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**WITHOUT PREJUDICE**

Dear Sir / Madam

**RE: Mandatory Medical Insurance**

Further to the recent consultation about establishing a mandatory medical insurance scheme proposed by the government, we are writing to reflect our views on the subject and the overall health reform proposition.

**Main Reason for needing to reform**

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We are well aware of the aging population situation and that there will be fewer workers to retirees in the coming decades. This is without doubt a truism and a phenomenon that seems to be apparent in many developed countries. However, this exact same excuse was used by the Government for establishing the MPF (Mandatory Provident Fund) a few years ago; so why are we having to consider an additional measure to tackle the exact same problem we were supposed to have addressed? Is the Government tacitly admitting that the MPF system is a failure which has failed to address the aging population situation? If so, perhaps the MPF system should be withdrawn and replaced with an alternative scheme that works.

The MPF system is condemned by both employers and employees; for the employees the same money could achieve far greater returns when invested on other financial products available on the open market; for the employers the MPF system adds to the operating overheads and administrative costs thereby increasing the operating costs further and reducing global competitiveness. The main benefactor of the MPF system are the institutions who are effectively given carte blanche to play with the money that has been plundered from the workers; consistently delivering lower than prevailing market returns with near complete opaqueness to the investment strategies seems to be a hallmark of MPF trust schemes.

The MPF has the potential to work if the government undertakes the management of the funds themselves rather than outsource to institutions. This phenomenon is extant in the UK in the form of National Insurance where the government actually takes responsibility for its policies. Perhaps the Hong Kong government could consider doing the same.

## **Solution**

With the huge account surplus this year (of ~HK\$ 114b), the government should appropriate this money to deal with the aging population situation and invest it into public health rather than myopically cutting taxes. The government should withdraw the MPF scheme and create a National Insurance type scheme that fulfills the functions of both MPF and Mandatory Medical Insurance as opposed to concentrating the power further in the hands of institutions.

## **Main Reasons for our aging population**

The aging population issue is more salient in Hong Kong than in other developed countries. The main reason for which is the ridiculously high property prices, causing working class couples to have to work considerably more hours just to sustain a home let alone have the disposable income and luxury to consider the opportunity of having progeny.

The disproportionately high property price is an issue that cannot easily be addressed and requires serious government attention if it should be redressed. We believe that the disproportionately high property prices is a significant contributor to the current aging population quandary, solutions for which may be found in China where there are restrictions and taxes levied on property sales and purchase establishment of which in Hong Kong would contradict free market economics that Hong Kong champions. So, this is a sticky wicket.

## **Solution for our company**

We are a typical small medium-sized enterprise operating in Hong Kong offering Internet and web-based services to clients in Hong Kong and internationally and being a proponent of free-market economics, if the operating costs of Hong Kong escalates further, our company will simply move our fulfillment operation to a location where the operating costs would be more profitability conducive thereby resulting in Hong Kong workers being laid off. The operating costs for maintaining a work force is already crippling high for many SME's and if the government should decide to increase these costs further by establishing commercially-unscrupulous measures such as mandatory medical insurance, there will be a jump in the unemployment figure and we may witness a repeat of the dark ages (viz. the SARS period).

Yours sincerely,

Jason Cheng