

# The Changing Social Context: Its Implications on Healthcare Services and Policies

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




The Hong Kong Polytechnic University

# Outline

- The Speed and Magnitude of Population Aging in the Next Twenty Years
- Cost-Ineffective Care Delivery Structure and Patterns
- Existing Delivery Systems Already Stretched
- Highly Tax-dependent Financing Systems Unsustainable
- Inadequate Government Responses
- Conclusion : Hong Kong is poorly prepared

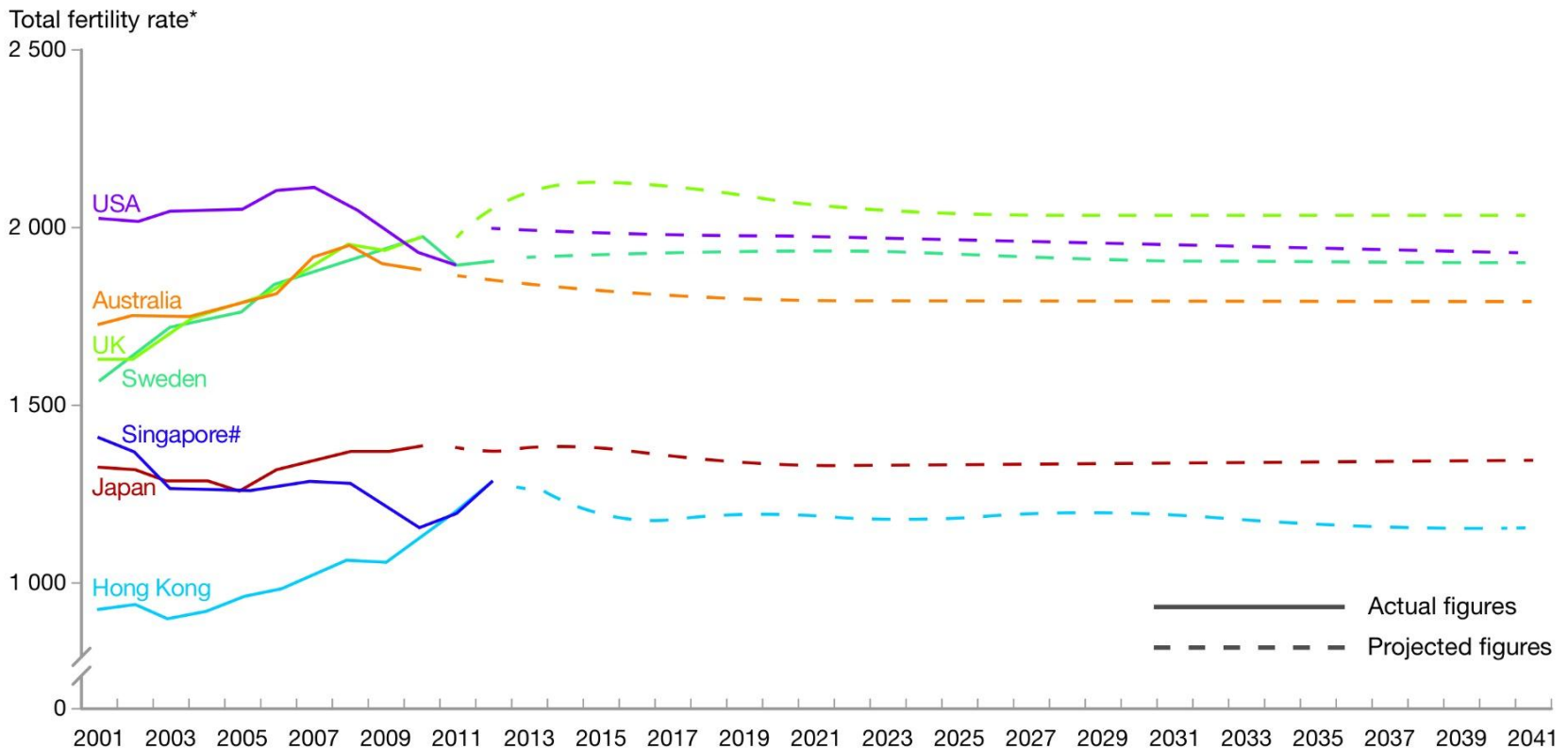
# Hong Kong Has One the World's Longest Life Expectancy

List by the World Health Organization (2013) [\[edit\]](#)

Overall rank <sup>[4]</sup> ↕	Country ↕	Overall life expectancy ↕	Male life expectancy ↕	Male rank ↕	Female life expectancy ↕	Female rank ↕
1	 Japan	86.4	83	-	90	-
2	 Italy	84.6	82	-	87.3	-
3	 Andorra	84.2	80.8	-	87.6	-
4	 Singapore	84	82	-	87	-
5	 Hong Kong	83.8	82	-	85.6	-
6	 San Marino	83.5	82	-	85	-
7	 Iceland	83.3	81.4	-	85.2	-
8	 Monaco	83.1	80.4	-	85.8	-
9	 Australia	83	80.5	-	85.5	-
10	 Sweden	83	81.4	-	84.6	-
11	 Switzerland	82.8	80.4	-	85.4	-
12	 Canada	82.5	80.4	-	84.6	-
13	 France	82.3	79.4	-	85.2	-
14	 Israel	82.1	80.2	-	84	-
15	 Spain	82	79	-	85	-

# Hong Kong has one of the World's Lowest Fertility Rate

Chart 1.1: Total fertility rates in selected developed economies (2001–2041)

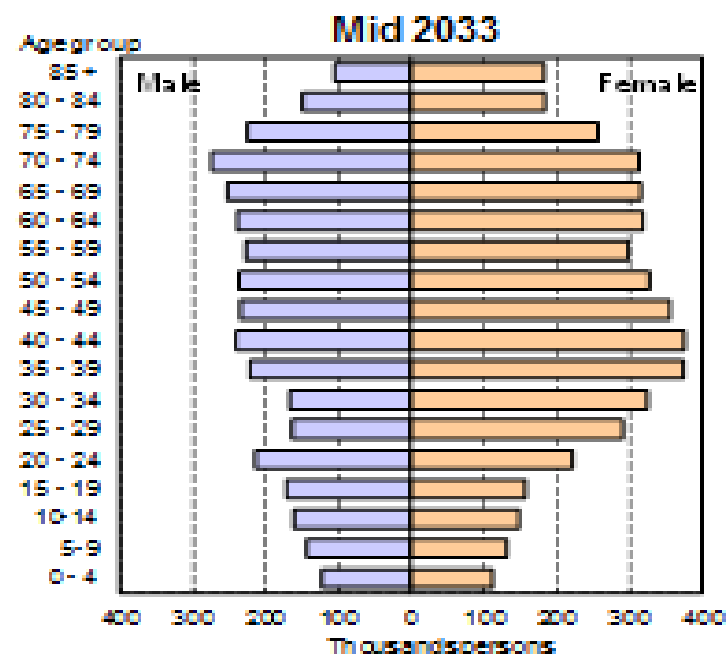
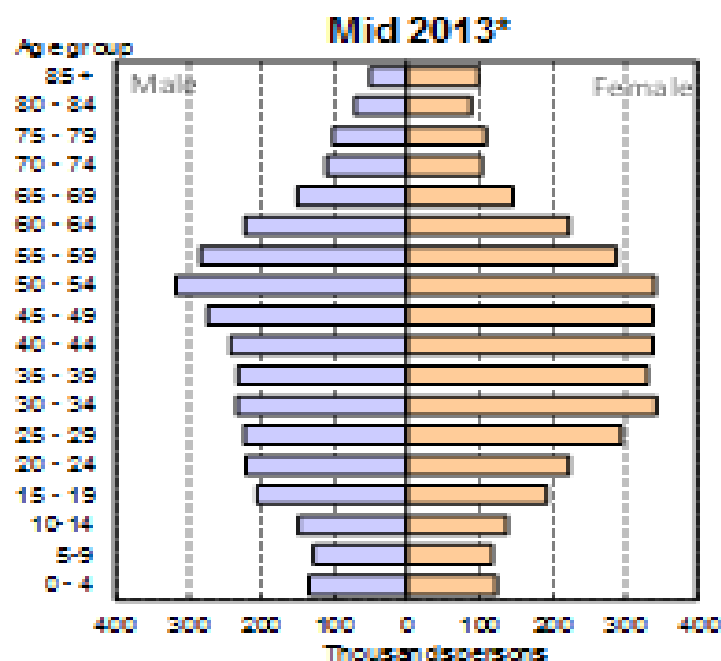


\* Total fertility rate refers to the average number of children that would be born alive to 1000 women during their lifetime if they were to pass through their childbearing ages 15–49 experiencing the age specific fertility rates prevailing in a given year.

# Projected figures for Singapore are not available.

# Resulting in a Rapidly Aging Population

## (1) Population pyramid

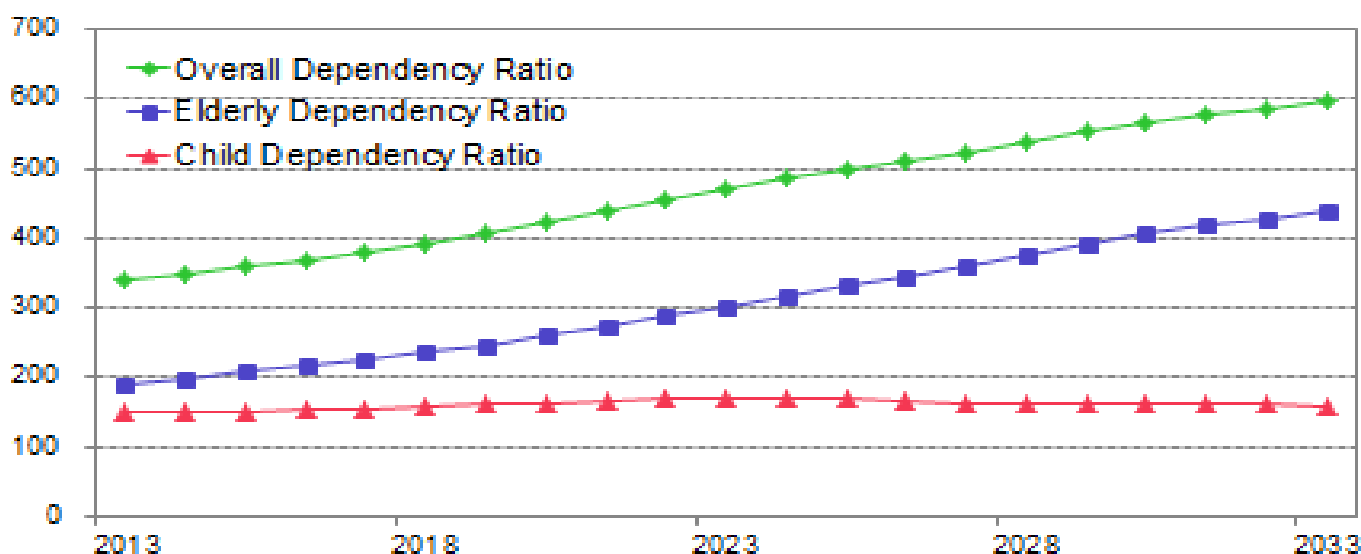


Note: \* Provisional figures

Sources: Hong Kong Census and Statistics Department and Hong Kong Population Projections 2012 -2041

# Steep Increase in Dependency Ratio

## (2) Dependency ratio

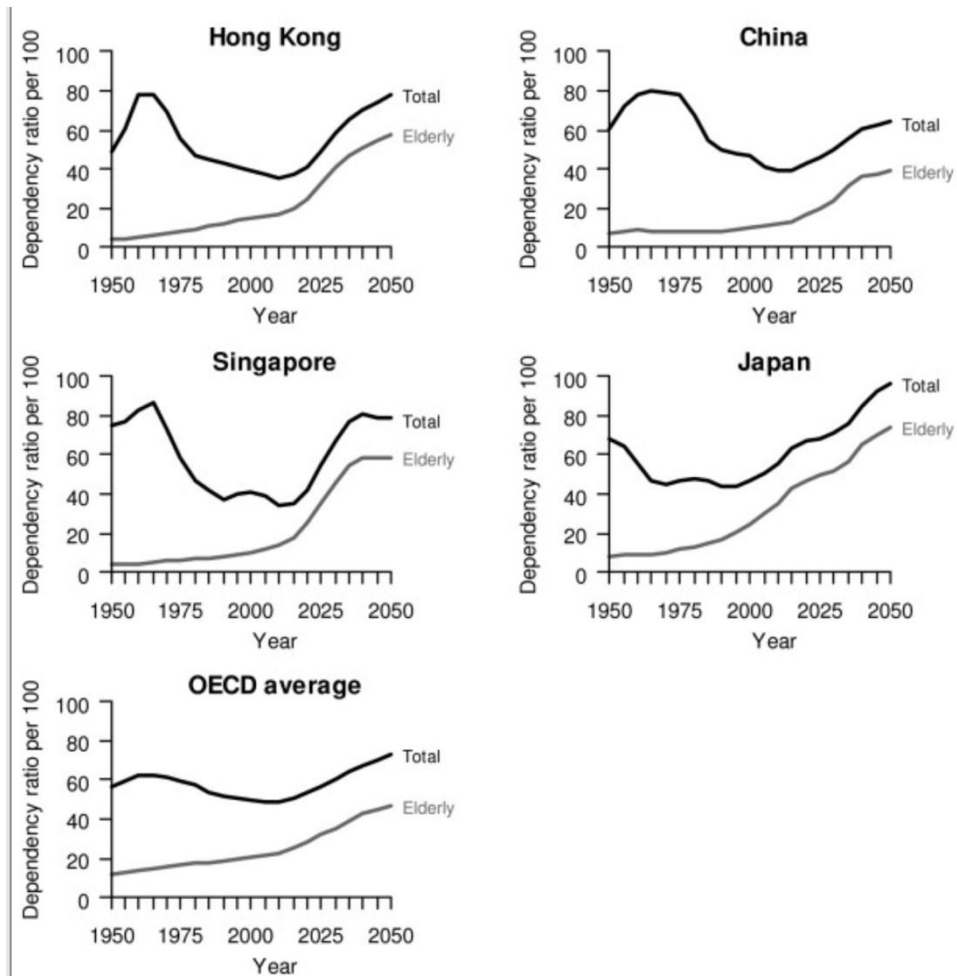


Source: Hong Kong Population Projections 2012-2041

Child Dependency Ratio - number of persons aged under 15 per 1,000 persons aged between 15 and 64

Elderly Dependency Ratio - number of persons aged 65 or above per 1,000 persons aged between 15 and 64

# Having One of the World's Fastest Growing Dependency Ratio



Projected elderly, total dependency ratios based on official United Nations statistics, 1950-2

Chung et al. BMC Health Services Research 2009 9:172 doi:10.1186/1472-6963-9-172

# Cost-Ineffective Delivery Structure and Patterns

Bulk of the public resources in acute care

HA Budget \$47B vs DH Budget \$6.B (2014-15)

Relatively High bed per 1,000 population ratio

		2000	2006	2010
Hong Kong		5.2	5.0	5.0
Singapore		3.6	3.3	3.1
Sweden		3.6	2.9	2.7
UK		4.1	3.6	3.0
Canada		3.8	3.4	3.2
USA		3.5	3.2	3.1

Highly subsidized inpatient care – over-reliance by the elderly



# Cost-ineffective Long Term Care (LTC)

- Imbalance between residential LTC and community based LTC
- 24,746 subsidized residential places vs. 7,089 community based places;
- \$2,549M spent on residential places vs. \$381M spent on community based places
- High institutionalization rate of 6.8% of population aged 60 and above,
- Double that of Japan, and more than 3 times that of Singapore and Taiwan

# Compartmentalization

- LTC under Labour & Welfare Bureau
- Health care under Food & Health Bureau
- Resources are not directed from acute care to long term care
- Lack of medical care in LTC institutions resulting in frequent hospital admissions
- Difficult to recruit and retain health care professionals in LTC facilities

# Existing Delivery Systems Already Stretched

- Waiting time for non-urgent radiographic services in HA > 5 years (Ming Pao 2013);
- Non-urgent orthopedic cases >2 years (Ming Pao 2014);
- First appointment at psychiatry clinics is > 94 weeks (The Sun 2014).
- Benign prostatic hyperplasia surgery > 2 years

# Long waiting time in long term care facilities

- 25,000 applicants in the Central Waiting List for subsidized residential care
- Waiting time for a place in subsidized care and attention homes was around 22 months, and for nursing homes 40 months (Chiu 2009).
- around 5,000 elderly persons die every year while waiting for a place in a subsidized nursing home (South China Morning Post 2014).

# Highly Tax-dependent Financing Systems Unsustainable

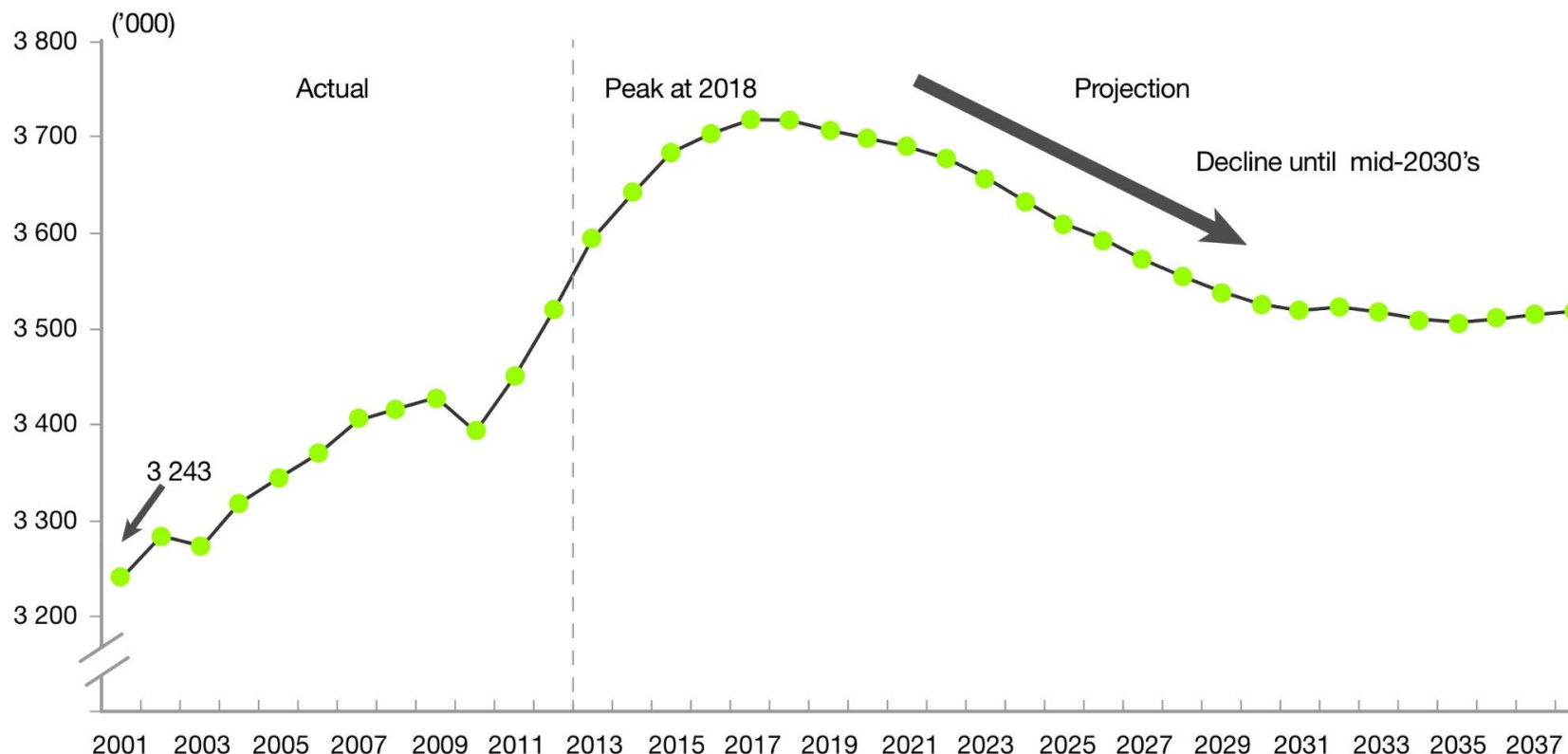
- Hong Kong's total health care expenditure is expected to grow from currently around 5.3 percent to 9.2 percent in the 2030's
- public sector health expenditure is expected to grow from the current level of 2.9 percent to 5.5 percent by then (Food and Health Bureau 2008).

# Long Term Care Expenditure

- LTC expenditure is projected to increase from the current level of 1.4 % of GDP to a range of 2.2 - 4.9 % of GDP by 2036 (Chung 2009), which would be amongst the highest within industrialized countries (OECD 2011).

# Steady Decline in Labour Force by 2018: Will Affect Taxation Income and GDP Growth

Chart 1.2: Projected labour force to 2041



Note: Excluding foreign domestic helpers

Source: General Household Survey Section, Census and Statistics Department

# No supplementary financing schemes

- Japan, South Korea, and Singapore, for example, have all implemented long care insurance schemes (Ichien 2000, Kwon 2009, Phua 2001).
- For countries that have primarily tax funded health care systems, their tax rate are normally much higher than that of Hong Kong, and they all have high sales tax
- New Zealand has established a government future fund



# Inadequate Government Responses

- The proposed regulated voluntary private health insurance scheme (HPS) 's ability to draw and retain a significant number of elderly persons is highly questionable.
- Not attractive to elderly
  - No income
  - Premium 3.8X persons in their 30's
  - High risk another 3X (~ 10X healthy 30's)
  - \$10K deductible plus co-payment for every hospital stay

# Results of Simulation of HPS (Mercer 2011): (1) Healthy, (2) Average, (3) Sick Families

## (1) Healthy Family : **better-off without HPS**

- No insurance – medical costs \$53,000
- With HSP – premium \$36,000 + \$53,000

## (2) Average Family: **about the same with HPS**

- No insurance – medical costs \$137,000
- With HSP – premium \$36,000 + out-of-pocket \$94,000

## (3) Sick Family: **will benefit from HPS, but with \$300K out-of-pocket payment**

- No insurance – medical costs \$623,000
- With HSP – premium \$36,000 + out-of-pocket \$301,000

# Long Term Care Financing

- There are still no proposals or official consultation on alternative LTC financing
- No mention at all in the recent consultation on population policy (Secretariat of the Steering Committee on Population Policy 2014).
- The last proposal on LTC financing considered by Government was the Harvard Team's proposal of a savings-insurance scheme known as MEDISAGE back in 1999 (Harvard Team 1999).

# Public Budget

- The latest Government budget commits more government expenditure to fund initiatives such as a children's hospital, health care voucher for the elderly, subsidies for colonoscopy, and more long term care places (Tsang 2014).
- These moves will only contribute to an earlier onset of government budget deficit and financial non-sustainability of these services.

- The only relevant suggestion is that the Financial Secretary would “consider setting up a savings scheme to prepare for the future” (Tsang 2014).

# Conclusions

- Hong Kong will face an unprecedented aging process, of speed and magnitude that few countries in the world have ever experienced.
- The system at the present day is already stretched
- The bureaucratic structure and the funding model for health and long term care services have inherent problems resulting in cost-ineffective delivery patterns.

- Hong Kong has no savings schemes for either health care or long term care
- It has one of the lowest income tax rates in the world.
- It has a very narrow tax base.
- The highly tax dependent financing model for health and long term care is likely to be non-sustainable with the declining labour force and the growing number of elder persons.

- In short, Hong Kong is ill prepared to meet these serious challenges as the population continues to age.

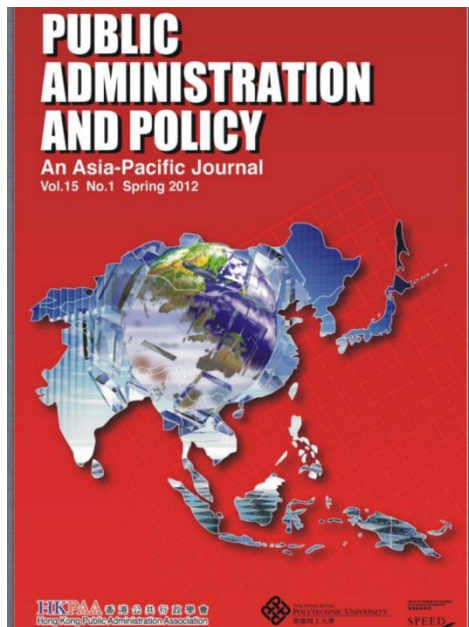


# Full-text of this Presentation will appear in *Public Administration and Policy*, 17,1 (Spring 2014)

## Financing Health Care and Long-term Care in a Rapidly Ageing Context: Assessing Hong Kong's Readiness

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### Abstract

*This article assesses Hong Kong's readiness to tackle the problems associated with the financing of health care and long term care brought about by rapid population ageing. The article examines the speed of the ageing process in Hong Kong, the pattern of care delivery, the organizational structure in the Hong Kong Special Administrative Region Government responsible for the provision of health care and long term care, the financing arrangements, and Government's responses to this impending phenomenon. The article concludes that Hong Kong is poorly prepared for the rapidly ageing process that it will face in the next twenty odd years, and recommends immediate public consultation on the establishment of a government medical savings fund and long term care insurance.*

### Introduction

Hong Kong people are often proud of the fact that Hong Kong has the highest life-expectancy at birth in the world (Food and Health Bureau, 2013). While longevity is a cause for celebration, the problems associated with ageing, if not managed properly, can almost certainly be a cause for concern. This article examines the issue of financing health care and long term care in Hong Kong in the context of population ageing and relevant public policies. It first describes the change in the population age structure in the next twenty odd years, and the associated decline in the size of the labour force and the taxpaying population. It then reviews the increase in demand in health care and long-term care as a result of ageing and the financing implications. The existing financing and delivery mechanisms for medical care and long term care as well as Government's health care financing and other relevant proposals are then examined.

### The Speed and Magnitude of Population Ageing in the Next Twenty Years

While many industrialized countries are experiencing or have experienced population ageing, the latest population projections show that Hong Kong's population will age much more rapidly than many industrialized countries and much faster than previously expected (Chung *et al.*, 2009). The number of persons aged 65 or above will increase to 2.16 million by 2031 – more than double the 2012 elderly population of 980,000 (Secretariat of the Steering Committee on Population Policy, 2014). This phenomenon is the consequence of longer life expectancy – 86 for women and 80 for men in 2011, being one of the highest in the world (Food and Health Bureau, 2013) – and very low birth rate of 1.3 in 2012, being one of the lowest in the world (Secretariat of the Steering Committee on Population Policy, 2014). This speed and magnitude of population ageing will have important repercussions on the financing and delivery systems of health and long term care. Hong Kong data suggest that a person aged 65 or above uses on average six times more in-patient care than a person aged below 65 (Food and Health Bureau, 2008), and US data indicate that approximately 24 percent of the persons over the age of 65 will require some long term care services (Feldstein, 1993).

### Cost-Ineffective Care Delivery Structure and Patterns

Health care, in this article, refers mainly to diagnosis and treatment services including primary care, secondary care, tertiary care, and rehabilitation services, provided either on an out-patient basis or in a hospital setting. Long-term care refers to a continuum of services to

# Thank You !

## Questions?