Hong Kong’s Health Care System
Service Model and Financing

Problems and Way Ahead
What are the problems ?
1. Proportion of expenditure on health care services lags behind other developed economies
### Comparison with other economies on health care expenditure

<table>
<thead>
<tr>
<th>Country</th>
<th>Health expenditure as a % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>9.5</td>
</tr>
<tr>
<td>Canada</td>
<td>9.6</td>
</tr>
<tr>
<td>UK</td>
<td>7.7</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>5.5</td>
</tr>
</tbody>
</table>
Comparison with other economies on health care expenditure

<table>
<thead>
<tr>
<th></th>
<th>General Taxation</th>
<th>Social Health Insurance</th>
<th>Private Health Insurance</th>
<th>Out-of-Pocket Payments</th>
<th>Other Private Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia (2003 fig.)</td>
<td>67.5%</td>
<td>-</td>
<td>7.8%</td>
<td>22.0%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Canada (2003 fig.)</td>
<td>68.4%</td>
<td>1.5%</td>
<td>12.7%</td>
<td>14.9%</td>
<td>2.5%</td>
</tr>
<tr>
<td>UK (2003 fig.)</td>
<td>85.7%</td>
<td>-</td>
<td>3.3%</td>
<td>11.0%</td>
<td>0%</td>
</tr>
<tr>
<td>HK (2002 fig.)</td>
<td>56.9%</td>
<td>-</td>
<td>12.1%</td>
<td>29.5%</td>
<td>1.4%</td>
</tr>
</tbody>
</table>
Should more be allocated to health care from the public purse?

<table>
<thead>
<tr>
<th>Note: all tax figures, except those in relation to Hong Kong, are obtained from the OECD Tax Database 2005</th>
<th>Highest rate of personal income tax</th>
<th>Sales Tax</th>
<th>Public health care expenditure as a % of total tax revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>48.5</td>
<td>10</td>
<td>20.5</td>
</tr>
<tr>
<td>Canada</td>
<td>46.4</td>
<td>7-15</td>
<td>19.8</td>
</tr>
<tr>
<td>UK</td>
<td>40</td>
<td>17.5</td>
<td>17.9</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>19 (16)</td>
<td>Nil</td>
<td>21.5</td>
</tr>
</tbody>
</table>
Should more be allocated to health care from the public purse?

Other considerations

- Small Government principle (recurrent public expenditure not exceeding 20% of GDP)
- Existing % of recurrent public expenditure devoted to health care services – 14.1
- \( \frac{1}{3} \) of working population paying salary tax
- Reduction of corporate and personal income tax rates in other jurisdictions
- Non-tax revenue volatile and tends to fluctuate with economic conditions
Increase in funding from private purses

Thro’

- Increase in fees for public health care services
- Increase market share of private sector
What is impeding the generation of more private funding?

- Low level of public sector fees
  - Fee level low
  - Fee structure simple
- Preference for public sector service
  - Price differential, including unpredictability of private fees
  - Other reasons
2. Misuse, inefficient use, overuse and abuse of health care resources
Common phenomenon & attitude

- Frequent use of curative health care service, esp. general out-patient service
- Unhealthy lifestyle $\Rightarrow$ avertible and delayable health problems
- For many, health care services = curative services
- Overuse of specialist service (lack effective gate-keeping)
Common phenomenon & attitude

Basic preventive measures (e.g. vaccination for infants) followed almost universally, but population does not keep pace well with development in disease prevention and early detection, esp. regarding non-communicable diseases (e.g. cervical screening, adoption of healthy diet and lifestyle)
Common phenomenon & attitude

- Rehabilitation / convalescent facilities not sufficient $\Rightarrow$ lengthening of stay in (more expensive) hospital beds / insufficient care after discharge

- Overuse by elderly, esp. those in residential care homes
What is the way ahead?

- Identify means of inputting more private funding into health care services

- Reduce misuse, inefficient use, overuse and abuse of health care services
More Private Funding

Mandatory contribution – options

- Social insurance - contribution by employers and employees (pensioners / retirees?)
- Savings scheme (Singaporean model)
- Private insurance (Swiss model)
- Increase fees and charges
- Tax
More Private Funding

Voluntary Contribution –

- Encourage use of private sector service (including encouraging the taking out of private insurance) – is the private sector an attractive choice for patients?
Reduce misuse, abuse, inefficient use and overuse of health care services

- Recommendations in “Building A Healthy To-morrow” issued in July 2005
- Incentives for people to change their behaviour – awareness of need for change? Financial incentives?
What we hope to achieve thro’ future financing and service models

- Have a steady source of supplementary funding that comes from the private purse
- Provide financial incentives for people to change their behaviour
- Improve competitiveness of private sector to attract more users
- Provide sufficient “private” capacity for potential users of “private” services
The Financing Model

- Contribution from as large a pool as possible
- Contribution seen to benefit the contributor in the end
- Should reward those who do not misuse, overuse, abuse and take effective preventive and early detection measures
The Service Model

Create competition for the existing private sector?

Expand capacity of “private services” by –
  - encouraging private sector to expand?
  - providing “more private” services in public sector?
  - blurring the public / private line?
Thank You