



20 June 2008

By email (beStrong@fhb.gov.hk) and by post

Our Ref.: C/CITF, M56886

Food and Health Bureau
19/F Murray Building
Garden Road
Central
Hong Kong

Dear Sirs,

Healthcare Reform Consultation

The Hong Kong Institute of CPAs supports the initiative by the Hong Kong Government to review the healthcare system in Hong Kong. In our budget submission to the financial secretary in recent years we have emphasised the need to find a sustainable solution to the long-term funding of the healthcare system.

Broadly speaking, we would agree with the key principles and concepts underlying the proposals for reform, including enhancing primary care through the family doctor concept and putting greater emphasis on preventative care; improving overall structural efficiency through promoting cooperation between the public and private sectors; the development of an electronic patient record sharing infrastructure; and improving the standard of the public healthcare safety net.

Most of the above-mentioned initiatives are structural in nature, aimed at creating a strong healthcare infrastructure for the entire community. We believe that our community will benefit greatly from an improved healthcare infrastructure, regardless of any new financing arrangements. Moreover, as an improved infrastructure will take some years to build and implement, we suggest that the government should start to launch critical or essential initiatives with the existing resources. At the same time, we note that the financing arrangements may well have an impact on the infrastructure, including facilitating changes through incentives and enhancing the longer-term self-sustainability of the structure.

As regards the long-term financing arrangements, while the consultation document makes various assumptions, some of which may be subject to further debate, it is quite clear that the existing system of healthcare funding is not sustainable in the long term, particularly if the community expects improvements in the overall level of services. To act responsibly towards future generations, it is our belief that long-term liabilities from the healthcare burden resulting from, e.g., an aging population should be realistically dealt with starting from today.

We believe that, in practice, the best way forward is likely to involve a combination of various measures, including a broader and more stable base of taxation, appropriate increases in fees based on usage, plus additional sources of financing. We note from the consultation paper (paragraph 6.9) that the healthcare financing arrangements in the advanced economies examined invariably involved a mix of financing sources. For this reason, and given that it is acknowledged that the government will remain the principal funder of the public health services, we would suggest that the issue of healthcare financing cannot be considered in isolation from the wider issue of identifying stable, long term, sources of public revenue.

Whatever the sources of funding, it is important that our public healthcare system should be able to rely on an income stream that is stable and predictable.

Turning to some of the more specific issues, we would agree with the observation that there is no perfect solution or answer. Hence, in deciding among alternatives, and choosing between trade-offs, we should look to fundamental values and principles. The Institute would like to share the following views:

- (i) In principle, any savings or insurance schemes involving risk pooling/sharing are likely to result in a more efficient overall use of resources than schemes that do not involve risk pooling/sharing. In relation to insurance-based schemes, therefore, the response of the insurance sector to the proposals, and the ability of insurers to accommodate any proposed arrangements, will be relevant.
- (ii) We encourage a more judicious use of our public healthcare services and so would suggest that the current level of service fees be reviewed. Efficient use of resources through proper costing and pricing of services is sound economic policy, and should be clearly distinguished from subsidising those in need of public support for social reasons.
- (iii) While instilling a greater sense of self-responsibility for health is, in theory, desirable, it would defeat the purpose if this were achieved only by putting the costs of those services beyond the reach of many who need them. Hence, a good balance is necessary in designing a system combining market forces and proper regulation in our overall healthcare regime to ensure that the Hong Kong citizens are provided with a choice of cost-efficient and good quality services.
- (iv) We support the policy that “no one should be denied adequate medical care through the lack of means”. We would like to see an effective safety net mechanism be put in place to ensure that qualified needy citizens will continue to receive a subsidy for a proper level of medical care.
- (v) The overall financing arrangements that are ultimately recommended should avoid placing a disproportionate burden on the middle-income group.
- (vi) In principle, we support freedom of choice in selecting medical care services. Choice in the market inherently promotes competition and hence efficiency and higher levels of service.

In discussing the consultation paper, we observe that there are a few areas that are not discussed, or not in detail, but which are worthy of attention:

- (i) Health education is very important and should be given sufficient priority to help reduce the avoidable burden on our health services. This will require a change in mindset throughout the community so that children and adults are encouraged to adopt less sedentary lifestyles, to eat more healthily and to think twice before using healthcare services for very minor ailments that do not require specific treatment.
- (ii) We also believe that, up to a point, tax incentives can be used to encourage taxpayers to invest more in providing for their own health cover, whether this takes the form of deductions for insurance premiums or for contributions into saving schemes for healthcare funding.
- (iii) The future of the healthcare system is an extremely important matter that has long term implications for the wellbeing of the community and the economy in Hong Kong. It is vital, therefore to get it right in terms of lasting solutions and, therefore, in our view, “once and for all” decisions at the outset should be avoided as far as possible. Whatever changes are introduced should be reviewable after a period of, say, five years and be capable of adjustment, depending upon whether, e.g., the underlying assumptions still appear to be correct, a greater balance between the demands on public and private sector services has been, or is in the process of being achieved, and there is clear evidence of service improvements. If the results are not positive, the reform model may need to be revisited and further changes may need to be made.
- (iv) More should be said about governance mechanisms to ensure adequate oversight of the public sector - private sector partnership and the health insurance sector, whilst avoiding unnecessary bureaucracy.

We look forward to seeing more detailed information and proposals in the second stage of the consultation, including discussion of targets for service improvements and a closer examination of a narrower range of supplementary financing options, focusing on practical proposals that may involve combining more than one approach. Other issues also need to be drawn out more fully, such as whether the level of co-payment should be linked to affordability and whether there is a role for employers, a substantial number of which will already be providing some healthcare cover for their employees.

In addition, as mentioned above, the issue of governance of the system deserves attention in guiding our design of the healthcare reform and in deciding on choices between various options.

All would agree that good and efficient healthcare services are vital for the community and finding a long-term solution to the administration, operation, and funding of this area presents many challenges. We welcome the efforts of the government to carry the debate forward through this consultation exercise.



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

If you wish to contact the Institute on this subject, please do not hesitate to contact me at 2287 7084.

Yours faithfully,

A handwritten signature in black ink that reads 'Peter Tisman'. The signature is written in a cursive, flowing style.

Peter Tisman
Director, Specialist Practices

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