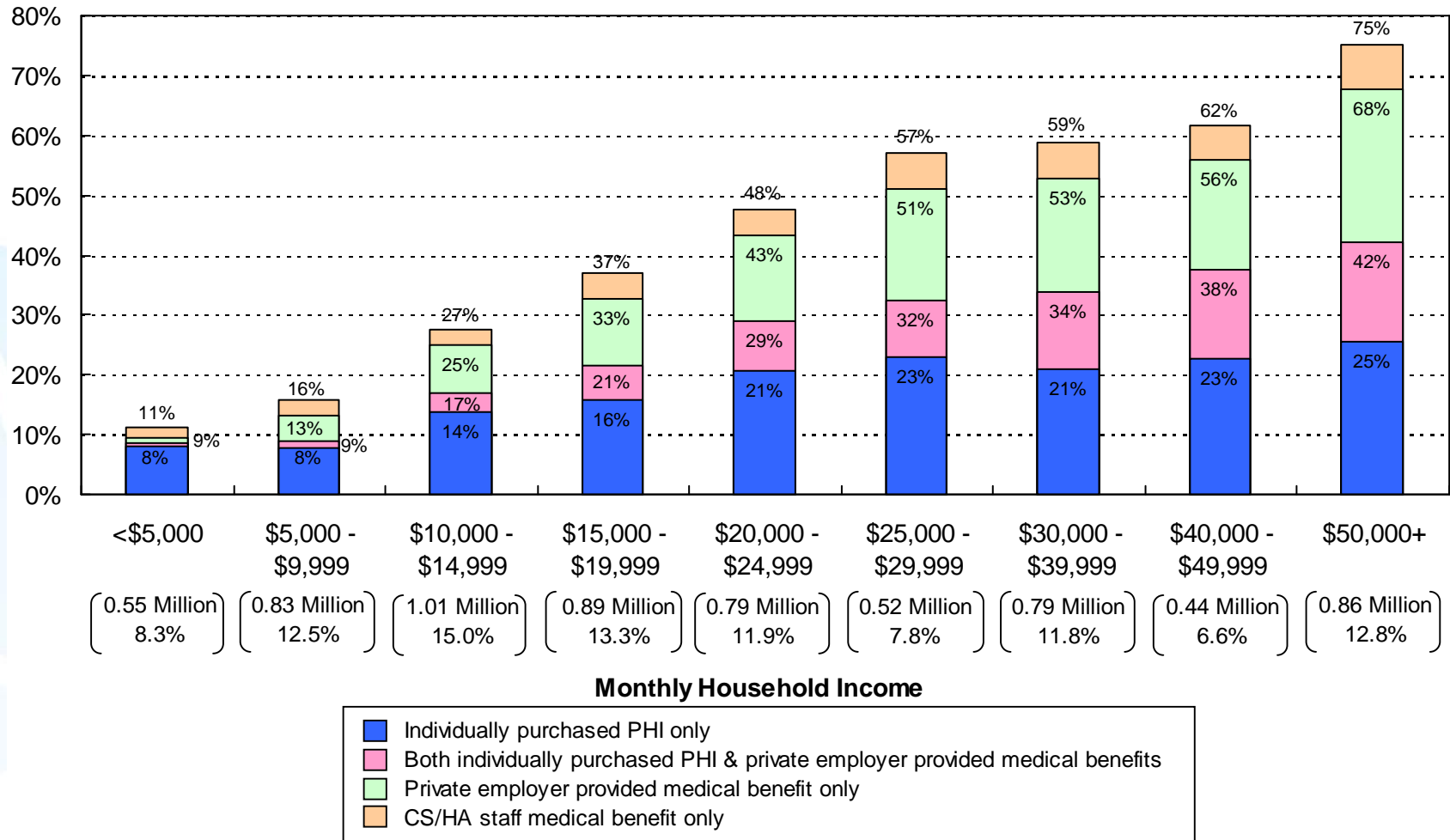
% insured by age group



Base: Land-based non-institutional population excluding foreign domestic helpers (6.70 Million)

Source: Thematic Household Survey on health-related issues conducted during Nov 2009 to Feb 2010

% insured by household income



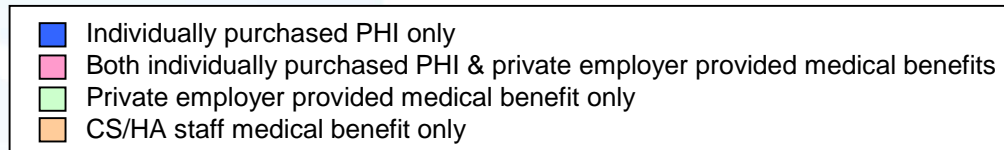
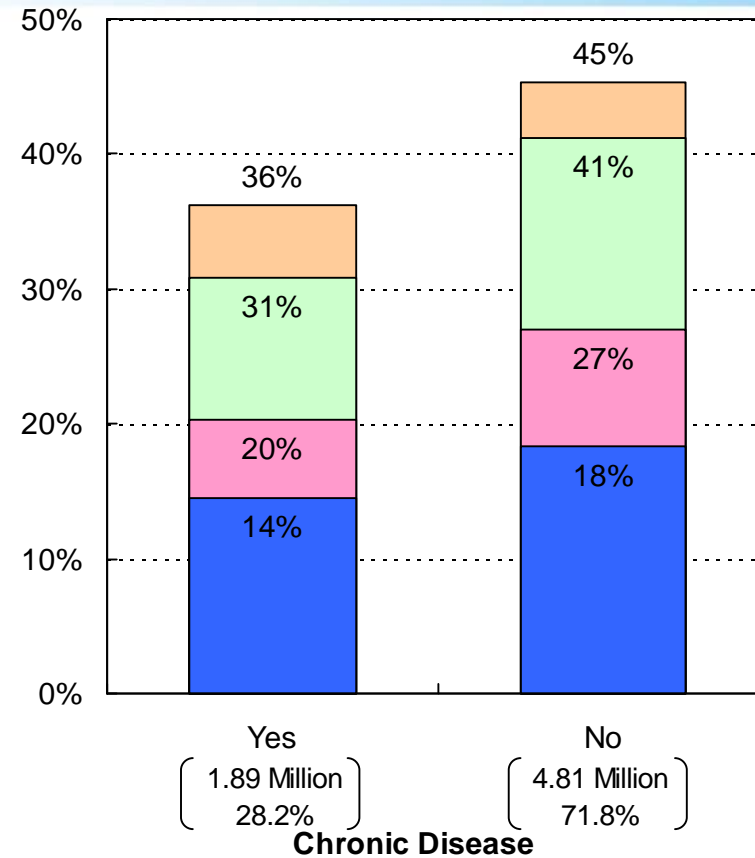
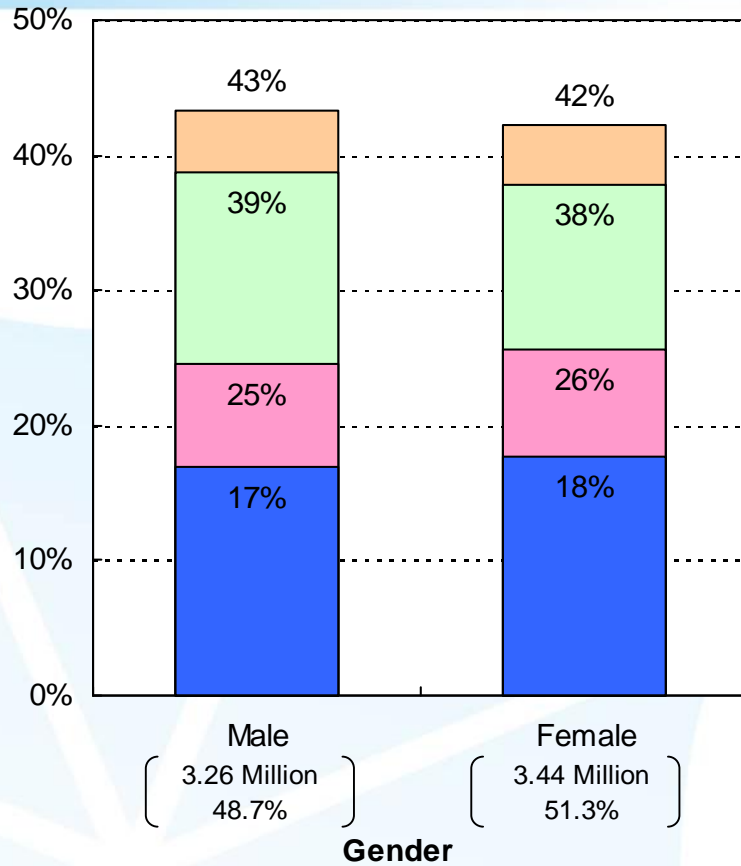
Base: Land-based non-institutional population excluding foreign domestic helpers (6.70 Million)

Source: Thematic Household Survey on health-related issues conducted during Nov 2009 to Feb 2010



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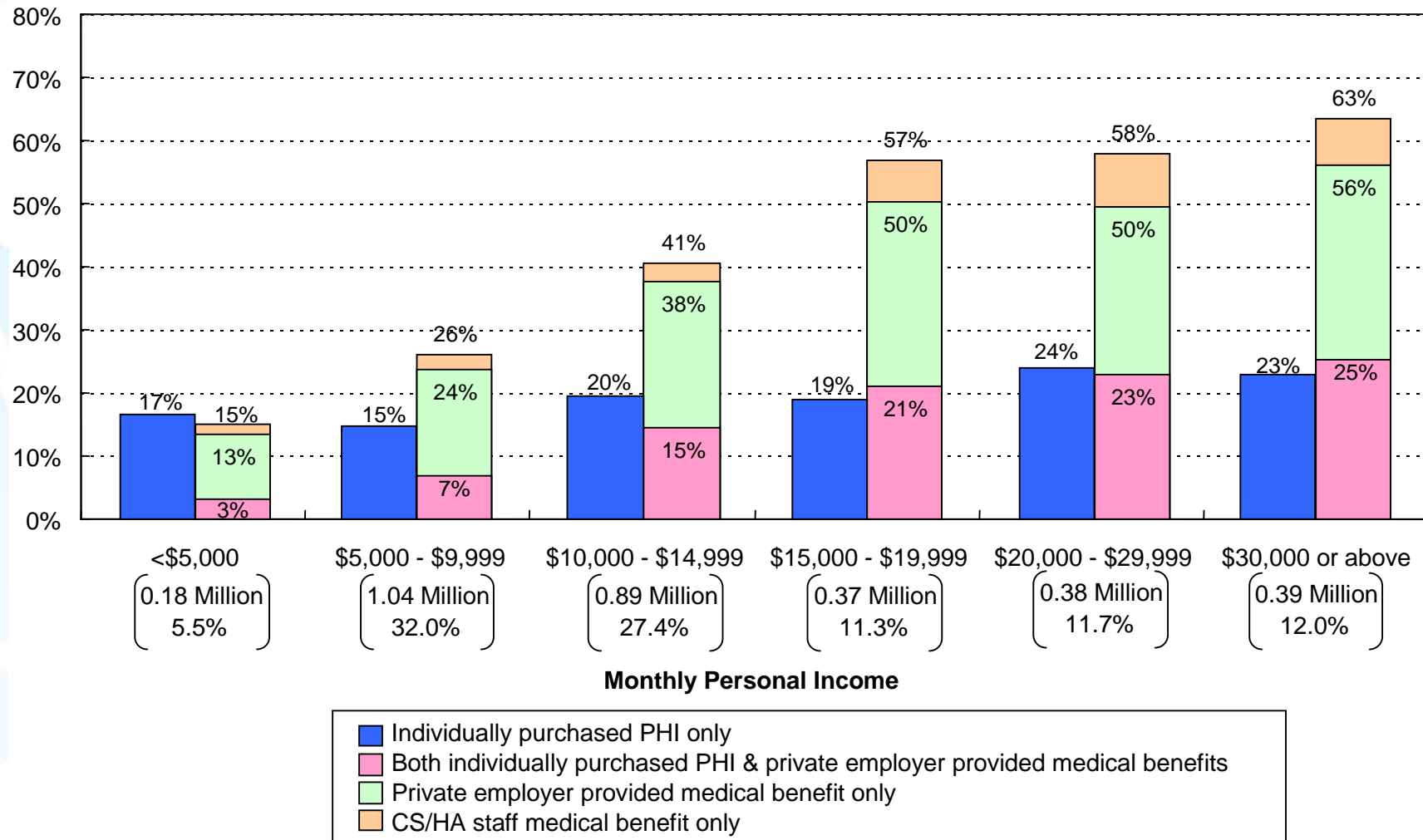
% insured by gender & health status



Base: Land-based non-institutional population excluding foreign domestic helpers (6.70 Million)

Source: Thematic Household Survey on health-related issues conducted during Nov 2009 to Feb 2010

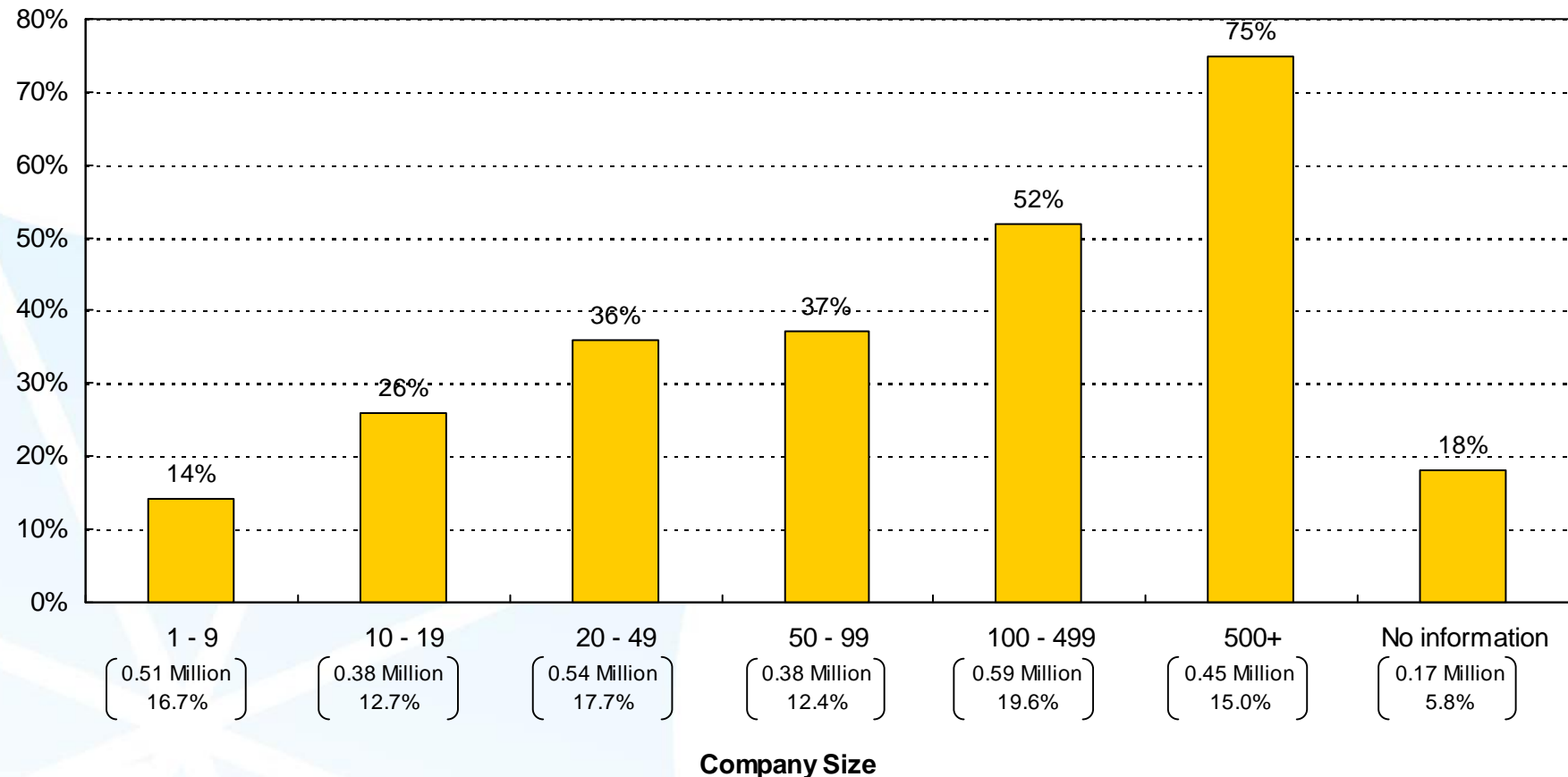
% of employed with medical benefit / insurance by monthly personal income



Base: Employed persons excluding foreign domestic helpers (3.23 Million)

Source: Thematic Household Survey on health-related issues conducted during Nov 2009 to Feb 2010

% of employed in private sector with employer provided medical benefits by company size



Base: Employed persons excl. CS and HA staff and foreign domestic helpers (3.02 Million)

Source: Thematic Household Survey on health-related issues conducted during Nov 2009 to Feb 2010



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Employers with staff medical plans (% by salient features)

	2008
Providing basic hospital plans	96% (of which 99% reimbursement plans)
Providing supplementary OP, maternity or dental benefits	60%
Providing spouse cover	61% (by scheme)
Providing children cover	59% (by scheme)

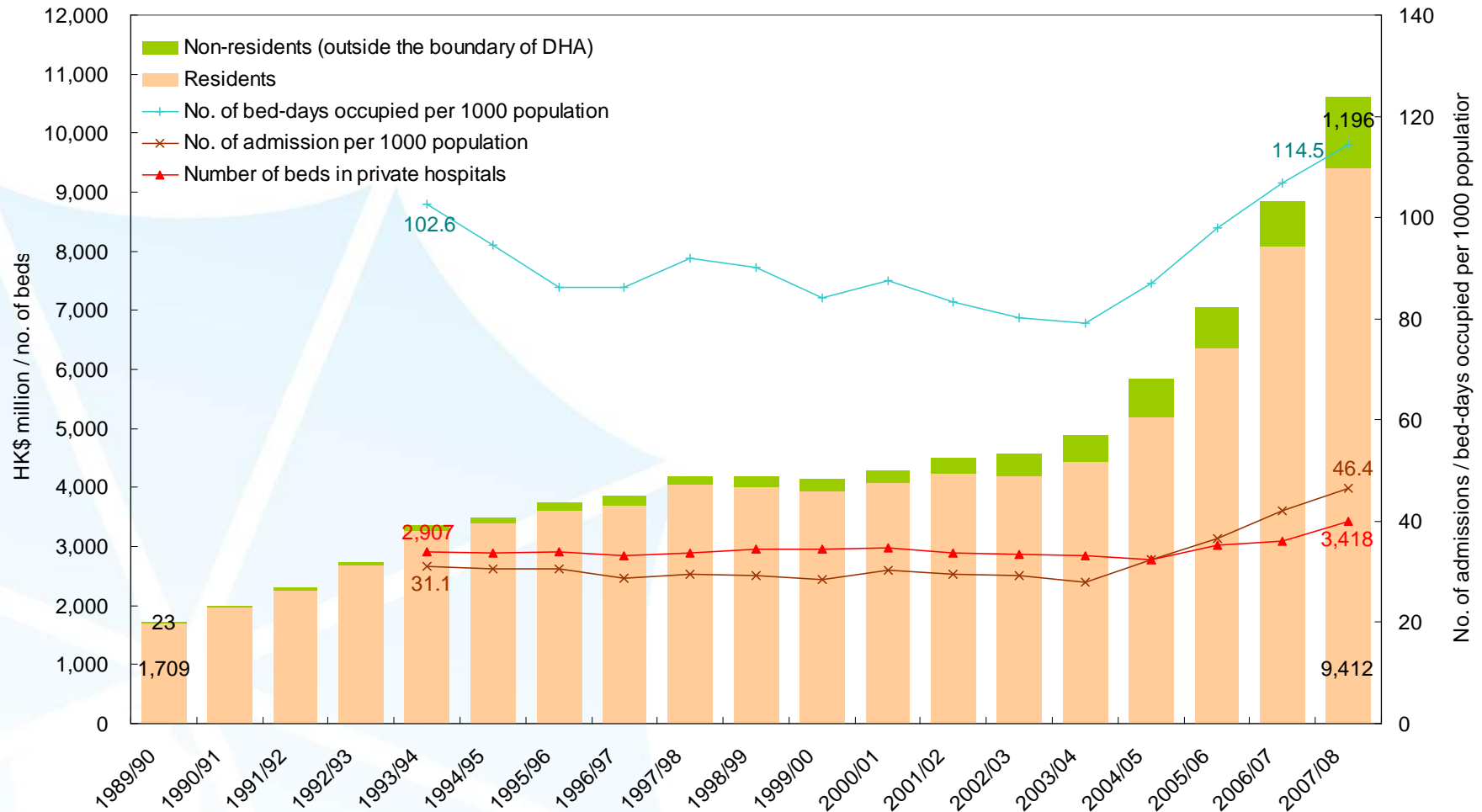
Source: Mercer's 2008 Health and Welfare Survey



Private Hospitals in HK



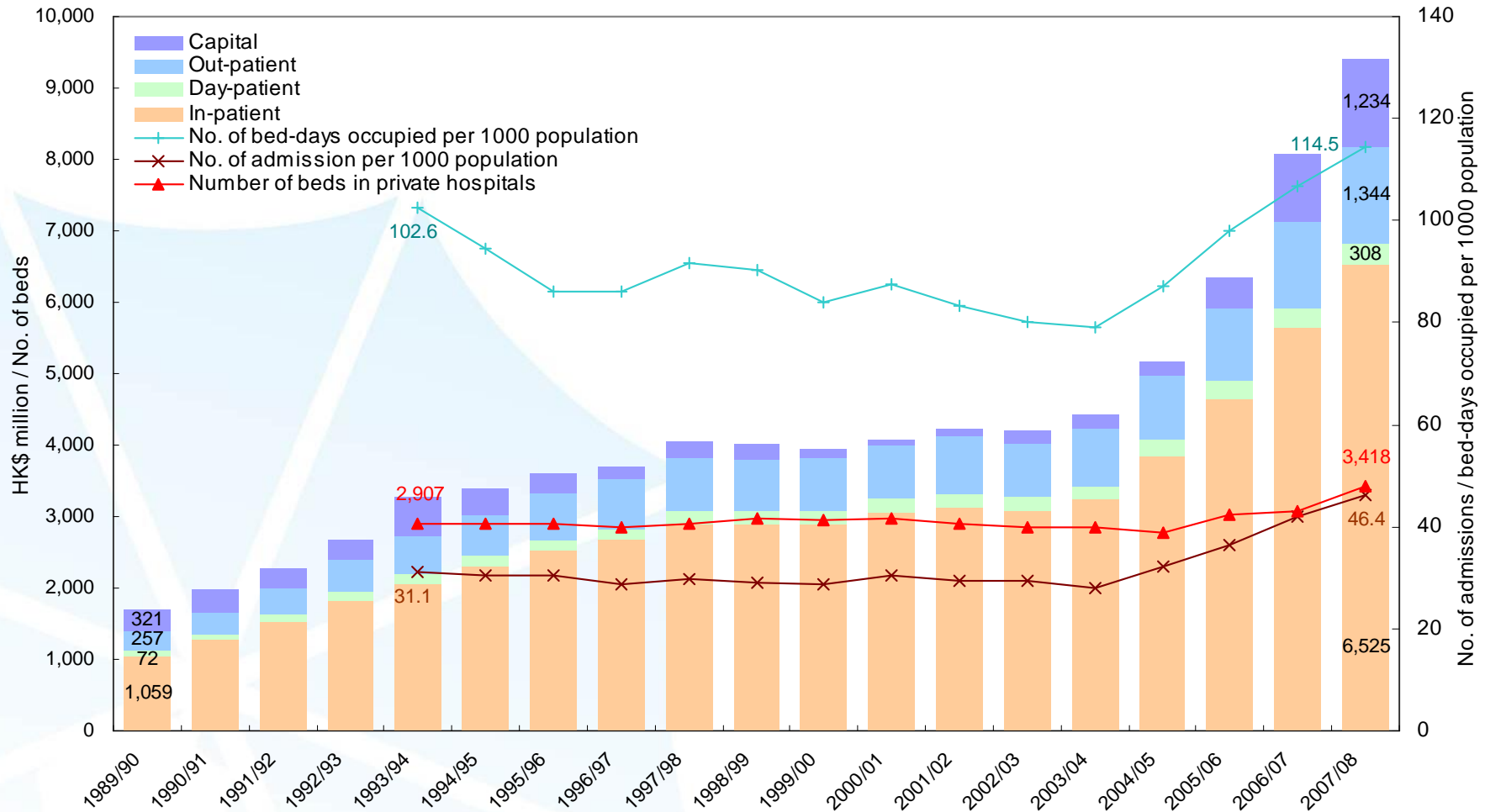
Private hospital expenditure by patient type



Note: Expenditure of non-residents prior to 2006/07 were estimated according to the number of mainland China visitor arrivals.



Private hospital expenditure by function

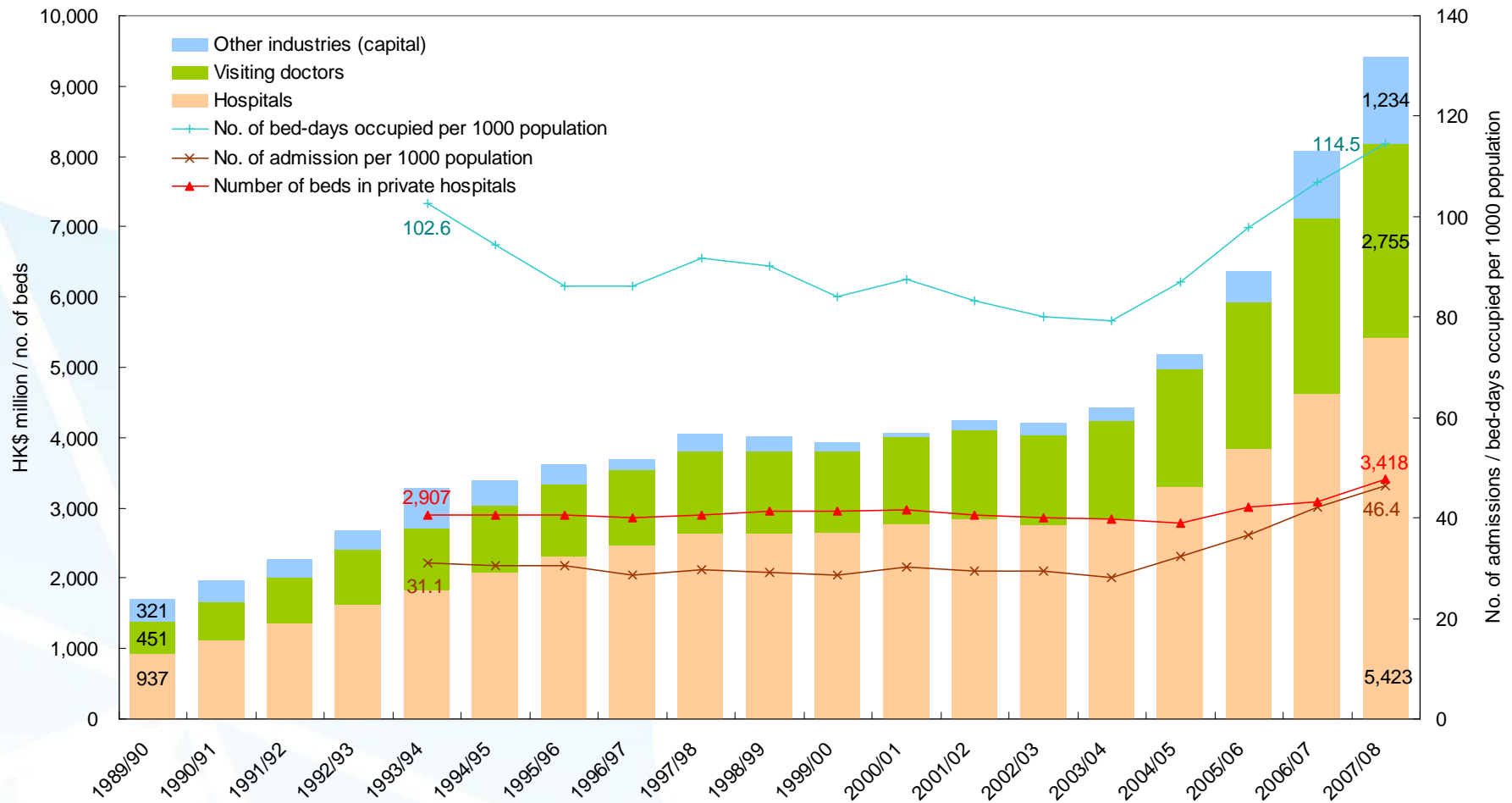


Note: Except for capital, expenditure breakdown prior to 2002/03 were estimated as of 2002/03.



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Private hospital expenditure by provider



Note: Except for capital, expenditure breakdown prior to 2002/03 were estimated as of 2002/03.



My Health My Choice

HK's Healthcare Reform



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First Stage: Healthcare Service Reform

- **Enhance primary care**
 - Primary Care Development Strategy by end 2010
- **Promote public-private partnership in healthcare**
 - PPP projects being launched progressively
- **Develop electronic health record sharing**
 - First stage eHR Programme for sharing by 2013-14
- **Strengthen public healthcare safety net**
 - Expand Drug Formulary to support patients in need
- **Over \$5 billion committed for service reform**



Second Stage: Voluntary Health Protection Scheme

- Provide a government-regulated, reliable and sustainable HPS for those who subscribe to private health insurance and use private healthcare services on a voluntary basis
- Relieve public queue through private services so that public resources can focus on target services especially to take care of low-income and under-privileged groups
- Enable those who voluntarily subscribe to private health insurance to continue to be able to afford health insurance at an older age and use private healthcare services
- Enhance transparency and competition in private health insurance and private healthcare sectors for better consumer protection and value-for-money services



Why Health Protection Scheme?

HPS is ...	HPS is not ...
A supplementary financing option for more effective use of private health expenditure, with a positive effect on the sustainability of long-term healthcare financing	Not a panacea that can solve the long-term healthcare financing problem completely given its voluntary nature
A regulated scheme to promote value-for-money services and enhance consumer protection in the private healthcare insurance and healthcare markets	Not a reduction of public health expenditure or public healthcare services which remains the safety net for all
A measure to facilitate healthcare service development , enhance service capacity, competition and transparency in private healthcare, relieve pressure on public system, and enhance sustainability of healthcare system	Not a once-and-for-all scheme – it requires continued monitoring and adjustment, including the use of the \$50 billion fiscal reserve set aside



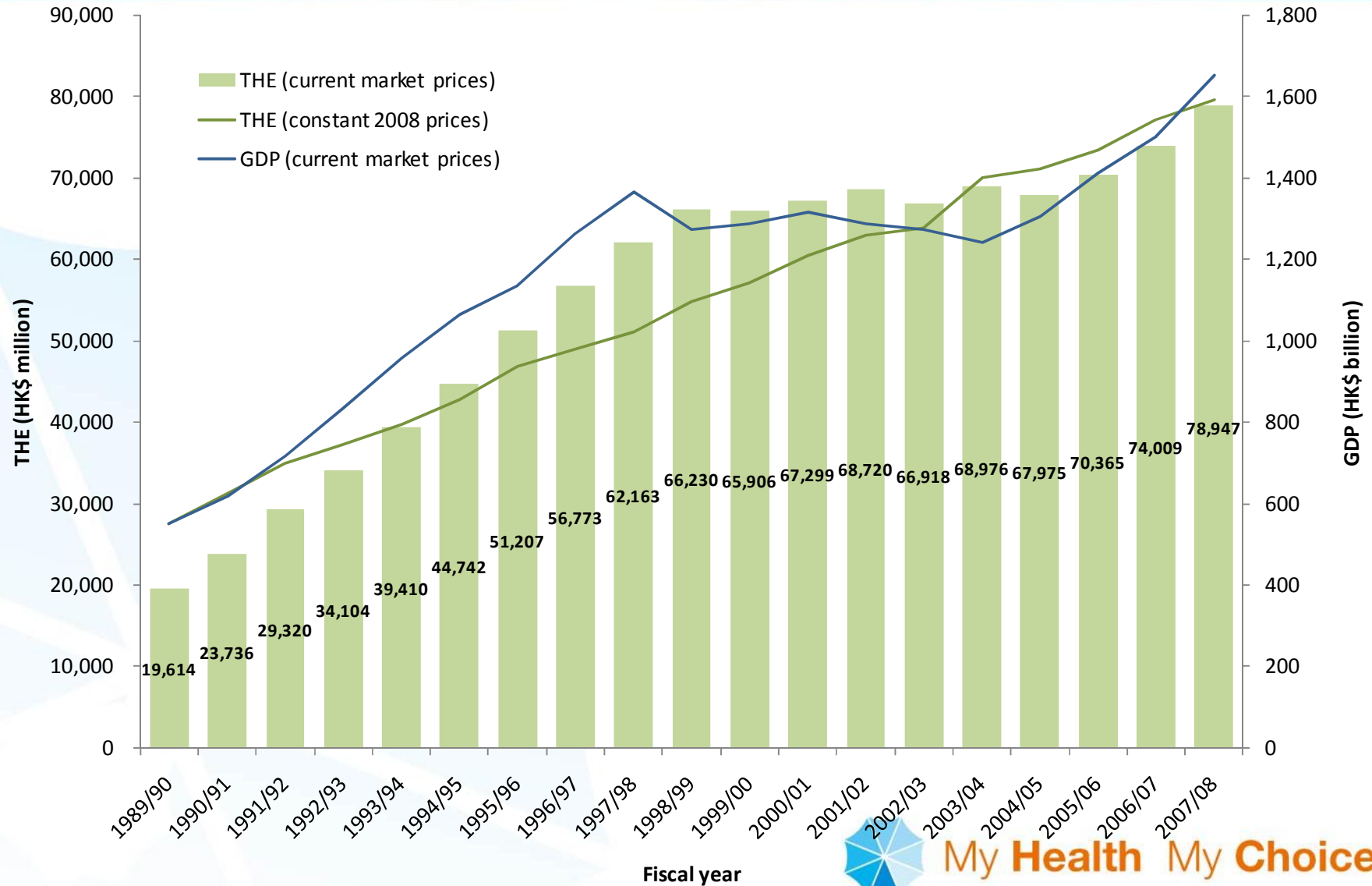
Thank You



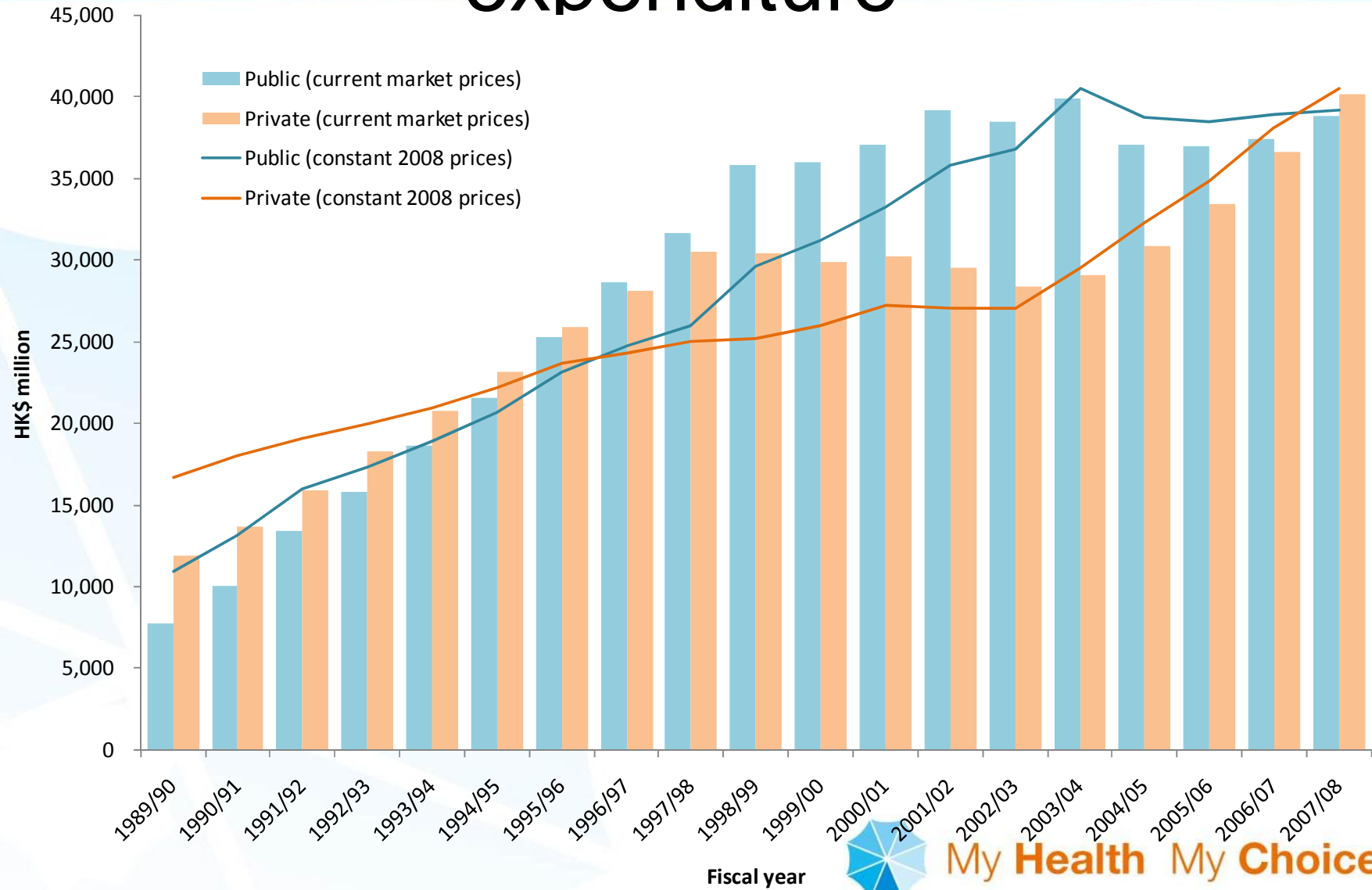
Food and Health Bureau
Hong Kong Special Administrative Region Government

Background Reference

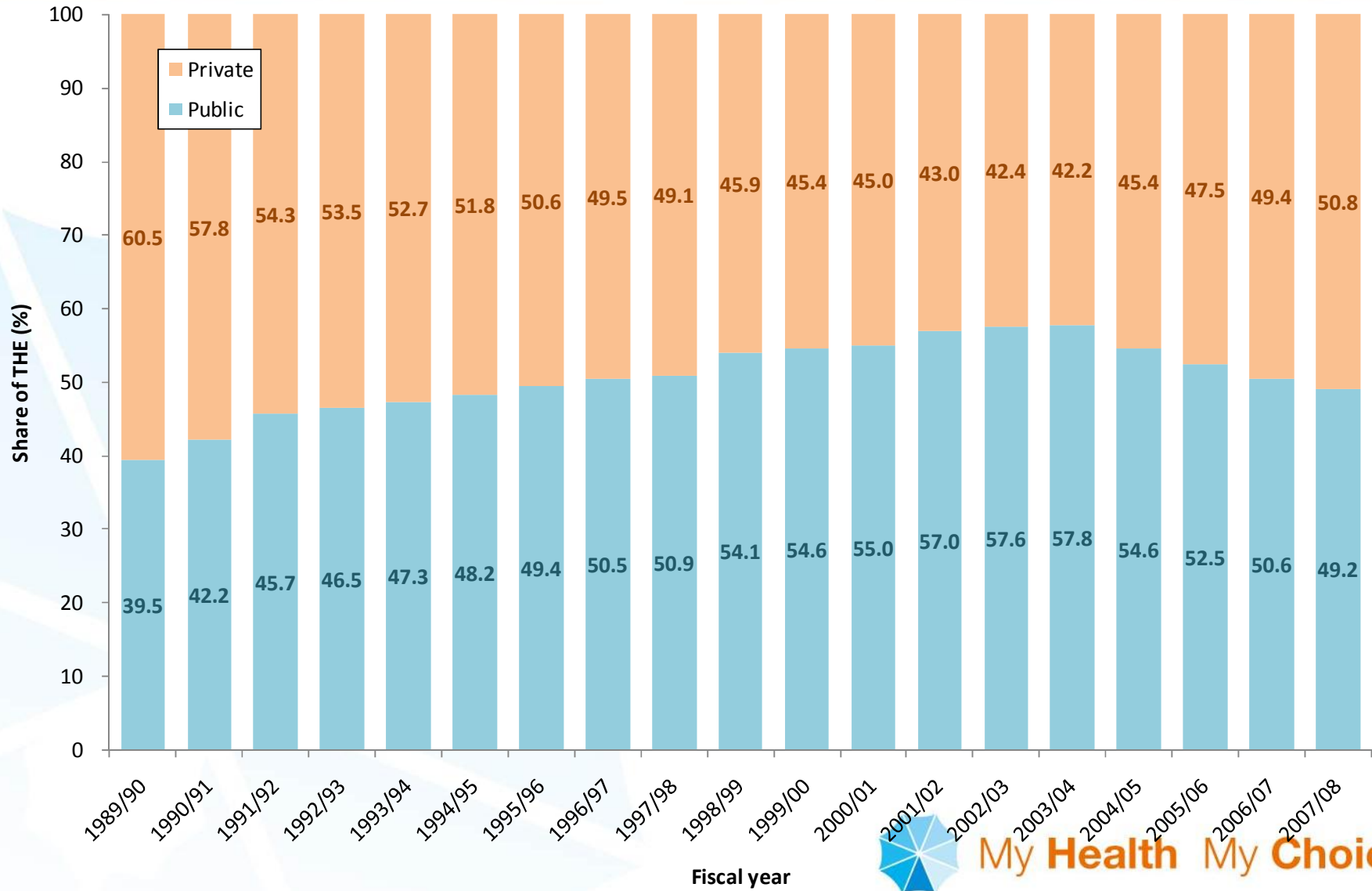
Total health expenditure (THE)



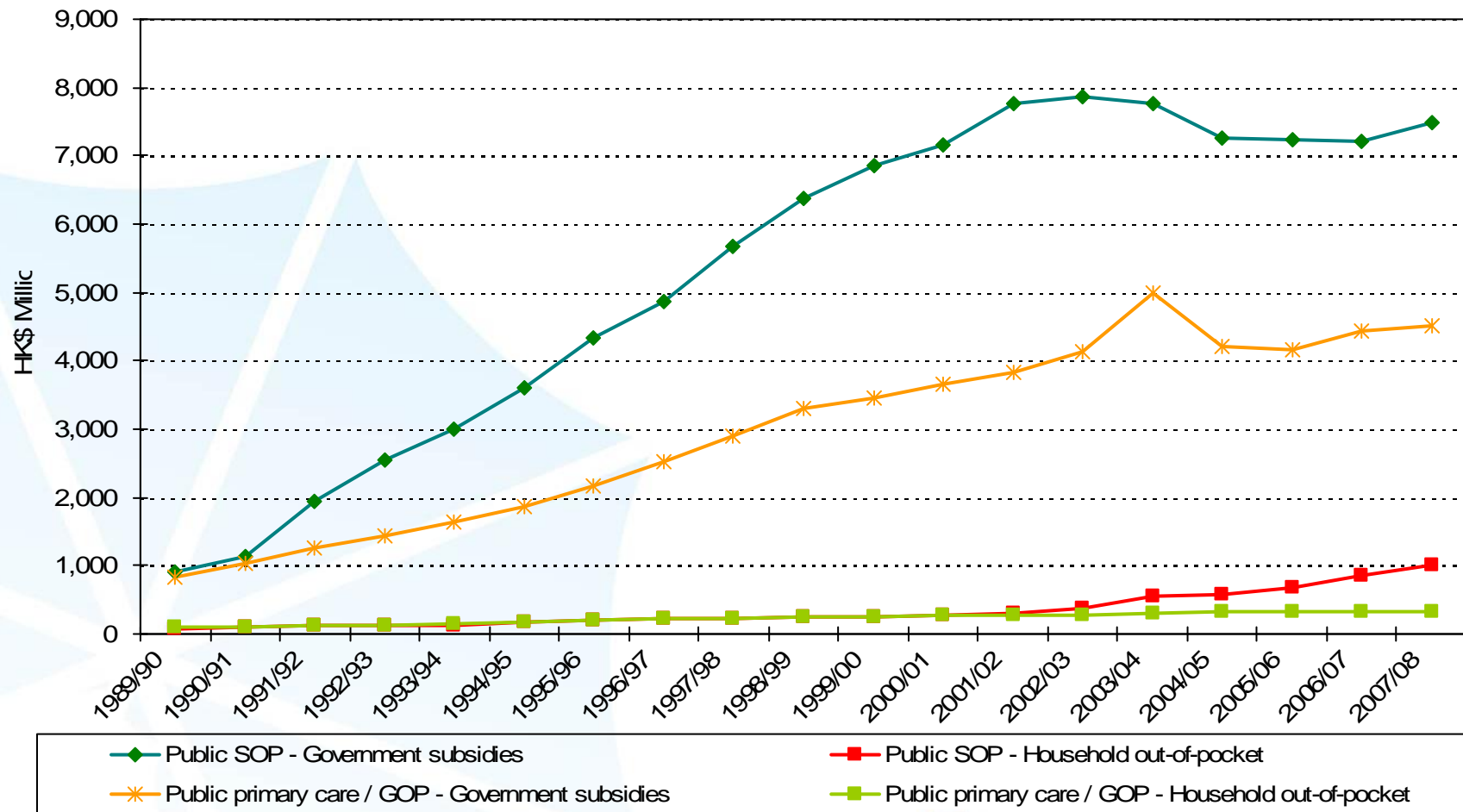
Public and private health expenditure



Public and private shares of THE



Expenditure on public primary care / outpatient services by financing source



Total health expenditure of Hong Kong in 2007/08 by financing source and function (HK\$ million)

	Government	Private household out-of-pocket expenditure	Employer-Provided Group medical benefits	Private insurance	Others	Total
Public in-patient	21,264	968	-	-	48	22,280
Public specialist out-patient	7,484	1,004	-	-	#	8,488
Public primary care/general out-patient	4,501	328	-	-	37	4,866
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Dental care	489	1,938	84	65	9	2,585
Medical goods outside patient care settings	234	8,635	-	-	119	8,989
Others (including ancillary medical services, investment and administration)	4,090	193	1,199	2,116	1,512	9,109
Total	38,808	27,522	6,162	4,721	1,732	78,946

less than HK\$0.5 million



Differences between 2007/08 and 2006/07

	Government	Private household out-of-pocket expenditure	Employer-provided group medical benefits	Private insurance	Others	Total
Public in-patient	890 (4.4%)	113 (13.2%)	-	-	12 (31.9%)	1,014 (4.8%)
Public specialist out-patient	267 (3.7%)	140 (16.2%)	-	-	#	406 (5.0%)
Public primary care/general out-patient	71 (1.6%)	7 (2.2%)	-	-	16 (71.2%)	94 (2.0%)
Private in-patient	-2 (-0.2%)	632 (22.0%)	147 (6.4%)	186 (14.3%)	-4 (-58.9%)	959 (13.3%)
Private primary care/out-patient	#	333 (3.1%)	21 (0.8%)	132 (14.3%)	-1 (-11.3%)	485 (3.5%)
Dental care	6 (1.3%)	119 (6.5%)	9 (11.5%)	8 (14.3%)	#	142 (5.8%)
Medical goods outside patient care settings	-27 (-10.3%)	896 (11.6%)	-	-	7 (5.8%)	876 (10.8%)
Others (including ancillary medical services, investment and administration)	184 (4.7%)	14 (7.8%)	275 (29.8%)	181 (9.4%)	307 (25.5%)	962 (11.8%)
Total	1,389 (3.7%)	2,254 (8.9%)	451 (7.9%)	508 (12.0%)	337 (24.1%)	4,938 (6.7%)

(HK\$ million)



Health Services in Hong Kong

Public Sector

Hospital
Authority

Department
of Health

- 41 Public hospitals and institutions (providing 26,824 beds as at March 2010)
- 48 Specialist out-patient clinics
- 74 General out-patient clinics
- 14 Chinese medicine clinics (more clinics will be set up in the coming years)

Private Sector

The Department of Health monitors the performance of private hospitals through a registration system

Private
Hospital

Private
Clinics

- 13 Private hospitals (providing 4,000 beds as at Dec 2010)
- 4,000+ Private doctors/clinics
- 12,000+ Private Chinese medical practitioners
- Other private healthcare providers



Health Expenditure and Manpower

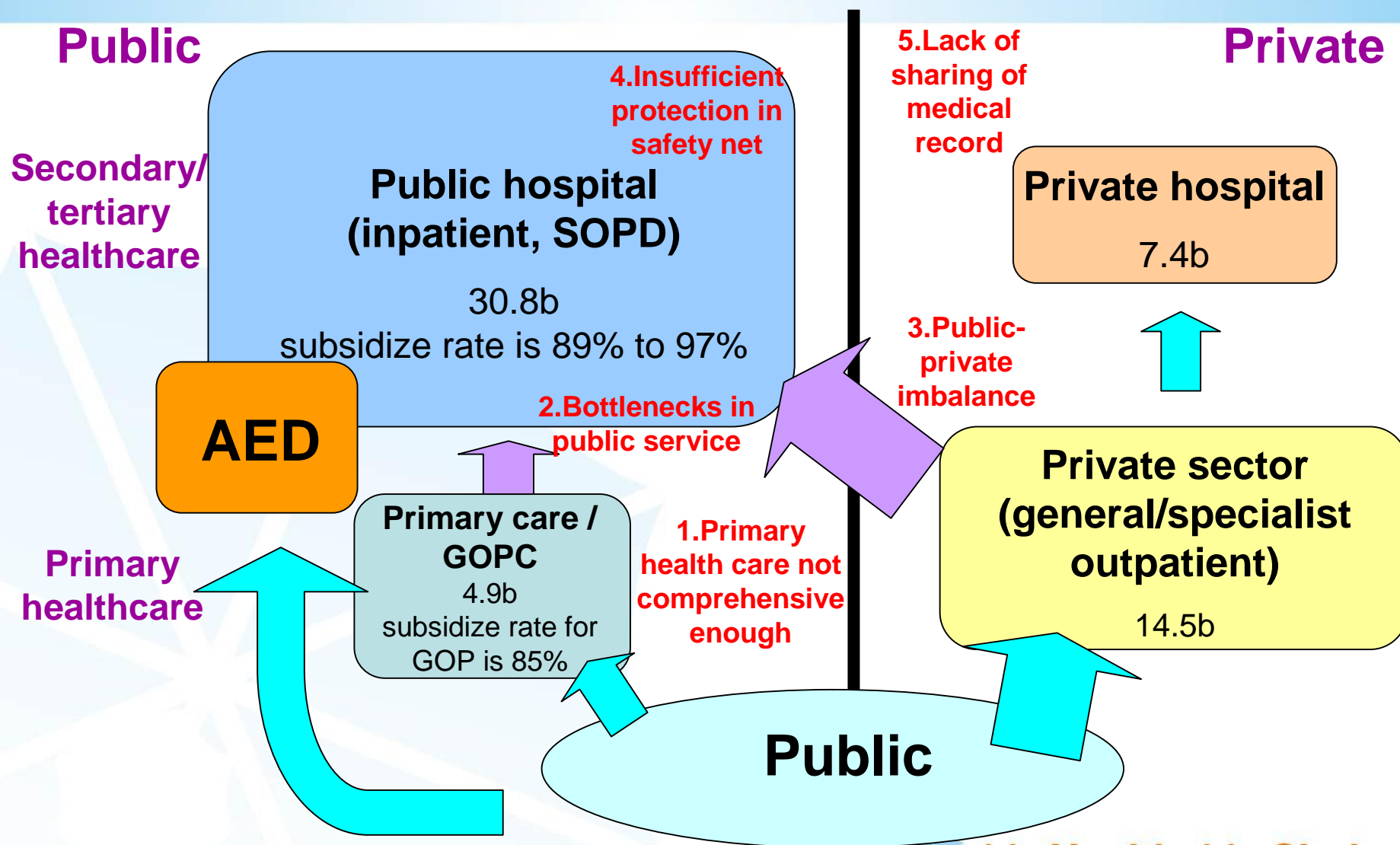
Health Expenditure ⁽¹⁾	Public	Private
In-patient services	\$22.3b	\$7.4b
Specialist out-patient	\$8.5b	\$14.5b
Primary care / General out-patient	\$4.9	
Other services	\$3.1b	\$18.2b
Total	\$38.8b (49%)	\$40.1b (51%)

Health Manpower	Registered as at 31 Dec 2010 ⁽²⁾	Public : Private ⁽³⁾
Doctors	12 620	5 : 5
Nurses ⁽⁴⁾	40 011	8 : 2
Allied Health Professionals ⁽⁵⁾	12 225	5 : 5

- Notes:
1. Hong Kong's Domestic Health Accounts, 2007/08
 2. Boards and Councils
 3. Health Manpower Survey
 4. Nurses Include registered and enrolled nurses
 5. Allied health professionals include pharmacist, physiotherapist, occupational therapist, medical laboratory technologist, optometrist and radiographer



Healthcare System – Present

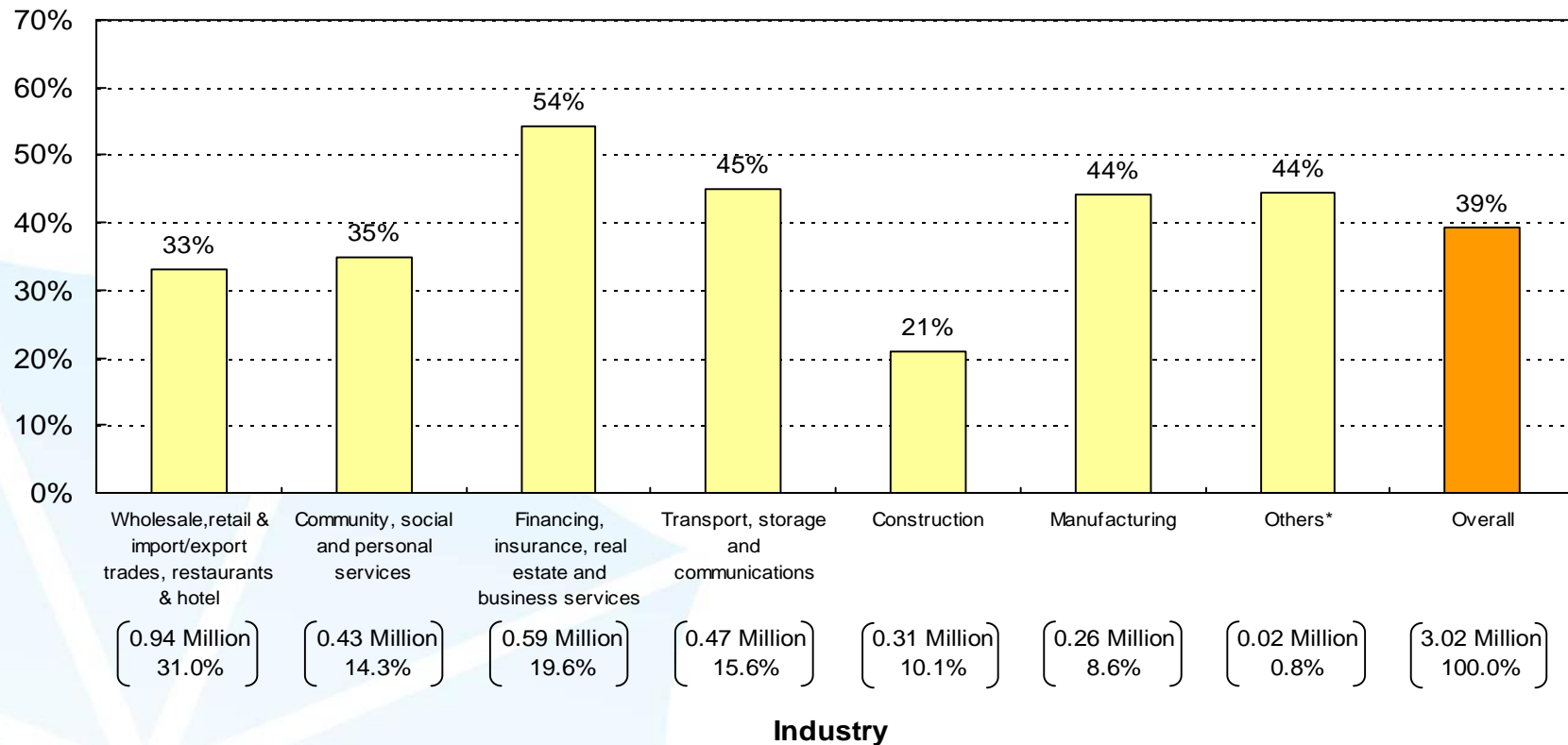


Comparison of public health expenditure and public spending in different economies

Economies	Total health exp as % of GDP	Public health exp as % of GDP	Public exp as % of GDP	Highest personal income tax	Sales tax / VAT	Public health exp as % of public exp
United States	15.7	7.1	36.7	41.7%	2.9-8.25%	19.5
Switzerland	10.6	6.3	32.2	37.5%	8%	19.4
Austria	10.3	7.9	48.7	42.7%	20%	16.2
Canada	10.1	7.1	39.2	46.4%	5-15.5%	18.1
Belgium	10.8	7.3	48.4	45.3%	21%	15.1
Netherlands	9.7	7.3	45.5	50.0%	19%	16.1
Australia	8.5	5.7	33.4	45.0%	10%	17.2
United Kingdom	8.4	6.9	44.2	40.0%	20%	15.6
Finland	8.2	6.1	47.3	48.6%	23%	12.9
Japan	8.1	6.6	36.0	47.3%	5%	18.4
South Korea	6.3	3.5	28.7	35.4%	10%	12.2
Taiwan	6.2	3.6	17.7	40.0%	5%	20.0
Hong Kong	4.8	2.3	15.3	17.0%	-	15.4
Mainland of China	4.2	1.9	18.7	45.0%	17%	10.3
Singapore	3.0	1.0	13.2	20.0%	7%	7.4

Source: OECD Health Data 2010 (October 2010), OECD Tax Database (accessed on 4 April 2011), World Health Organization's National Health Accounts Series, Hong Kong's Domestic Health Accounts: Estimates of Domestic Health Expenditure, 1989/90-2007/08, Various government sources in the mainland of China, Taiwan, Hong Kong and Singapore

% of employed in private sector with employer provided medical benefits by industry



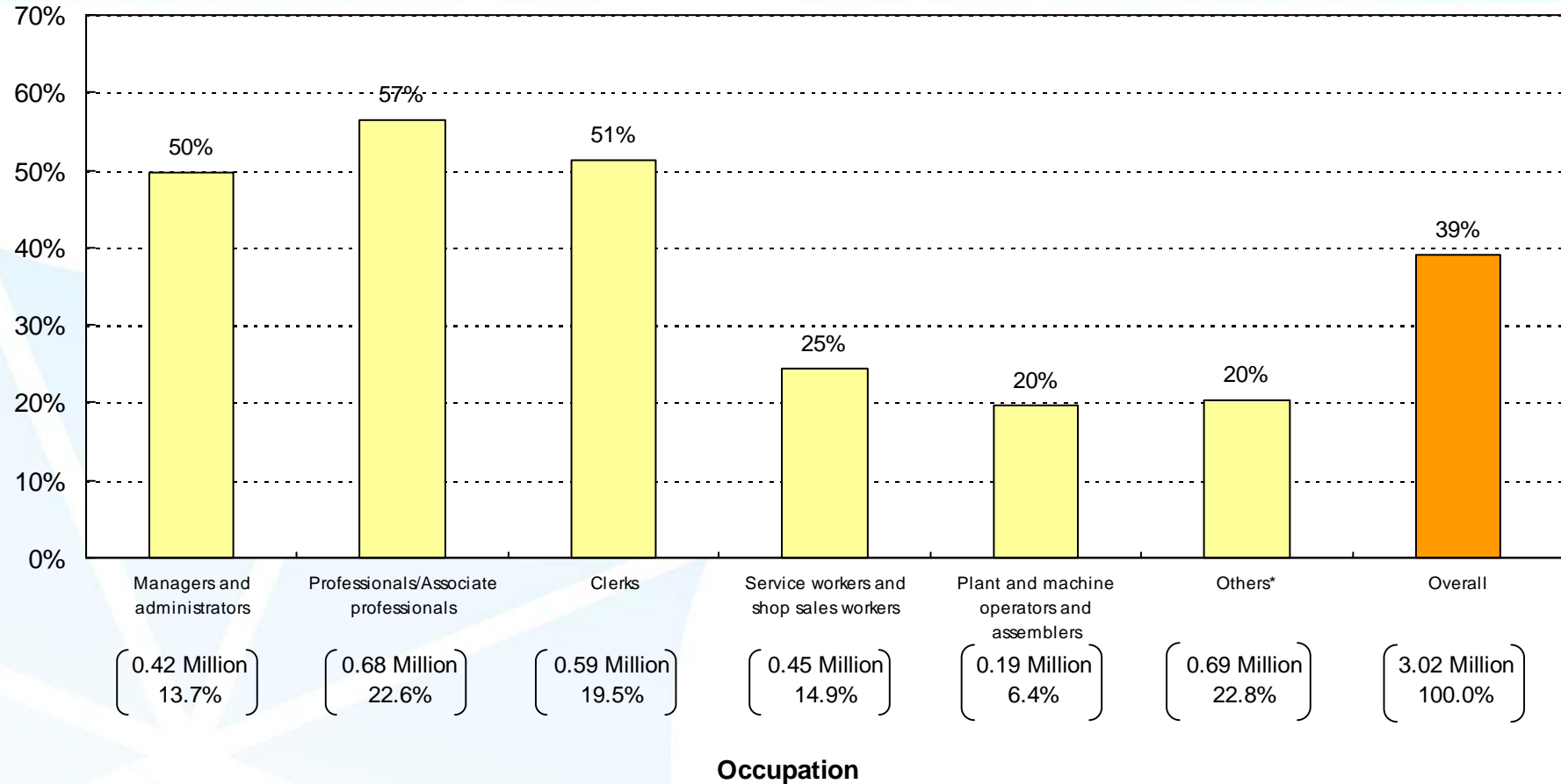
* Including agriculture and fishing; mining and quarrying; electricity, gas and water

Base: Employed persons excl. CS & HA staff and foreign domestic helpers (3.03 Million)

Source: Thematic Household Survey on health-related issues conducted during Nov 2009 to Feb 2010



% of employed in private sector with employer provided medical benefits by occupation



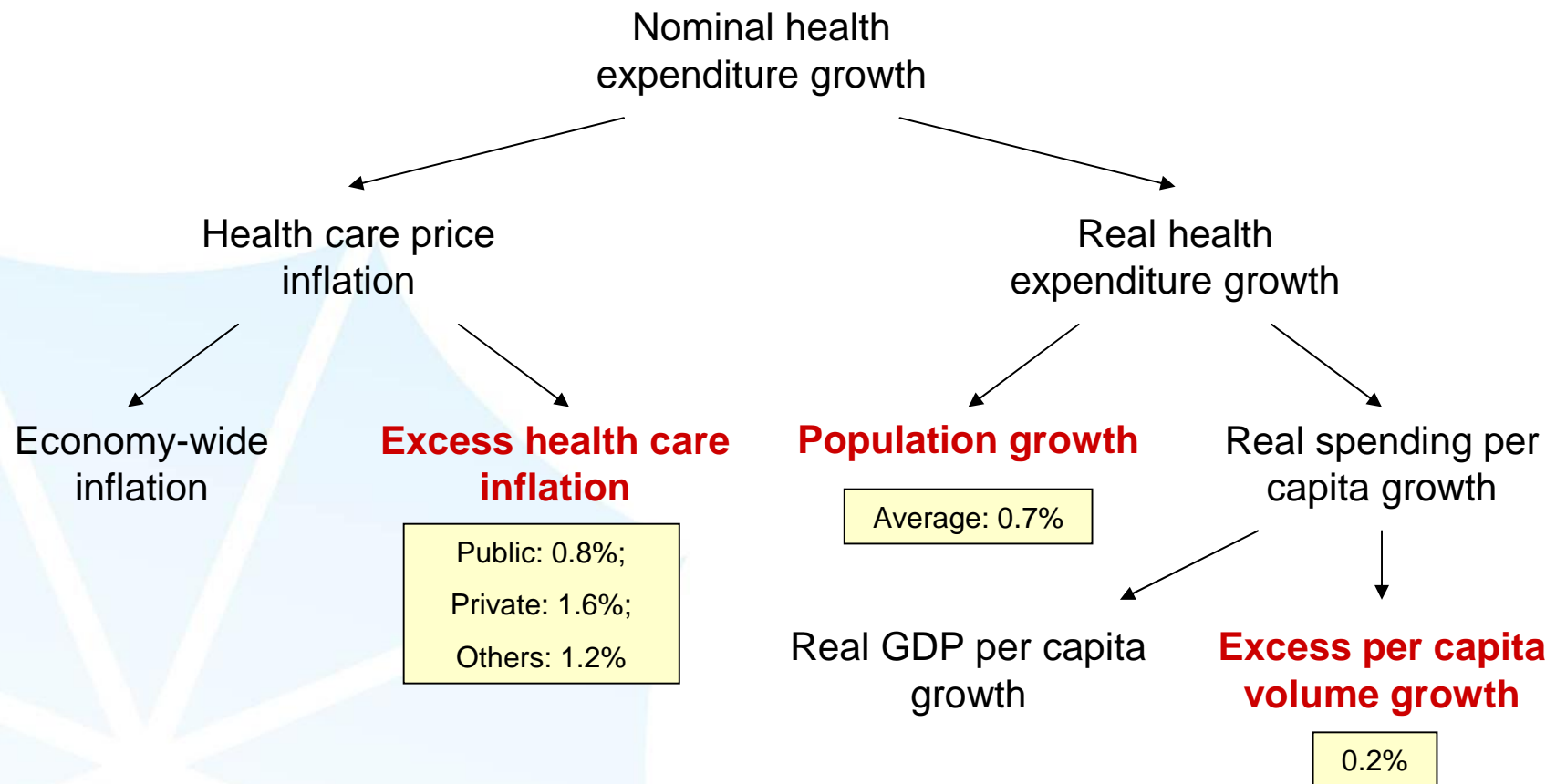
* Including skilled agricultural and fishery workers; craft and related workers; elementary occupations

Base: Employed persons excl. CS and HA staff and foreign domestic helpers (3.03 Million)

Source: Thematic Household Survey on health-related issues conducted during Nov 2009 to Feb 2010

Health Expenditure: Growth Factors & Projection

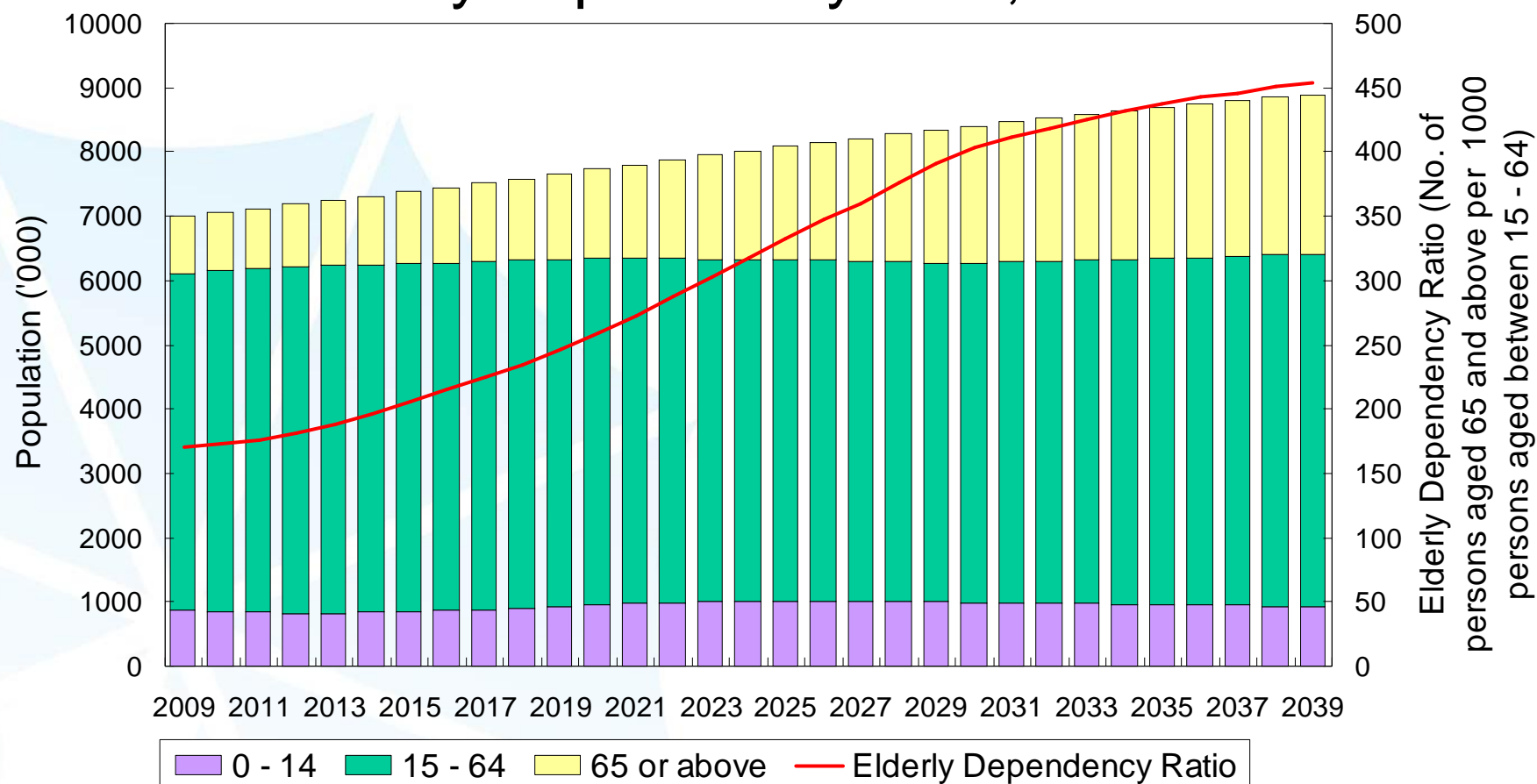
Growth factors for health expenditure



Source: Huber M. Health Expenditure Trends in OECD Countries, 1970-1997. Health Care Financing Review 21(2):99-117, 1999.

HK's population will be ageing rapidly

Projection of total population, elderly population and elderly dependency ratio, 2009-2039



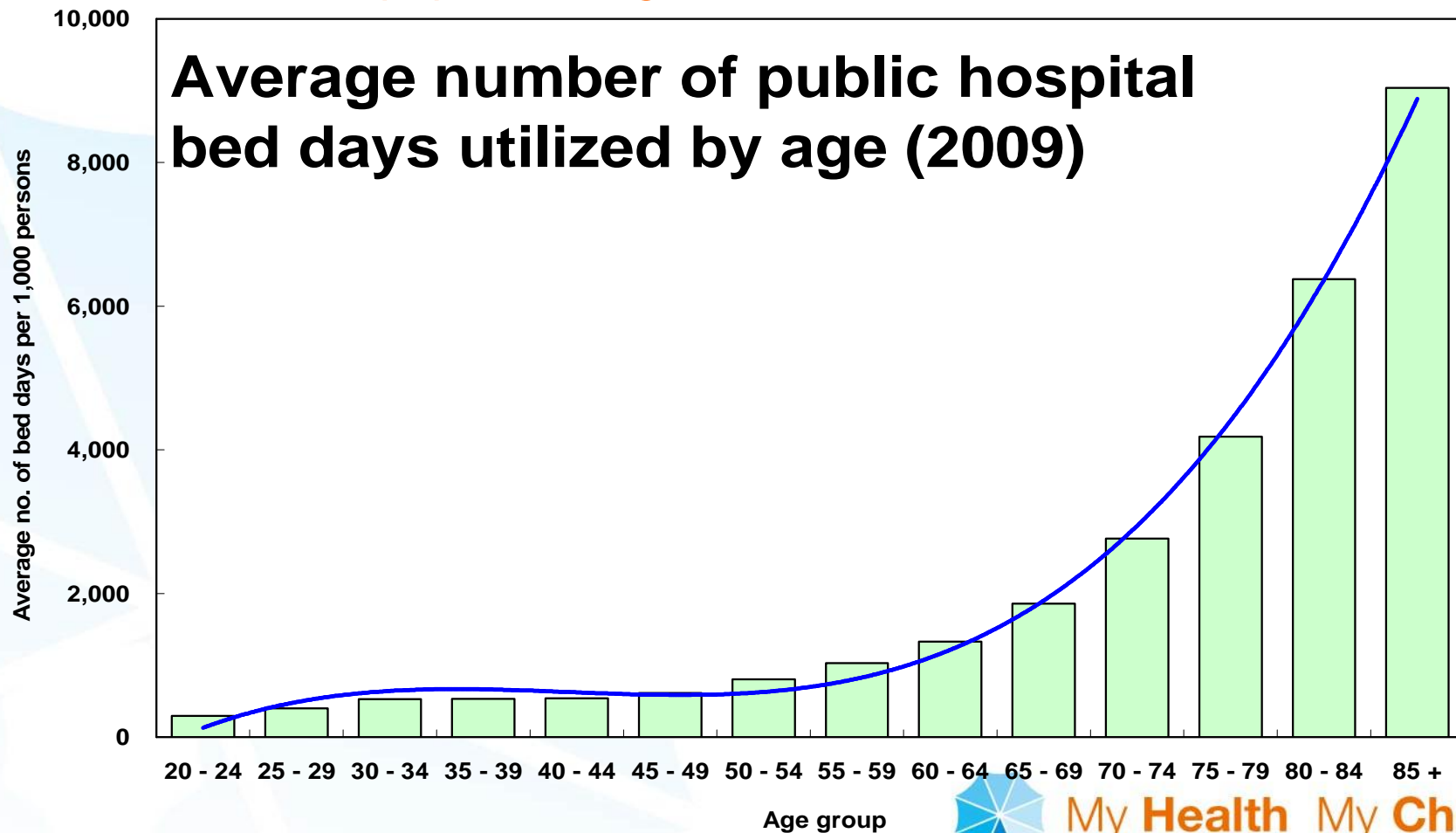
Source: Hong Kong Population Projections 2010-2039, C&SD



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The elderly population has greater healthcare needs

The elderly population uses on average six times more in-patient care than the population aged below 65.



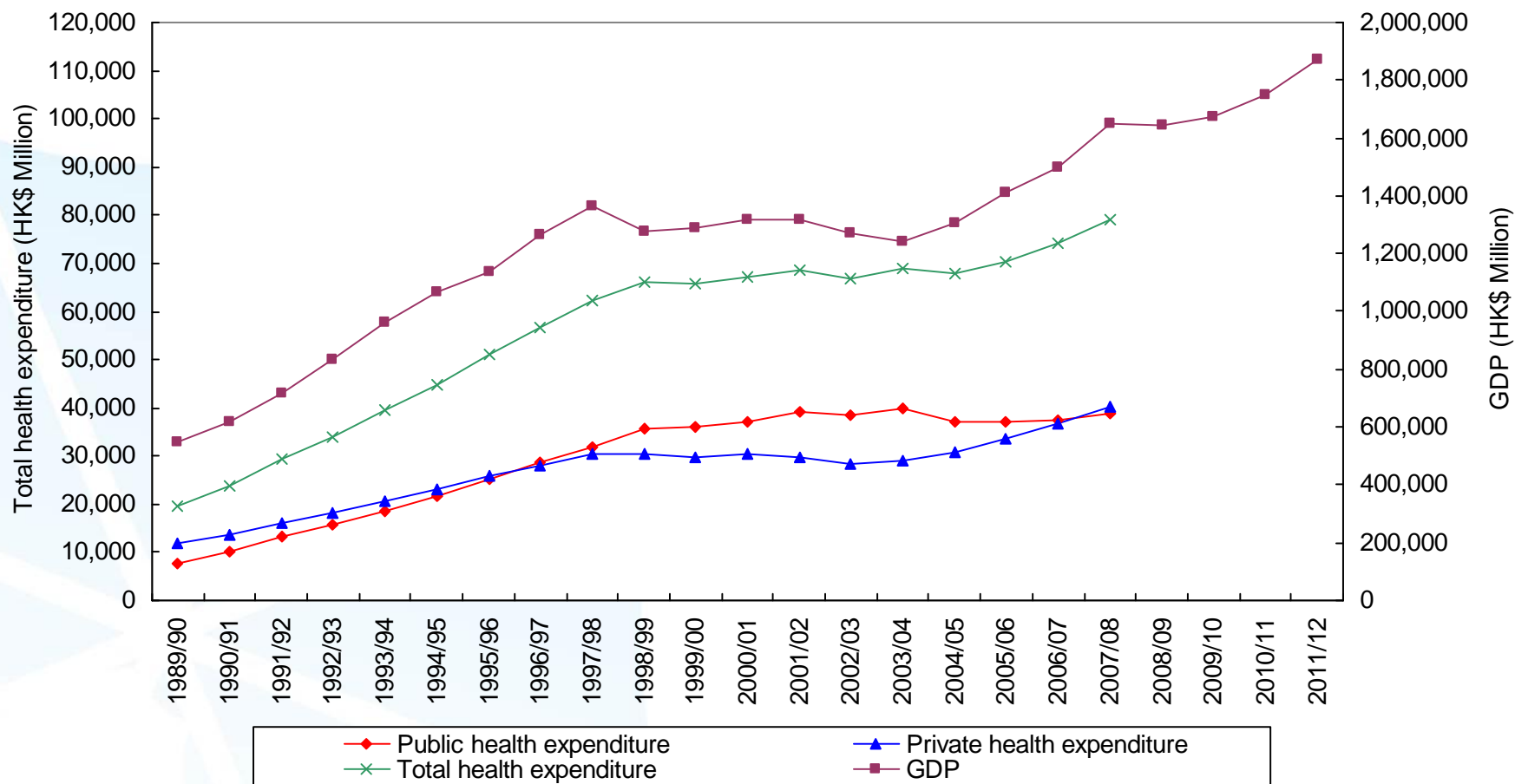
Source: Data from Hospital Authority



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HK's public health expenditure is growing faster than the economy ...

Gross Domestic Product (GDP) and Total/Public and Private Health Expenditure according to Domestic Health Accounts (in nominal value) (1989/90-2007/08)

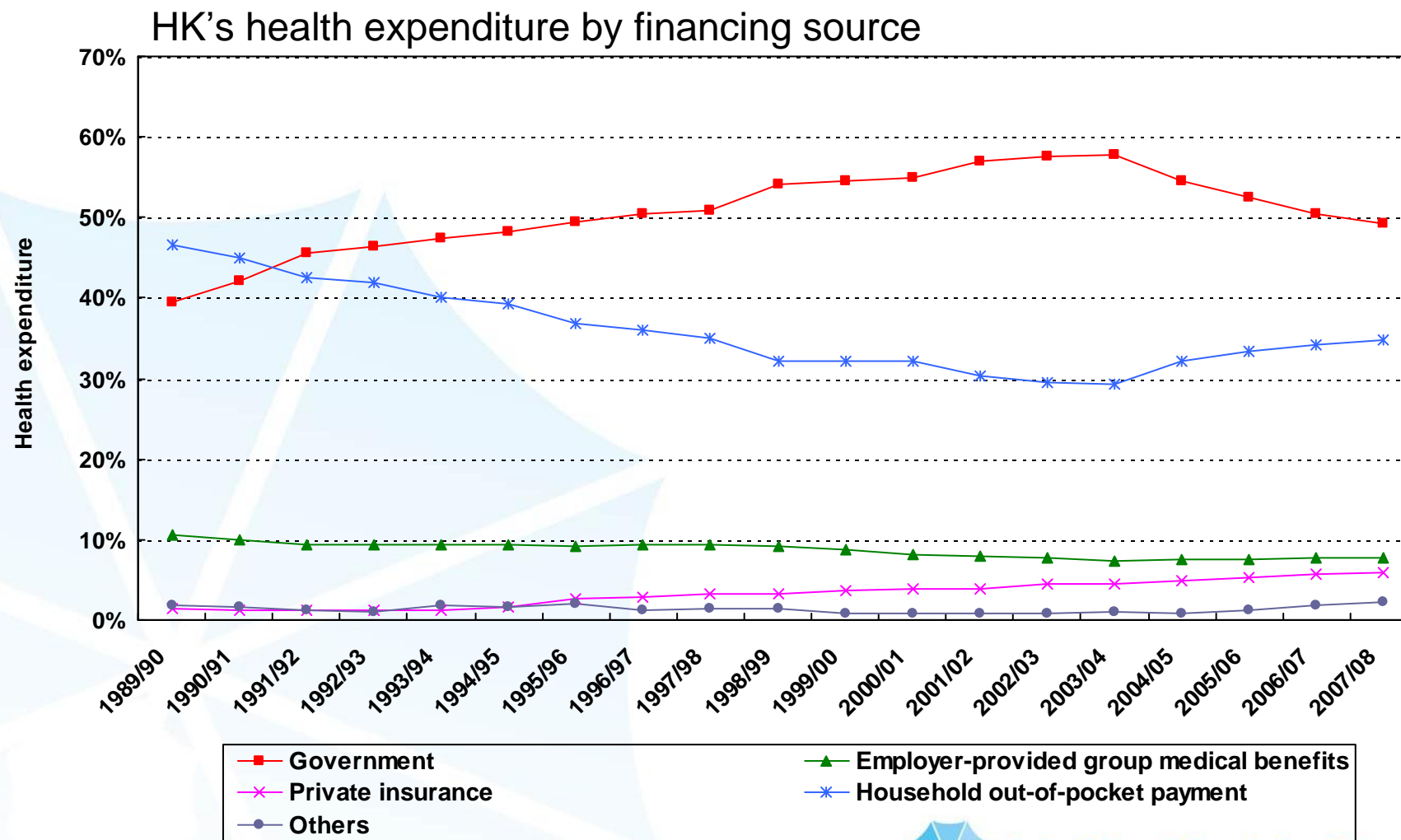


Source: Hong Kong's Domestic Health Accounts 1989/90 – 2007/08



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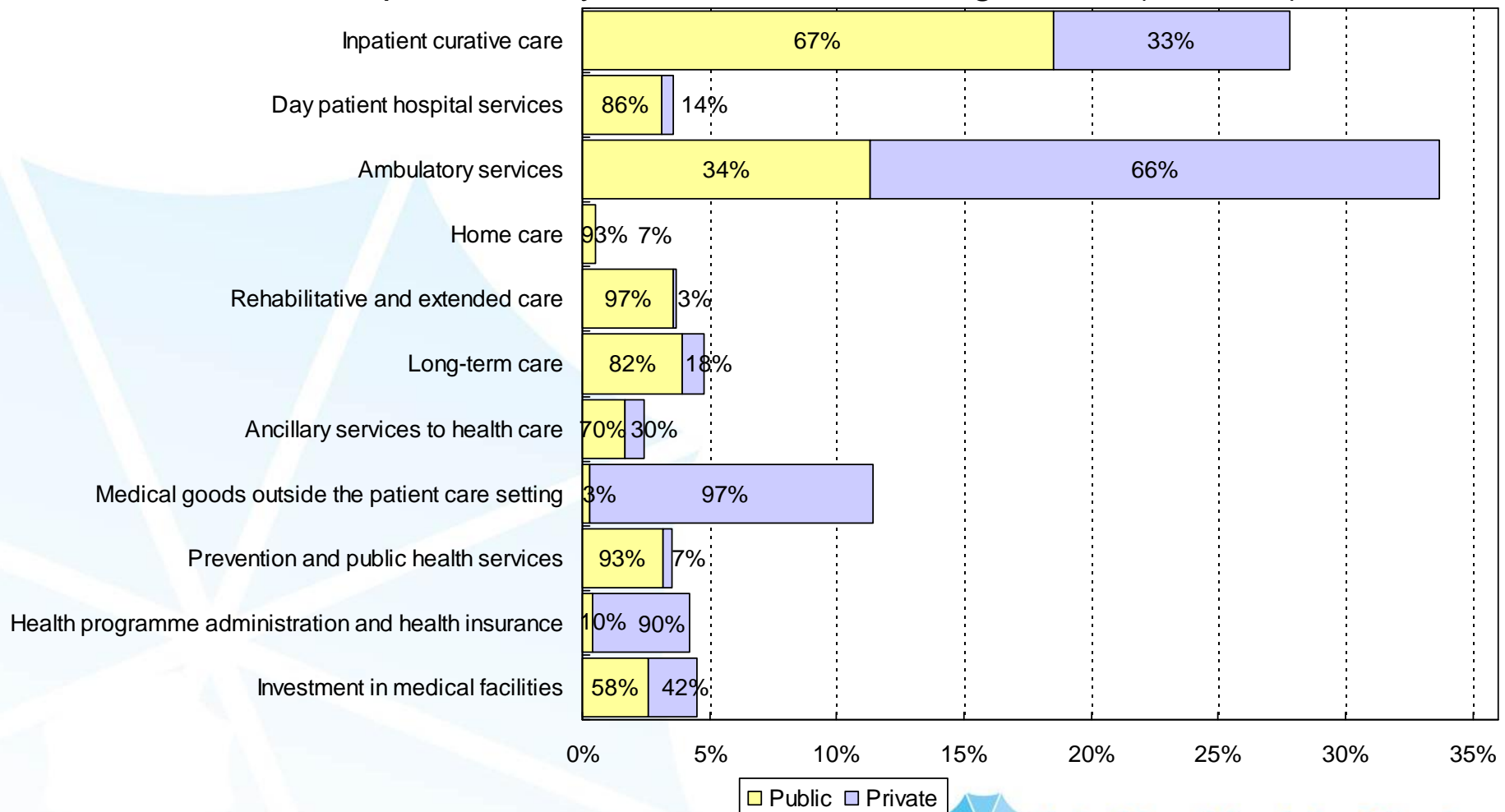
HK's public share of health expenditure has been rising vis-à-vis private



Source: Hong Kong's Domestic Health Accounts 1989/90 – 2007/08

Majority of public spending on in-patient & specialist out-patient services

Health expenditure by function and financing source (2007/08)



Source: Hong Kong's Domestic Health Accounts: 2007/08

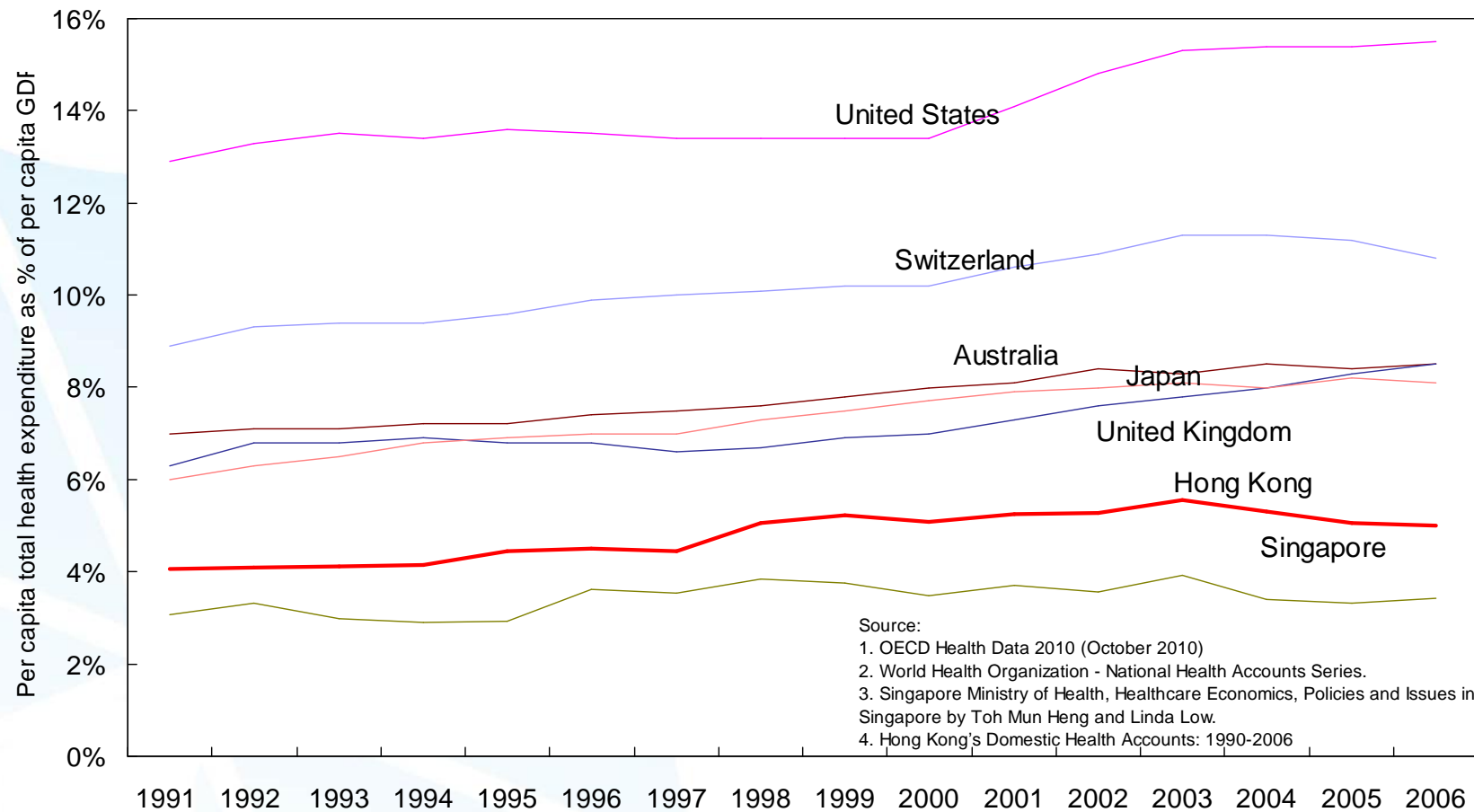


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Health Expenditure: Global Trend & Comparison

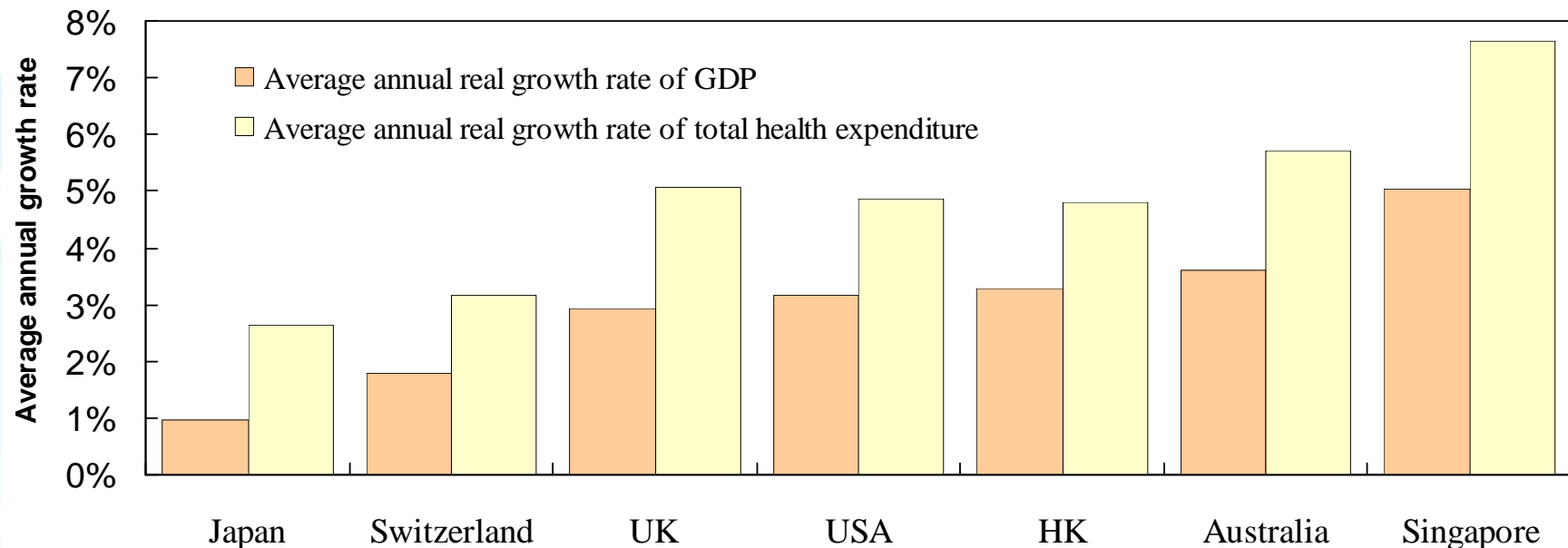
Health expenditure is rising everywhere

Per capita total health expenditure as percentage of per capita GDP in Hong Kong and selected economies (1991-2006)



Everywhere health expenditure is growing faster than the economy

Average annual real growth rate of total health expenditure and real growth rate of GDP in HKG and selected economies (1996-2005)



Source: OECD Health Data 2009 (Jun 2009); WHO – NHA Series; Singapore Ministry of Health; Statistics Singapore; HKDHA: 1990-2005.

Medical Inflation - advance in medical technology, higher public expectation, rising medical cost -> medical inflation is driving increase in health expenditure everywhere



Comparison of source of healthcare financing

Economies	Source of financing			
	Public		Private	
	General taxation	Social health insurance	Private health insurance	Out-of-pocket payments/ other sources
Hong Kong	49.2%	-	13.8%	37.0%
Australia	67.5%	-	7.8%	24.6%
Canada	68.9%	1.4%	12.6%	17.1%
Finland	60.0%	14.5%	2.1%	23.4%
UK	82.0%		1.0%	17.0%
Austria	31.3%	45.1%	4.5%	19.1%
Belgium	11.8%	56.1%	4.5%	27.5%
Japan	14.9%	65.4%	2.5%	17.2%
Korea	12.8%	42.4%	3.9%	40.9%
Netherlands	4.9%	70.3%	5.7%*	19.1%
Switzerland	16.2%	42.9%	9.2%*	31.7%
US	32.8%	12.7%	34.6%	19.9%
Singapore	27.1%	4.8%	1.8%	66.3%#

Notes: All figures are in 2007.

(*) The Netherlands and Switzerland implement mandatory private health insurance system for basic coverage, the funding from which is classified by data providers into the column of social health insurance.

(#) Including Medisave according to WHO's definition.

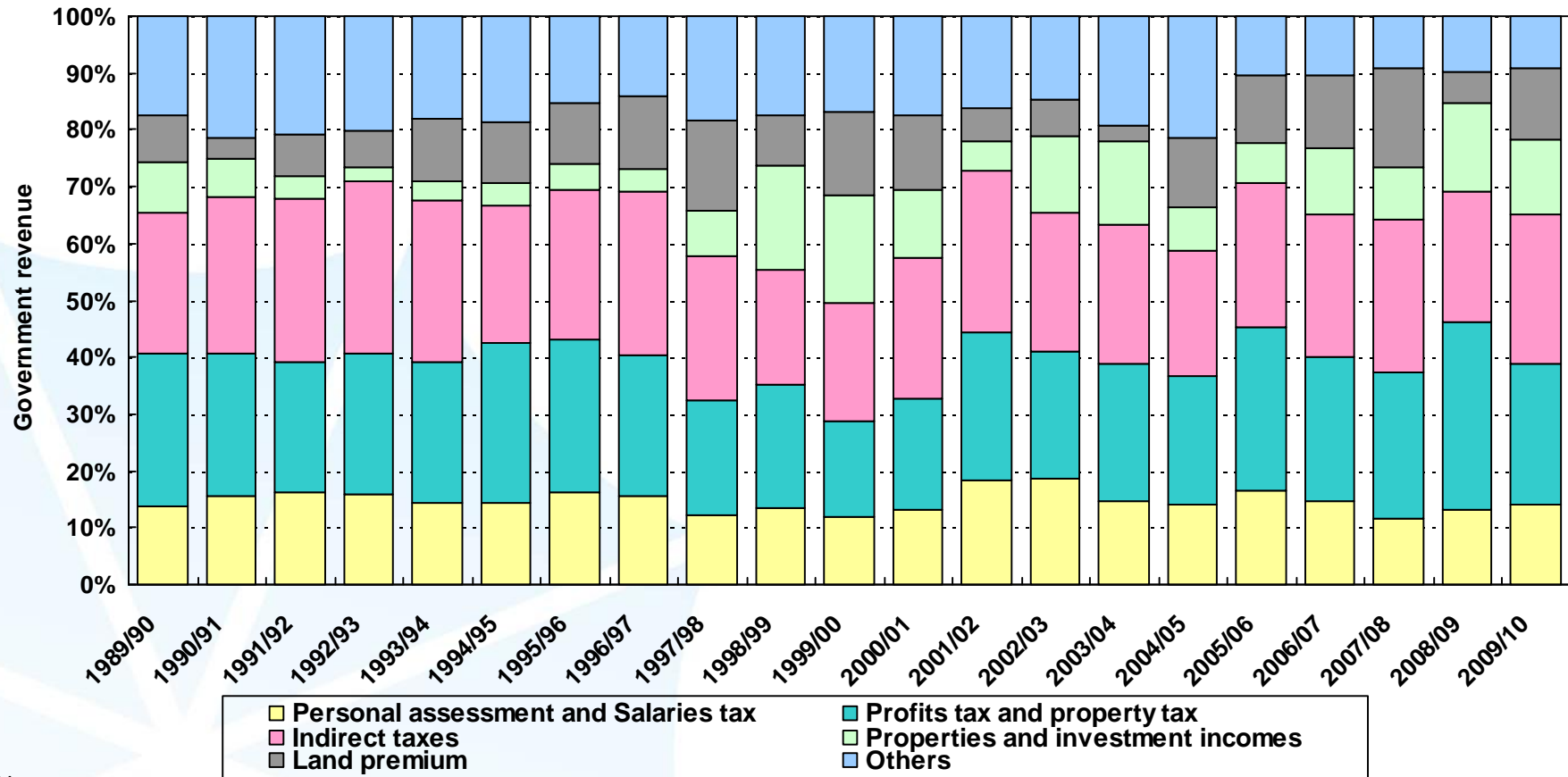
Source: OECD Health Data 2010 (October 2010); WHO – NHA Series; HK DHA 1989/90 – 2007/08.



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Government Revenue and Expenditure in Hong Kong

Sources of Government Revenue

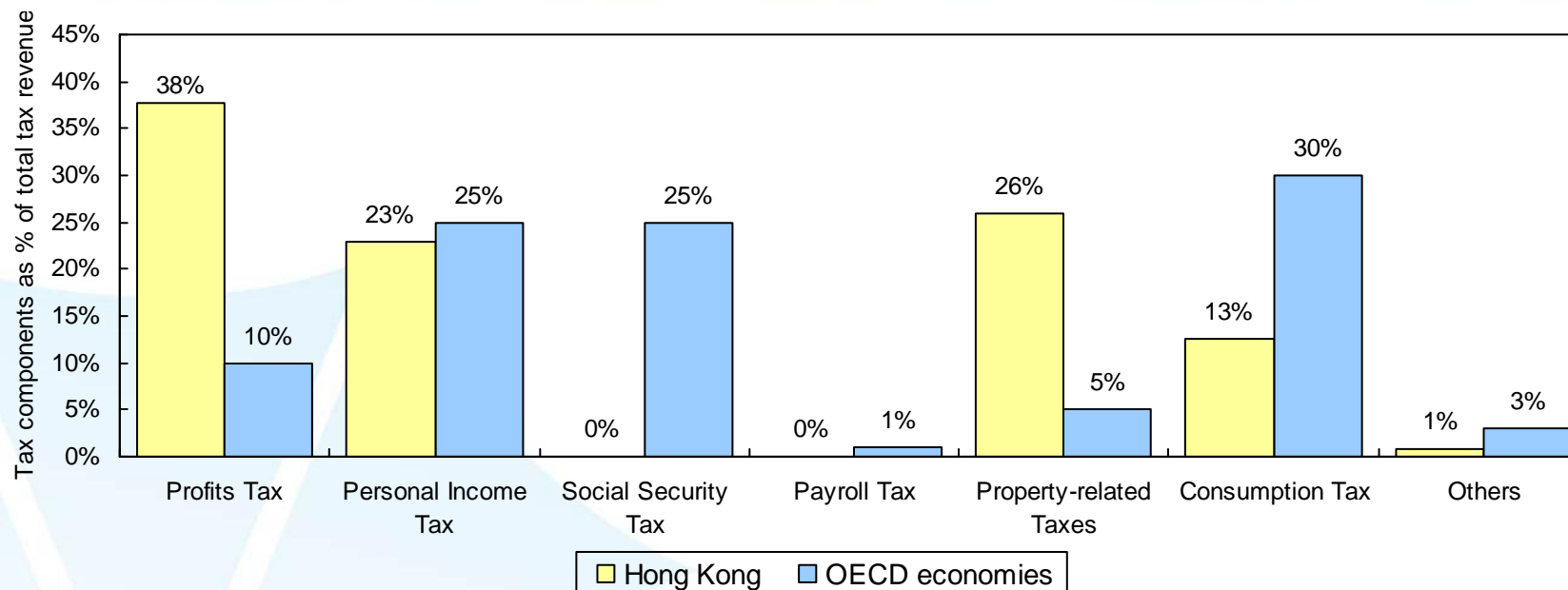


Notes:

- Indirect taxes include bets and sweeps tax, hotel accommodation tax, stamp duties, air passenger departure tax, duties, general rates, motor vehicle taxes, royalties and concessions, and tax-loaded fees and charges.
- Others include fines, forfeitures and penalties, loans, reimbursements, contributions and other receipts, utilities, fees and charges (excluding tax-loaded fees), and capital revenue (excluding land premium).

Source: Census and Statistics Department website

Hong Kong tax revenue compared to OECD economies in 2009



Notes:

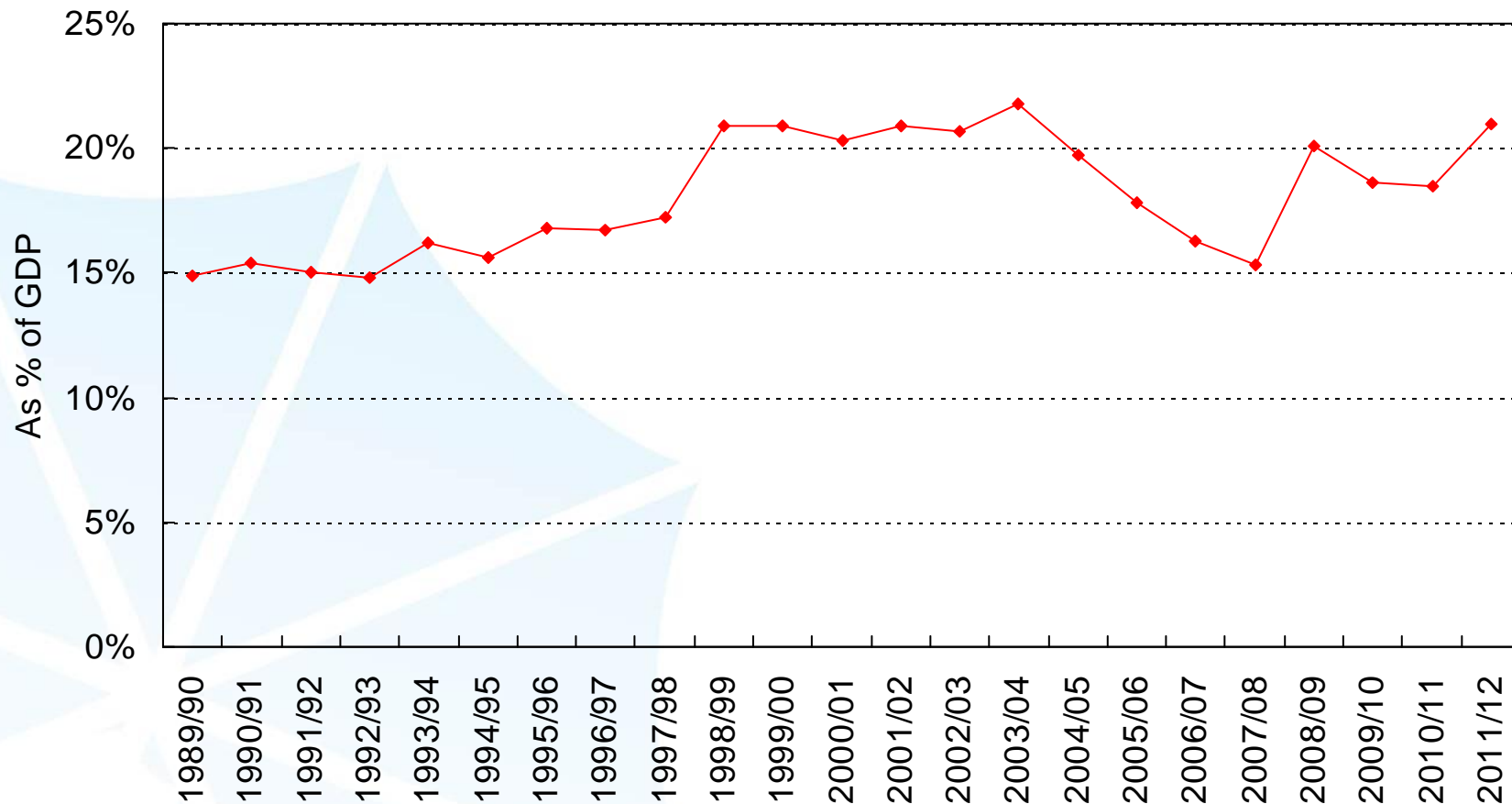
- Profits Tax includes Profits and Capital Gains Taxes on enterprises.
- Personal Income Tax includes salaries tax, personal assessment and property tax.
- Social Security Tax includes all compulsory payments that confer an entitlement to receive a future social benefit. Hong Kong has a Mandatory Provident Fund Scheme that provides for retirement benefits. For OECD definitional purposes, this is not considered as a social security tax.
- Payroll tax includes taxes paid by employers, employees or the self-employed which do not confer entitlement to social benefits. There is no such tax in Hong Kong.
- Property-related Taxes include rates, stamp duties, and estate duty. (Estate Duty was abolished with effect from 11 February 2006)
- Consumption Tax includes taxes on all goods and services. In Hong Kong, it includes duties, bets and sweeps tax, hotel accommodation tax, air passenger departure tax and motor vehicle tax.
- In Hong Kong, Others refer to income from royalties and concessions.
- Figures for Hong Kong are in 2009/10.
- The OECD figure does not add up to 100% due to rounding.

Source: Revenue Statistics, 1965 – 2009, 2010 Edition
Hong Kong Annual Digest of Statistics 2010, C&SD



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Total Public Expenditure as Share of GDP

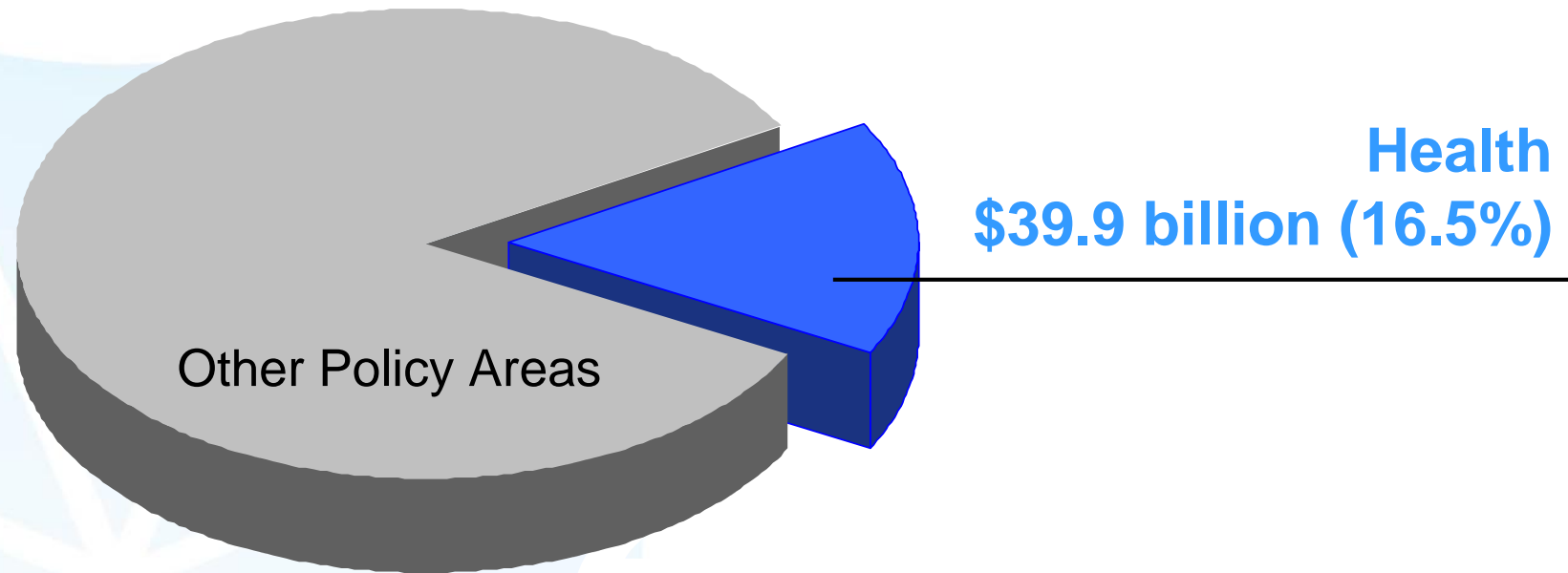


Source: Data from Financial Services and the Treasury Bureau



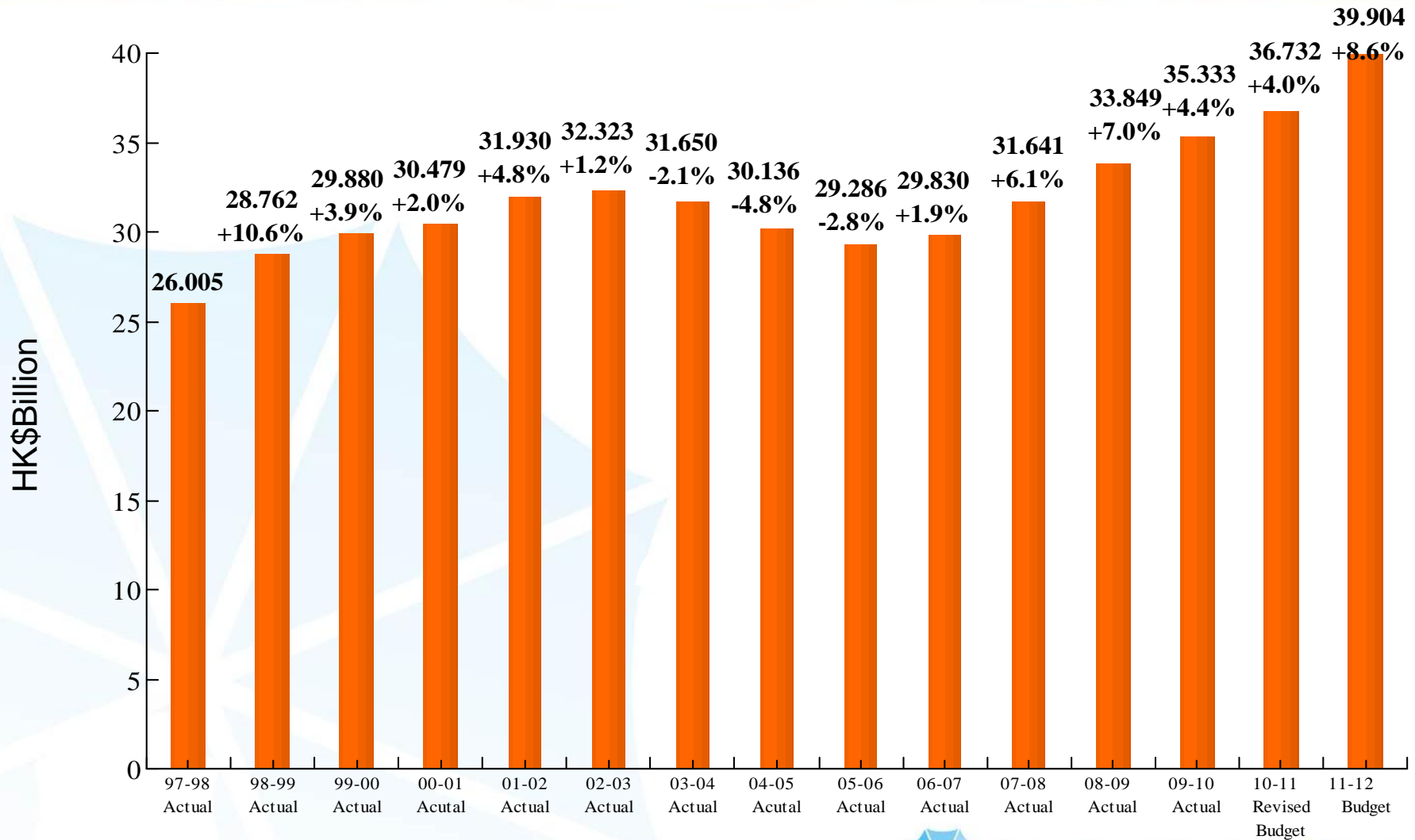
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Recurrent Government Expenditure on Health (2011-12)



2011-12 Total Recurrent Government Expenditure: **\$242.1** billion

Recurrent Government Expenditure on Health

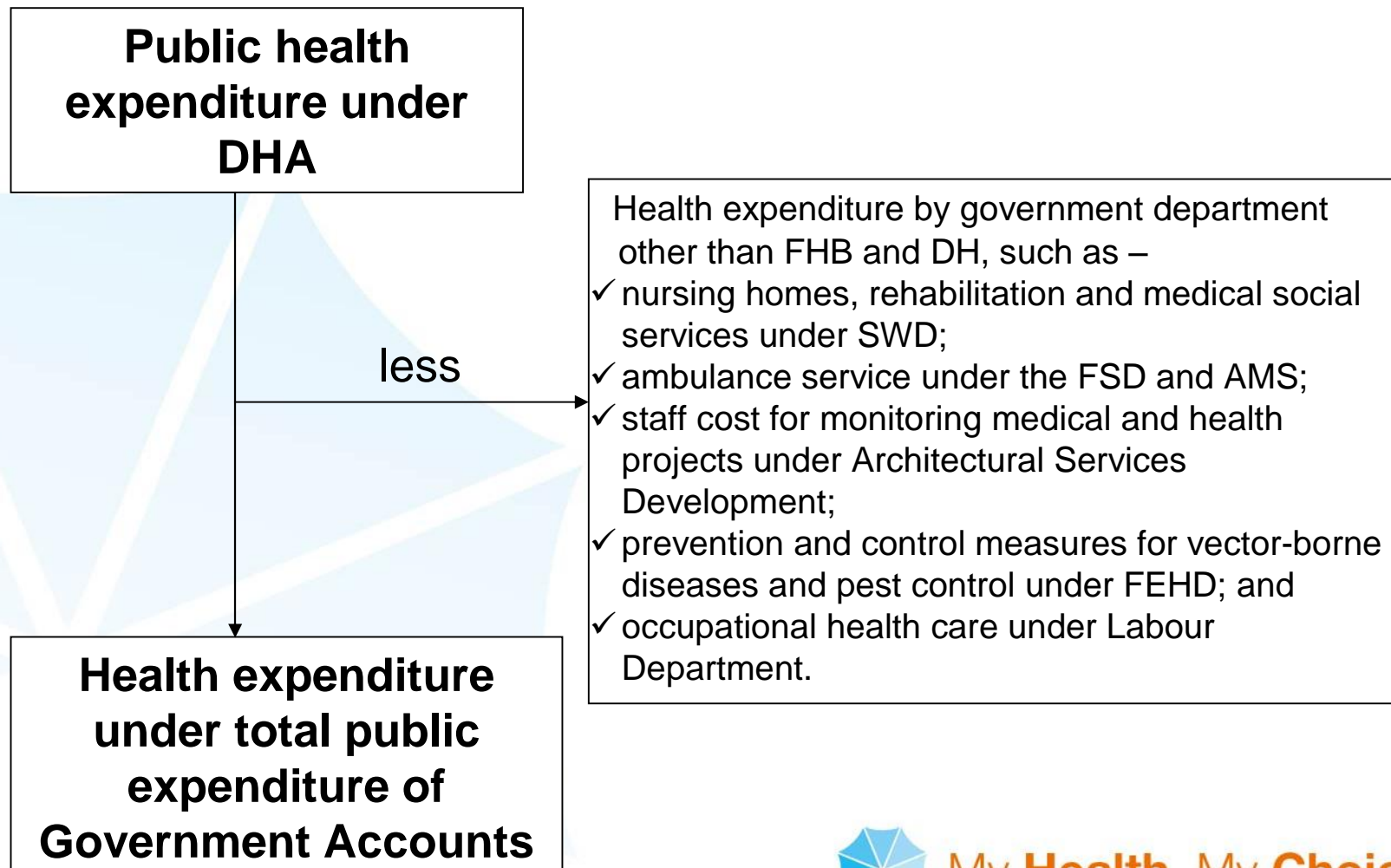


Source: Data from Financial Services and the Treasury Bureau



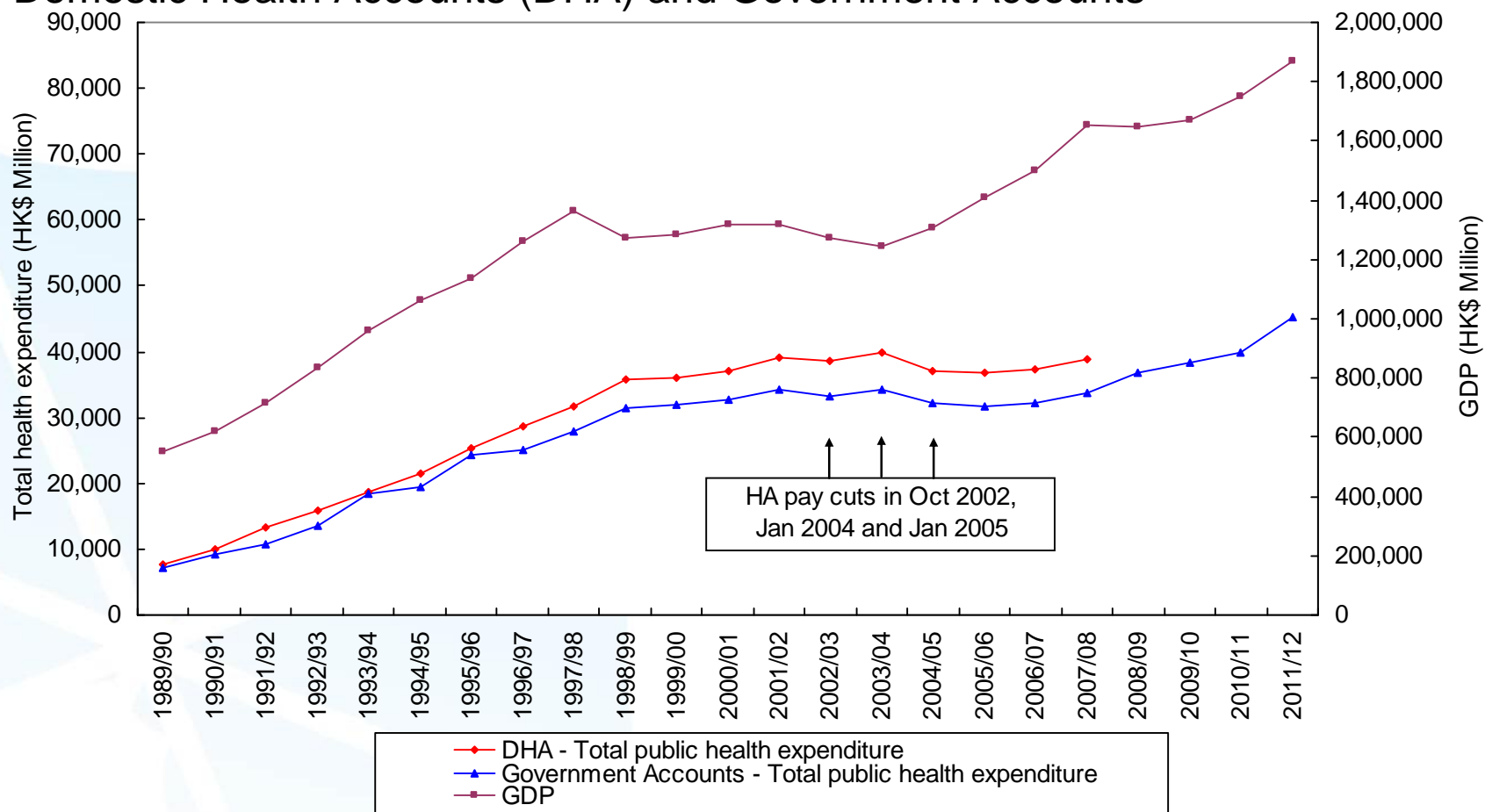
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Difference between public health expenditures under DHA and Government Accounts



Government Expenditure on Health

Gross Domestic Product (GDP), Public Health Expenditure according to Domestic Health Accounts (DHA) and Government Accounts



Source: Hong Kong's Domestic Health Accounts 1989/90 – 2007/08



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