

**Speech of the Secretary for Food and Health
at the Special Meeting of Legislative Council Panel on Health Services
on 13 March 2008**

Public Consultation on Healthcare Reform

Mr Chairman and Honourable Members,

Today, I am pleased to present the long awaited Healthcare Reform Consultation Document, and announce the commencement of the three-month public consultation exercise.

2. As we all know, healthcare reform is a complicated issue with far-reaching implications. The consultation document therefore attempts to use a progressive approach to explain to the public the problems facing Hong Kong and put forward a range of possible options.

3. Honourable Members, on your table you will find a set of three documents, including:

- an one-page leaflet outlining the major problems faced by us;
- a brochure summarising the pros and cons of different options of addressing the problems and attempting to answer some of the queries that the public may have; and
- the full version of the consultation document with an executive summary.

4. Reports of our in-depth studies on this issue, including the research information on overseas experience, will also be uploaded onto our website. Members, the media, academia and members of the public who wish to find out more about the issue may visit our website for more information.

5. Mr Chairman, it takes us nearly two and a half years to complete this consultation document. I am indeed very grateful for your permission to convene this Special Meeting and let us have two hours' time to explain this consultation document to Members and the public.

6. We would like to make a presentation of about an hour and answer the questions of Members in the remaining hour. First, I would brief Members on the

concept and direction of the reform. Then, my colleagues would explain the details of the reform proposals.

7. The healthcare reform is a cross-generation project that undoubtedly concerns everyone in our society, our future generations, and the long-term future of Hong Kong. Given the importance of the matter, the Government will listen to the views of the public with sincerity and an open mind and engage the community in discussion on the way forward.

8. This Healthcare Reform Consultation Document is a continuation of the consultation document entitled “Building a Healthy Tomorrow” released in 2005. It proposes a whole package of reform to the healthcare services, market structure and financing arrangements specific to the problems identified in the existing healthcare system. At this first stage consultation, we would like to consult the public on two major issues -

- the key principles and concepts of our proposals for service reform;
- the pros and cons of the various supplementary financing options.

9. On the basis of the views received, we will formulate detailed proposals for the reform before proceeding to the second stage consultation.

10. Through the two-stage consultation process, we want to give more time for a rational and in-depth discussion in the community. This will also ensure that the views of the public will be taken into full account in the policy making process.

11. I would like to stress that no matter what changes are made to our healthcare system, the Government will adhere steadfastly to the following three basic principles:

- (1) The Government will continue to uphold its long-established public healthcare policy that no one should be denied adequate healthcare through lack of means.
- (2) The Government will continue to ensure that healthcare services remain accessible to the low-income and under-privileged groups. It is squarely the responsibility of the Government.
- (c) The public healthcare system will continue to serve as a healthcare safety net for the whole community, including middle-income group with higher affordability. That is to say, when the proposals for healthcare reform are taken forward after consultation, even under any new financing arrangements, our policy will continue to allow every member of the public, including those who are better-off, to continue to

use public healthcare services. If someone is ill, he/she may choose to use public or private healthcare services. Thus the healthcare reform will only enhance the choice for the public, but not reduce the protection available at present. We will also, by building on the existing foundation, continue to enhance the standard and quality of the public healthcare safety net.

12. I must also make it clear that by healthcare reform, we do not mean to introduce a sweeping reform. Instead, we are taking a step-by-step and gradual approach to improve the existing system. All the existing advantages of the system will be maintained and strengthened.

13. Mr Chairman, change is for the good of our healthcare system. It will enable the public to get more comprehensive healthcare services with more options and greater protection, and to enjoy better health. Staying healthy means leading a better life. The way forward rests in the hands of the public. This is what we mean by the theme of the consultation document – “Your Health, Your Life.”

14. Change is not for reducing the Government’s financial burden or shift its responsibilities onto members of the public. On the contrary, in developing our future healthcare system, the Government’s commitments in healthcare services will only be increased and not reduced. In fact, as we all know –

- The Chief Executive has pledged that the share of expenditure for medical and health services in overall recurrent government expenditure will be increased from 15 to 17%. It is estimated that by 2011-12, the actual amount of annual health expenditure committed will be up to \$40 billion, representing an increase of about \$10 billion. The amount may be further increased subject to economic growth and budget expansion.
- The Financial Secretary has committed to draw \$50 billion from the fiscal reserve to assist the implementation of healthcare reform no matter what the final arrangements are. For example, if the selected arrangement is a supplementary financing option involving contributions, this money can be injected as start-up capital for every citizen who joins the scheme.

The above underlines the Government’s commitment to healthcare service and its determination to reform.

15. Some people might ask this question: what goes wrong with our healthcare system that warrants reform? It is true that the existing healthcare system has been providing our community with quality healthcare service. Yet, we also recognise that there is much room for improvement in the system. For example:

- First, primary healthcare service is not comprehensive as preventive care has not received the attention that it deserves. Efforts are also inadequate in promoting the awareness of and a sense of responsibility for personal health in the community.
- Second, bottlenecks do exist in many parts of the services of the public healthcare sector. The waiting time for some of the services is getting longer and longer.
- Third, there is public-private imbalance in our healthcare system, coupled with the lack of adequate healthy competition, resulting in limited choice for patients;
- Fourth, lack of sharing of medical records between public and private hospitals and that between doctors has resulted in a waste of resources and caused inconvenience to both doctors and patients;
- Fifth, the public healthcare safety net does not sufficiently cater for those patients struck by serious illness requiring expensive treatment.

16. Alongside the above problems in healthcare services, our healthcare expenditure is also on the rise. The rapidly ageing population is causing a surge in demand for healthcare services. Advances in medical technology, while bringing benefits to patients, cause medical costs to rise. The healthcare expenditure is increasing at a faster pace than economic growth and accounts for an increasing share in the overall economy. This phenomenon is not unique to Hong Kong - all developed economies are facing the same problem.

17. To solve these problems, we must address the problem of healthcare resources at the same time as we reform healthcare services. Otherwise, resources constraint will become a major obstacle to our efforts in enhancing the standard and quality of healthcare services.

18. For this reason, we propose in the consultation document to introduce supplementary financing, which is a necessary measure to support the healthcare reform and improve the existing services.

19. As mentioned earlier, the Government's commitment to healthcare service will only be increased and not reduced. We propose supplementary financing not for the sake of reducing the Government's commitment, but for the sake of providing additional resources for implementation of the reform, in order to bring about continuous improvements in the standard and quality of services.

20. We also need to direct the flow of resources so as to facilitate reform to the healthcare market structure. With the availability of resources, service improvements will ensue and the market structure will adjust accordingly. Therefore, the introduction of supplementary financing, coupled with adequate facilitating measures, will benefit users of either public or private healthcare services.

21. As Members may be aware, we have been rolling out some new service arrangements recently, such as provision of subsidy to patients to undertake cataract surgeries in the private sector, purchase of primary care services from the private sector in Tin Shui Wai, introduction of primary health care vouchers for the elderly, encouraging the Hospital Authority and private hospitals to implement the Electronic Patient Record Sharing Pilot Project, as well as injection of \$1 billion into the Samaritan Fund. All these arrangements in fact stems from the service reforms put forth in the consultation document, and can be regarded as part of the Government's pilot efforts in reforming the service arrangements and market structure.

22. If we do not introducing healthcare financing arrangements when the economy allows it, the problem of inadequate funding will arise sooner or later. By then, we will be unable to sustain quality public hospital service. Neither can we provide additional resources for the service reforms or change the market structure. It is the public that will suffer in the end.

23. Some people may ask if we can maintain the system unchanged. Under the current funding arrangement, a rising tax bill is inevitable if we want to maintain our quality healthcare services. So, are we going to pay more tax or to make contributions as a source of funding? In fact, all our resources eventually come from the public. If we opt to pay a rising tax bill instead of making contributions, we will miss a golden opportunity to reform our healthcare services and market structure.

24. Ever since I came into office, I have been giving much thought to the issue of healthcare resources. I often ask myself the question, how should we pool, allocate and use our resources to sustain the provision of better healthcare service and greater protection for our community; and how can we, in parallel with provision of enhanced care to the grassroots, provide more quality alternatives for other members of the community, particularly the middle-income group which has better affordability.

25. I have tried to learn from overseas experience and visited many countries, including Sweden, the United Kingdom, France, Switzerland, Germany, South Korea, Australia and New Zealand. I have found that different countries adopt different healthcare financing arrangement in accordance with their own culture and tax system. After more than two years' thorough observation, I come to the conclusion that none of the financing arrangements practised overseas would suit us in entirety.

26. We have studied six kinds of supplementary financing options and found that each of them has its own advantages and disadvantages. That said, I know I can

count on the collective wisdom of the community. I also believe that open discussion with the community is the only way to find a solution to healthcare financing, as well as the best way of making an important decision for the future of individual citizens and of Hong Kong.

27. Mr. Chairman, I have from time to time been advised by well-intentioned people that the road to healthcare financing is beset with difficulties. Nevertheless, as a doctor, I hope I could provide patients with early diagnosis and persuade them to receive the most effective treatment. As a Bureau Secretary, I have the duty to explain to the public the problems I have identified in our healthcare system and put forward timely solutions.

28. Some may ask, “Can’t we wait?” We learn from our researches that the current healthcare funding arrangement, with the Government’s commitment of increasing the resources, is barely sustainable for a few more years. The existing healthcare system will not collapse during this term of the Government. However, the Chief Executive, the Chief Secretary, the Financial Secretary and myself unanimously consider that it is not a responsible way to leave the matter to the next term of the Government, and the community will suffer heavily if we did so. The SAR Government is therefore determined, while putting forward the proposals on healthcare reform, to deal with the financing problem as well in one go. This is to ensure that members of the public can still get the protection for quality healthcare service in future. It also means that our future generations can enjoy the same protection too.

29. As a member of public healthcare sector, I have witnessed the development of our healthcare system in the past decades. It is clear to me that we are now at a crossroads when we have to decide what will be in the long-term interests of the community as a whole. In this connection, the whole community should look at our healthcare system and financing arrangement from a long-term perspective. The objective of our reform has to be ensuring the sustainability of our quality healthcare service.

30. Mr Chairman, my only strategy is to lay out all the options we have studied in a frank and open manner, in the hope that we can engage members of the public in a rational and pragmatic discussion and build towards a consensus.

31. Lastly, I wish to express my heartfelt gratitude to all Members of the Health and Medical Development Advisory Committee (HMDAC) and its Working Group on Health Care Financing. They have thoroughly examined the problems facing us and put forward constructive and valuable suggestions, making significant contribution instrumental to the development of the consultation document.

32. Over the years, we have received views and comments from many sources, including many of you here, the medical profession, the press, the academia and political commentators. I would like to take this opportunity to thank you all.

33. I would also like to extend my thanks to my colleagues in the Bureau. Without their passion and dedication, this consultation document may still yet to be completed.

34. Next –

- I am going to invite Ms Sandra LEE, Permanent Secretary for Food and Health, to give a briefing on our proposals of service reform.
- Then, Prof Gabriel Matthew LEUNG will present the study report on the projected future healthcare expenditure of Hong Kong. He is a professor in the School of Public Health of the University of Hong Kong and an expert in this field. He is also and a member of the Working Group on Healthcare Financing under the Health and Medical Development Advisory Committee.
- This will be followed with a briefing on the supplementary financing options set out in the consultation document and their pros and cons by Mrs YEUNG, Deputy Secretary for Food and Health.
- After that, the Hon Ronald Joseph ARCULLI, Chairman of the Working Group on Healthcare Financing, will speak about the concepts behind these options.

35. Mr. Chairman, I would like to add one more thing before responding to the questions raised by Members. Today's discussion is just the beginning of the consultation. In the three-month consultation period that follows, we will be visiting various sectors, organisations and District Councils non-stop so as to brief members of the public fully on the consultation document and listen to their views. We will also gauge public views through various channels, including questionnaire survey, focus groups and written submissions.

36. In the coming three months, we will engage the community in intensive theme-based discussions on various topics relating to healthcare reform. We hope that through focused discussions, this may help forge consensus among the public.

37. Mr Chairman, I hope the mainstream consensus of the community is to agree to take forward the healthcare reform, and the outcomes of the healthcare reform is to the benefit of every member of our community. First of all, the healthcare reform must bring greater healthcare protection for the grassroots and their waiting time must

be reduced. To the middle-class, healthcare reform must bring more value-for-money healthcare services, more quality choice, and more comprehensive healthcare protection.

38. I am sure Members will all agree that this consultation exercise is very important to our community. I hope Members will have a frank exchange of views with us, and join with the community and the Government to identify the option that is most suitable for Hong Kong.

39. Thank you.