



THE HONG KONG
POLYTECHNIC UNIVERSITY
香港理工大學

COLLEGE OF PROFESSIONAL AND
CONTINUING EDUCATION
專業及持續教育學院

CPCE HEALTH CONFERENCE 2017
HEALTHCARE DELIVERY AND FINANCIAL REFORM

The Lack of Progress in Health Systems Reform in
Hong Kong:
Reasons, Implications, and The Way Forward

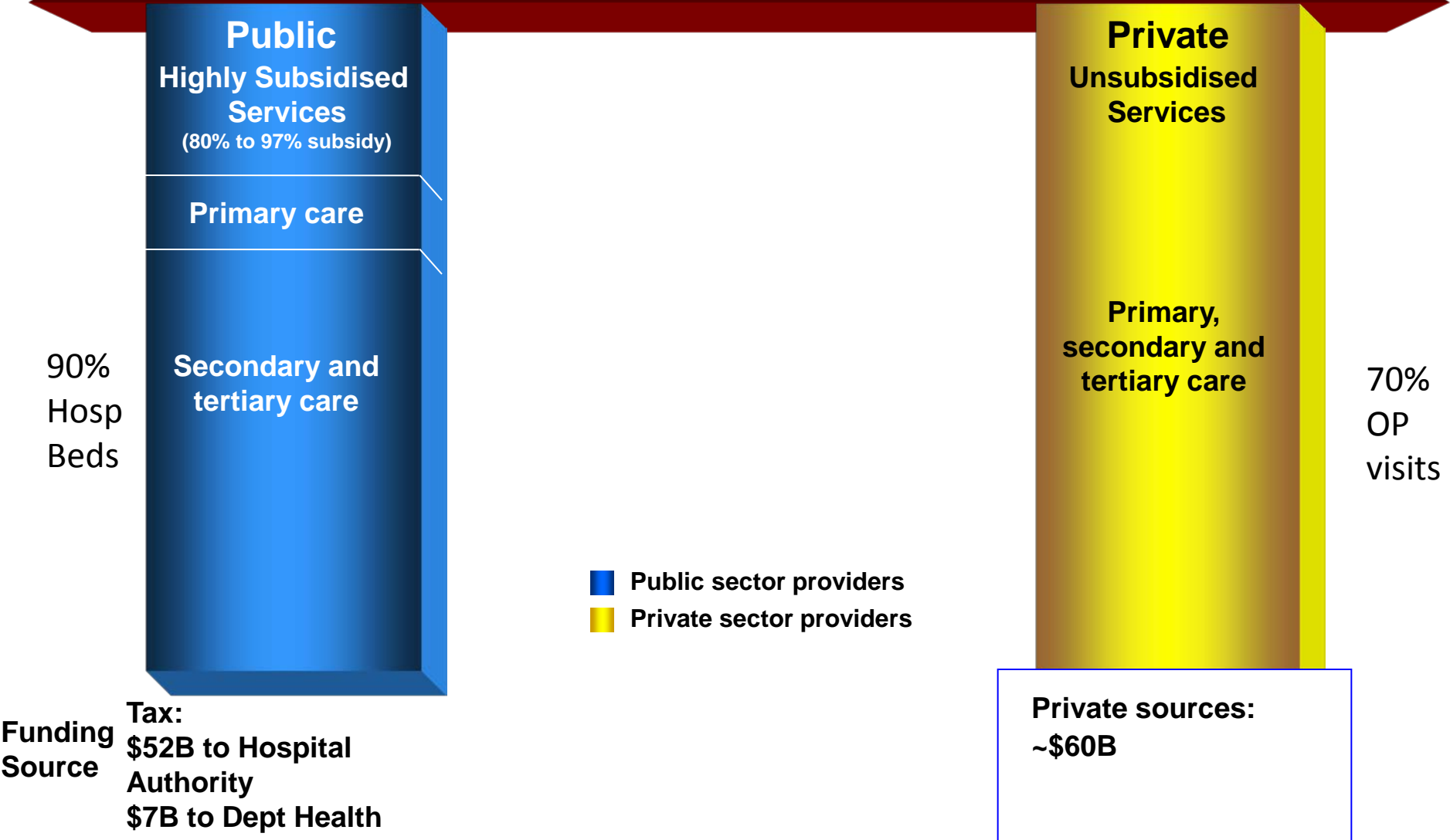
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Outline

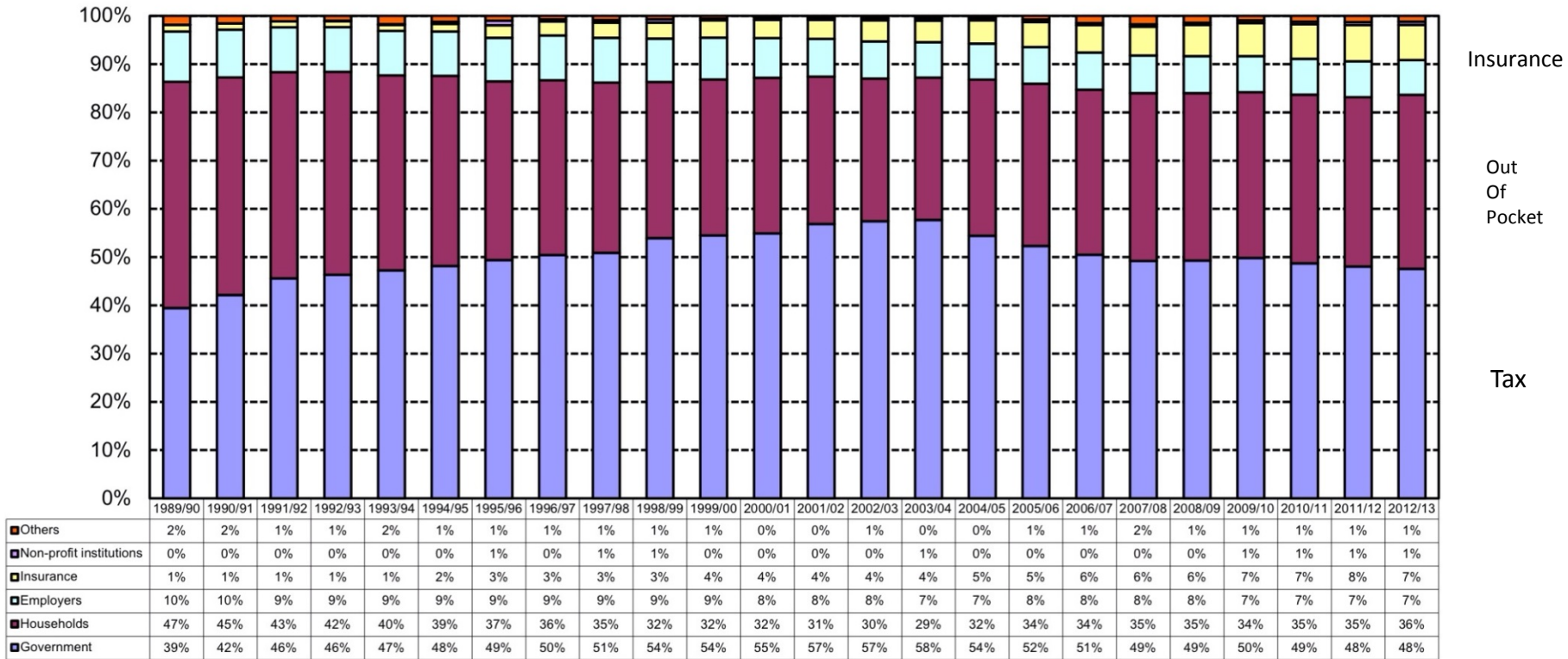
- The Hong Kong Health System Profile
- Achievements
- Challenges and Problems
 - Rapidly aging population
 - Cost-Ineffective Care Delivery Structure and Patterns
 - Existing Delivery Systems Already Stretched
 - Highly Tax-dependent Financing Systems Unsustainable
- Recent reform initiatives and their likely impact
 - Voluntary Health Insurance Scheme and Other Reform Proposals
 - Constitutional problem
- The Way Forward

Current System: Two Pillars



Financing Sources

Figure 2.4 Mix of financing sources of total health expenditure, 1989/90 – 2012/13



Life expectancy at birth (years), UN World Population
Prospects 2015

Rank	State/Territory	Overall	Male	Female
1	 Hong Kong ( China)	83.74	80.91	86.58
2	 Japan	83.31	80.00	86.49
3	 Italy	82.84	80.27	85.23
4	 Switzerland	82.66	80.43	84.74
5	 Singapore	82.64	79.59	85.61
6	 Iceland	82.30	80.73	83.84
7	 Spain	82.28	79.42	85.05
8	 Australia	82.10	79.93	84.28
9	 Israel	82.07	80.18	83.82
10	 Sweden	81.93	80.10	83.71
11	 France (metropol.)	81.85	78.76	84.87
12	 Canada	81.78	79.69	83.78
13	 New Zealand	81.56	79.71	83.35
14	 South Korea	81.43	77.95	84.63
15	 Luxembourg	81.34	78.94	83.65
16	 Norway	81.32	79.22	83.38
17	 Netherlands	81.31	79.36	83.14
18	 Chile	81.21	78.09	84.12
19	 Martinique ( France)	81.18	77.79	84.36
20	 Austria	81.09	78.47	83.59

Achievements

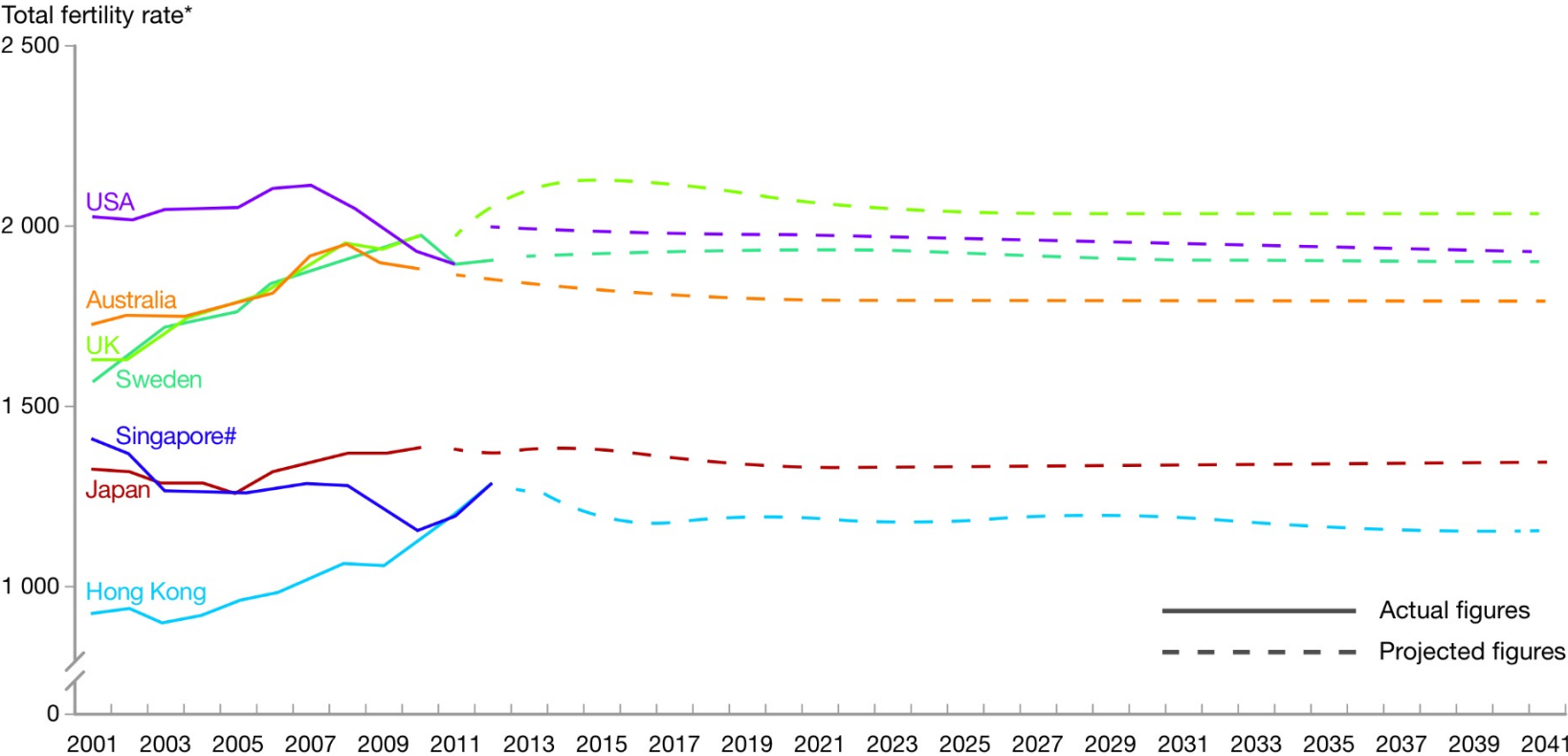
**Hong Kong has the
Longest Life Expectancy
In the World**

Achievements

- Bloomberg ranked Hong Kong as the most efficient health care system in the world in 2015
- All Hong Kong residents are eligible to receive highly subsidized hospital care
- No compulsory health insurance, savings or special health tax
- Low income tax; no sales tax

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

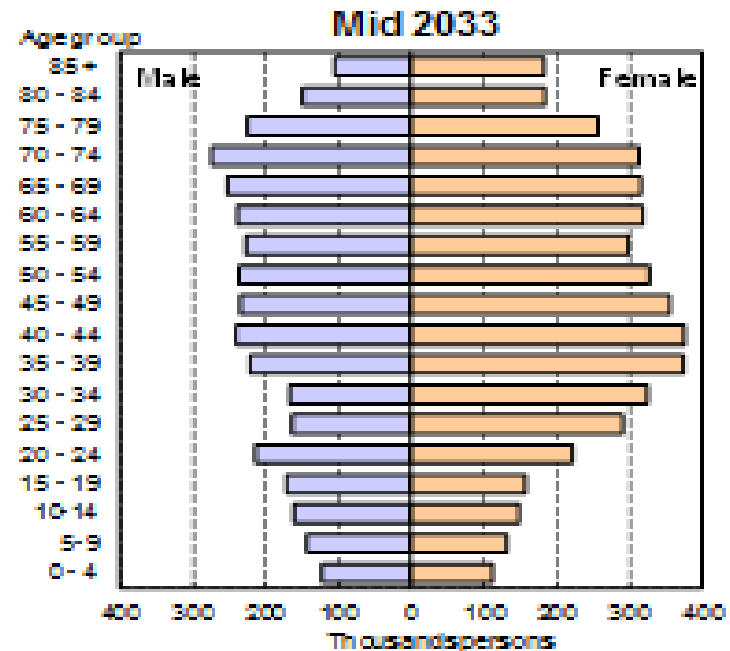
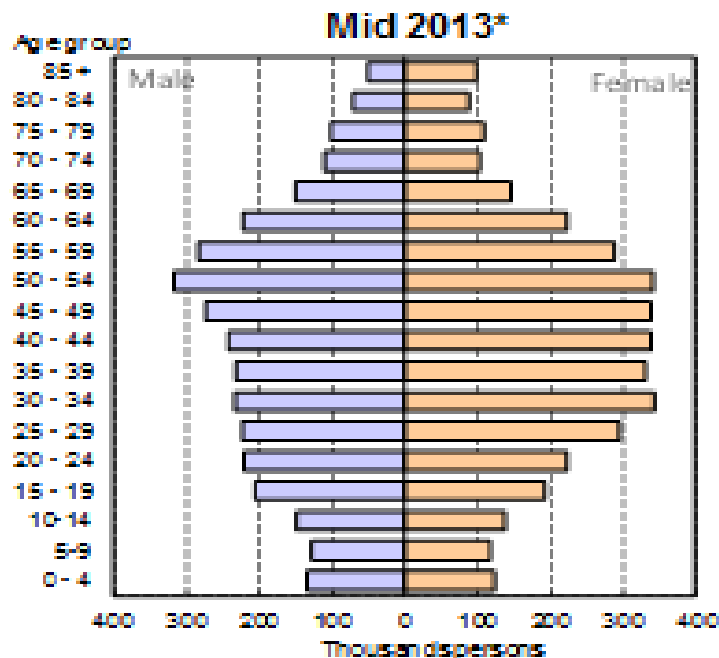
Chart 1.1: Total fertility rates in selected developed economies (2001–2041)



* 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

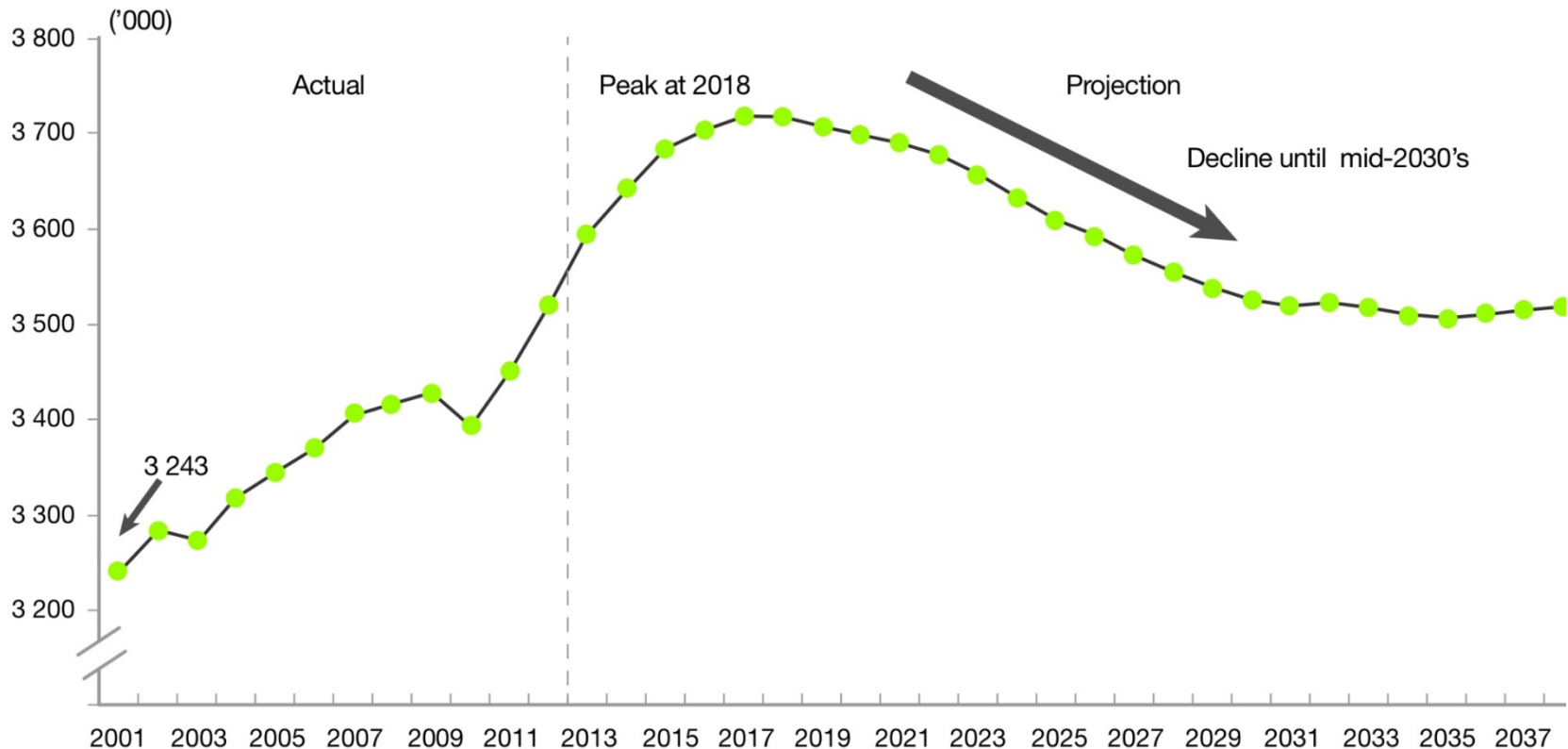


Note: * Provisional figures

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

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

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 (Food & Health Bureau 2008).

Long waiting time for long term care facilities

- 25,000 applicants in the Central Waiting List for subsidized residential care (Chiu 2009).
- 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).

Health Care Financing Reform Failed Attempts



Reason for Failure: Constitutional Arrangement



LEGISLATIVE COUNCIL
OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION
OF THE PEOPLE'S REPUBLIC OF CHINA

Total No. of Members	70
Members returned by functional constituencies (Sectorial Elections)	35
Members returned by geographical constituencies (Direct Elections)	35

Government has no seats

Chief Executive is elected by a Election Committee of 1,200

It relies on support from Members from the Functional Constituencies

Directly elected Members fear they would loose vote in supporting compulsory schemes

Employers, insurance, doctors also fear they would have something to loose

Recent Health Care Delivery Systems Reform Attempts

Regulations of Private Health Care Facilities

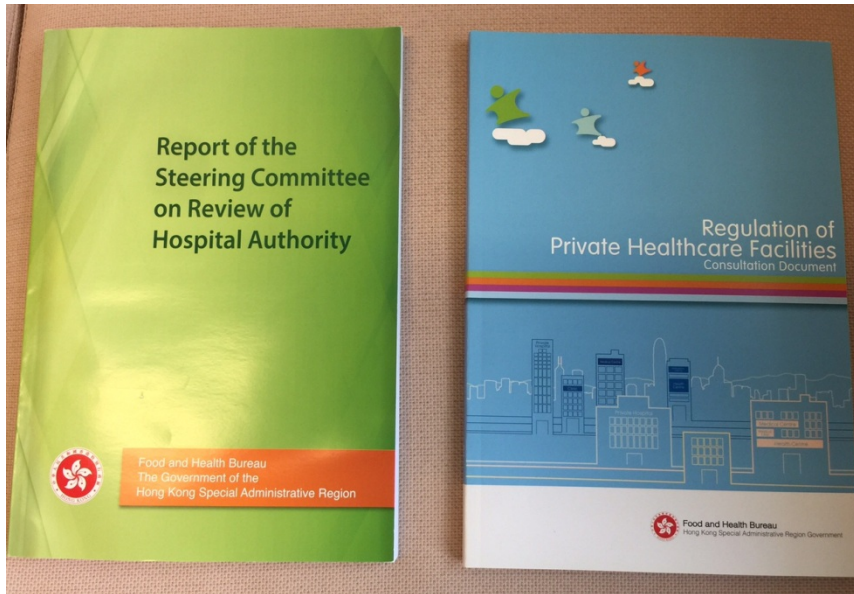
Tightening of High Risk Procedures

Fine-tuning of QA and transparency requirements

Review of Hospital Authority

Redraw some cluster boundaries

Population based funding to Clusters



Government's Latest Response



Voluntary Private Hospital Insurance
for individual plans

Experience rated premium

Set Minimum requirements

Subsidies for High Risk Pool on Hold

Tax incentives – uncertain?

Group Plans need not conform

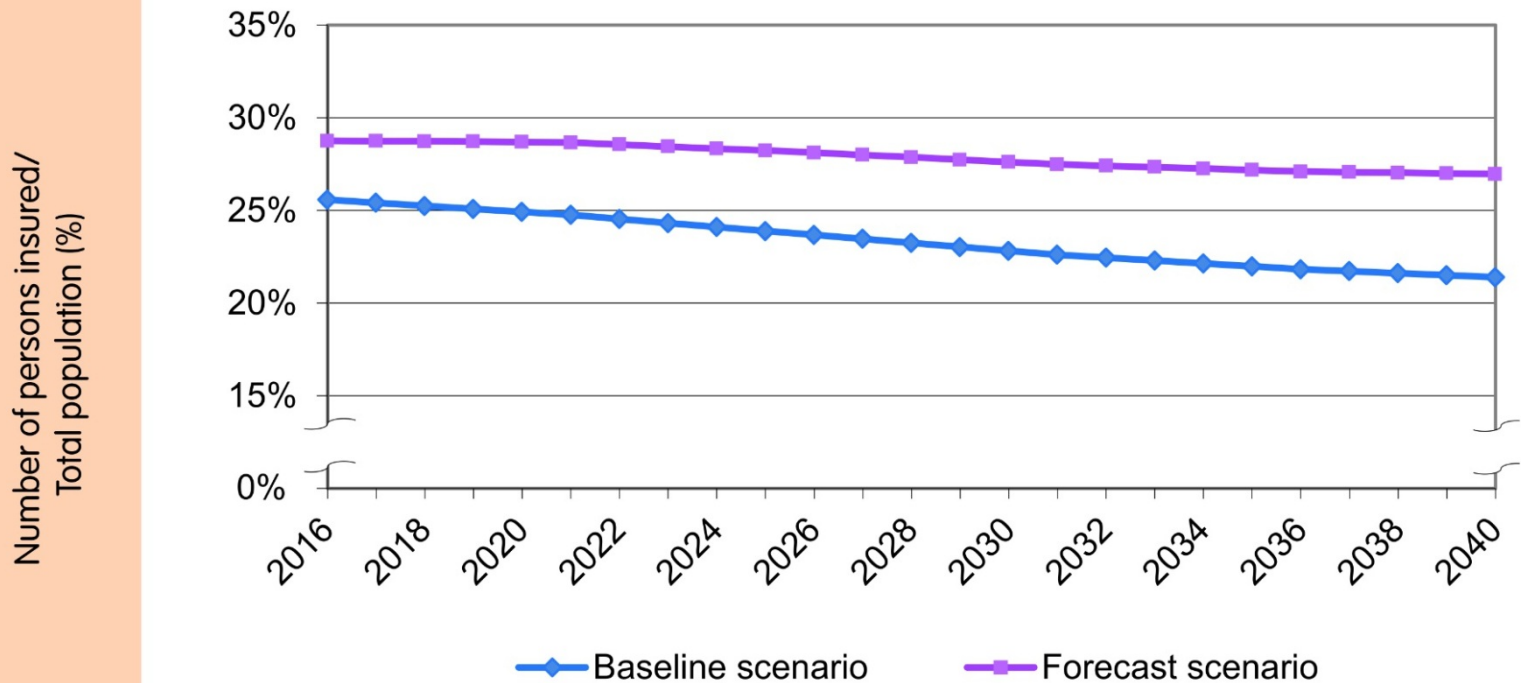


Impact not likely to be significant

- The proposed regulated voluntary private health insurance scheme (VHIS) 's ability to draw and retain a significant number of elderly persons is highly questionable.
- Not attractive to elderly
 - No income
 - Tax incentives are meaningless for them
 - Premium very high for elderly

Government expects an increase of 5% to 10% of Population Subscribing to Private Insurance (with tax incentives and subsidies for the high-risk pool)

Figure 8.1 Projected Uptake Rate of Individual Hospital Insurance

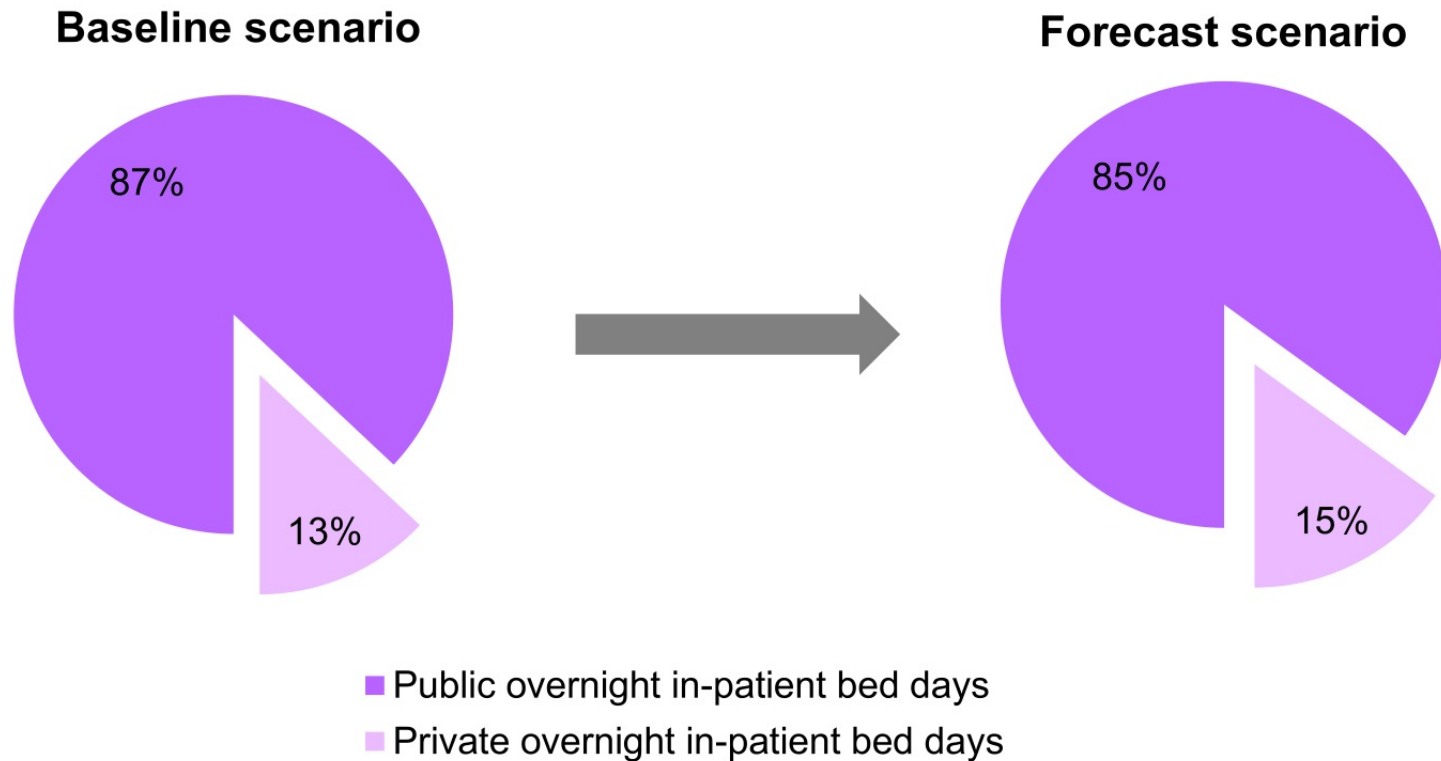


Note: Grandfathered policies and High Risk Pool (HRP) policies are included under the forecast scenario.

Source: Consultation Document, Voluntary Health Insurance Scheme, Food & Health Bureau, HKSARG, 2014

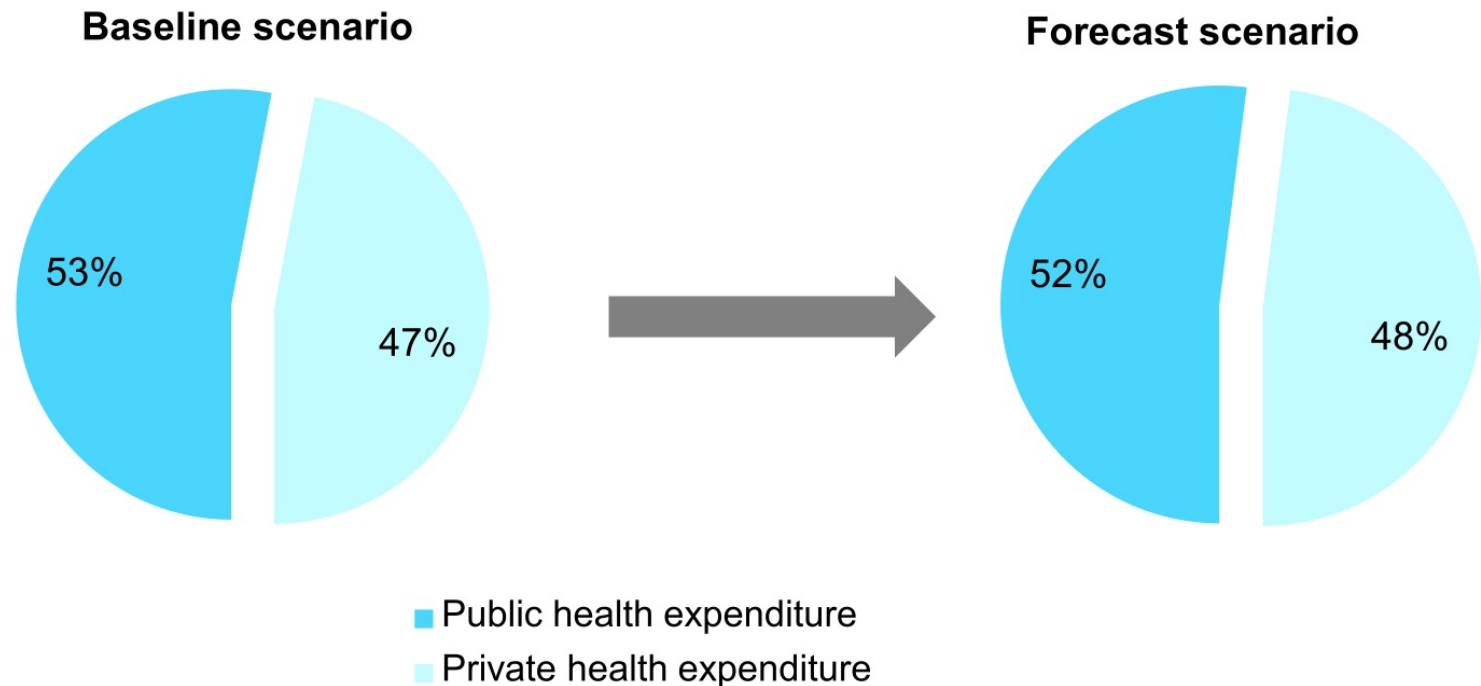
Change in Public/Private Mix by 2040

Figure 8.17 Projected Proportions of Public and Private Overnight In-patient Bed Days in 2040



Change in Public/Private Mix by 2040

Figure 8.18 Projected Proportions of Public and Private Health Expenditure in 2040



Source: Consultation Document, Voluntary Health Insurance Scheme, Food & Health Bureau, HKSARG, 2014

Cost-Ineffective Delivery Structure and Patterns

Bulk of the public resources in acute care

HA Budget \$52B vs DH Budget \$7B (2016-17)

Relatively High bed per 1,000 population ratio

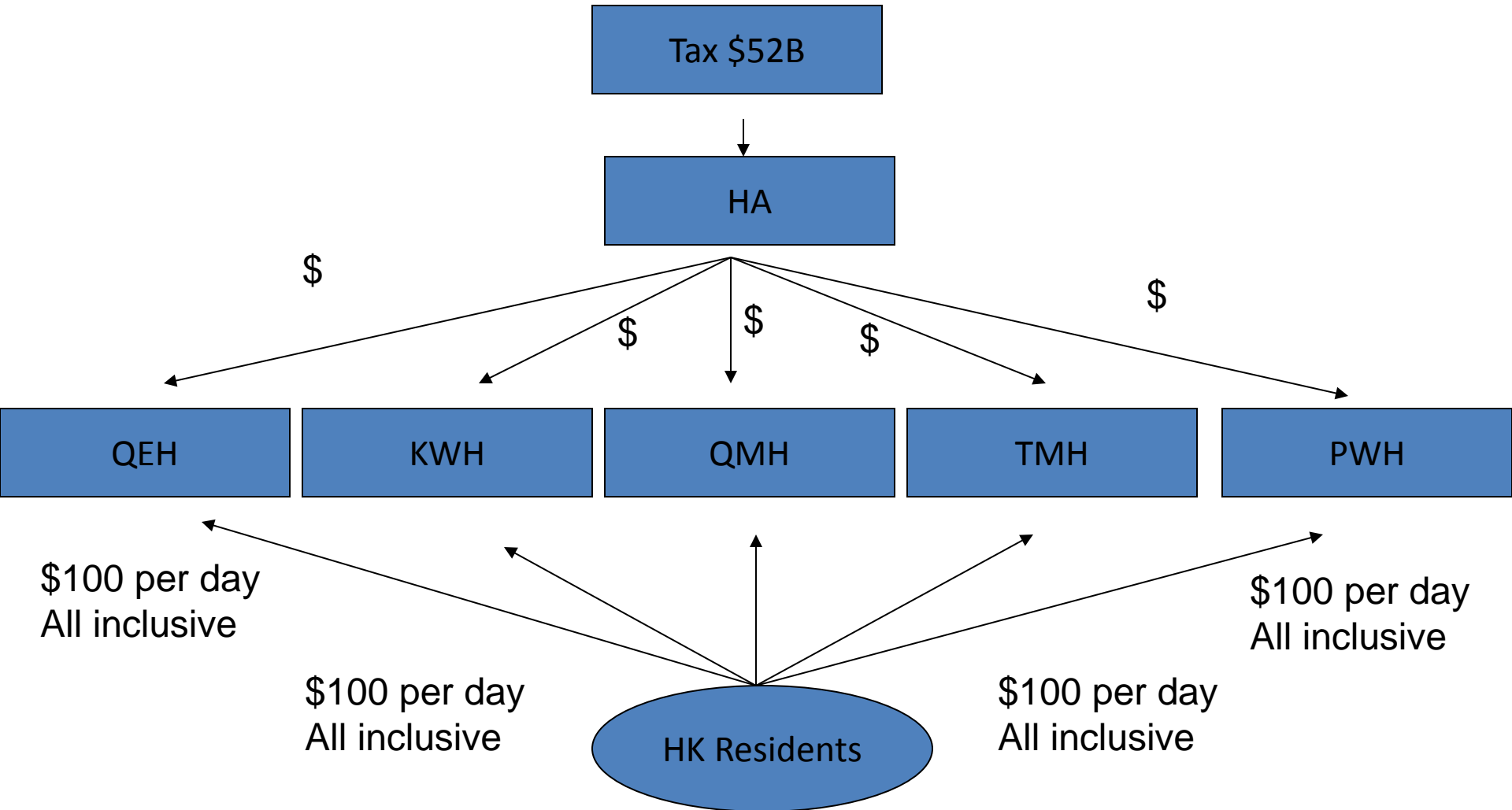
	2000	2006	2010
Hong Kong	5.2	5.0	5.0
Singapore	3.6	3.3	3.1
Sweden	3.6	2.9	2.7
UK	4.1	3.6	3.0
Canada	3.8	3.4	3.2
USA	3.5	3.2	3.1

Highly subsidized inpatient care – over-reliance by the elderly

Government's Plan

- \$200 billion will be used to implement a hospital expansion plan in the next ten years.
- will provide 5 000 additional public hospital beds
- Including in the Kai Tak Development Area a state-of-the-art medical center of 2 400 beds and a 468-bed Children's Hospital (Policy Address 2016)

The HA Funding Model Breeds Inefficiency



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

Long Term Care Financing

- There are still no proposals or official consultation on alternative LTC financing
- 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).

Implications

- Hong Kong will face an unprecedented aging process, of speed and magnitude that few countries in the world have ever experienced: Elderly Dependency Ratio doubling in 20 yrs
- The bureaucratic structure and the funding model for health and long term care services have inherent problems resulting in cost-ineffective delivery patterns.

- The proposed Voluntary Health Insurance Scheme at best can free up less than 10% of public health expenditure
- The Constitutional arrangement will prevent required reform measures to pass
- The quality of care in public hospital will likely to deteriorate – less resources; more demand

The Way Forward: A Future Fund for Health Care

- While it would be difficult to implement compulsory contributory schemes, it would be easy for Government to set up its own savings scheme for the future
- For 2015-16, Government recorded a surplus of \$14.4 billion. Fiscal reserves at the end of March 2016 stood at \$842.9 billion
- Government should set up a Health Care Future Fund

Change the Policy Bureau Structure

- Create a single Health Authority overseeing
- Primary health care
- Hospitals
- Long term care

Long Term Care Financing

- Initiate consultation for alternative long term care financing strategies



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Thank You !

Questions