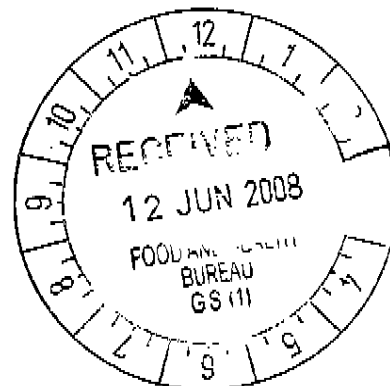


Ref: Lv073/08

11 June 2008

Dr the Honourable York CHOW Yat-ngok, SBS, JP
 Secretary for Food and Health
 Food and Health Bureau
 19/F Murray Building
 Garden Road
 Central
 Hong Kong



Dear Dr Chow

Healthcare Reform Consultation Document – Your Health Your Life

The Hong Kong Federation of Insurers has set up a Task Force for the captioned Consultation Document. After a detailed study and collection of the views of our member companies on the document, we have come up with our consolidated comment which is set out in the position paper attached.

Our Federation would welcome any further discussion with the Government and would look forward to continuing our dialogue on this important subject.

Yours sincerely

Mrs Agnes Koon
 Chairperson

Encl. (total 5 pages including this cover)

註冊有限公司 Incorporated with limited liability

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Industry Opinions from the Hong Kong Federation of Insurers on Healthcare Reform Consultation Document "Your Health, Your Life"

1. The Hong Kong Federation of Insurers (HKFI) is a trade association representing the great majority of insurers in Hong Kong including 52 member companies currently offering medical insurance in the market. We have consulted all member companies on the consultation document issued by the Food and Health Bureau of the Hong Kong SAR Government in March 2008. Our views are set out in this paper.

General Observations

2. Healthcare reform and financing for Hong Kong has been discussed on and off for decades. Discussion each time came to no conclusive views and nothing much has changed as a result. This time, however, we see a clear and strong commitment on the part of Government to prepare the ground for making positive changes.
3. We applaud the Government for taking a firm leadership and active role in encouraging public debate on this important subject. We agree that at the end of the day, any decision should basically reflect societal values and preferences as to how best to ensure the provision of quality healthcare for individual citizens. On this very point we have noticed a growing body of public opinion in support of the key principles that:
 - a. no one should be denied of adequate healthcare for lack of means;
 - b. the present safety net provided by Government and financed through taxation should remain the core pillar in the provision of healthcare for all Hong Kong residents;
 - c. individuals should be encouraged, nevertheless, to take up more personal responsibilities for their own state of health and, where appropriate and practicable, contribute more to the system to ensure its long-term financial sustainability;
 - d. strengthening primary care and care in the community is the best way to enhance healthcare efficiency and contain medical costs;
 - e. there should be a greater public-private sector partnership in the delivery of healthcare to provide more choices for patients; and
 - f. healthcare delivery and supplementary financing should go hand in hand to ensure that any additional resources so obtained are put to the best use.

Specific Comments

4. The overall policy objectives and directions set out in the consultation document are on the right track. Specifically we support:
 - a. proposed efforts to develop a workable model for primary care services including the establishment of a family doctor register, provision of subsidies for promoting preventive care and the strengthening of public health functions;
 - b. the promotion of public-private partnership by way of, for example, contracting out some of the hospital services to the private sector and engaging private sector doctors in public hospitals;

- c. the early establishment of a territory-wide electronic health record with proper protection of privacy and accessible to all legitimate users including insurance companies; and
- d. taking a critical look at the present financing structure with the objective of developing a practical and efficient model to make our healthcare system financially viable in the long-term.

Supplementary Financing Options

5. As an industry we would like to offer the following observations with a view to facilitating constructive deliberation on this issue:
 - a. the present delivery system apparently is under-funded and the funding gap is expected to widen considerably with growing demands on the system associated with the ageing population and escalating medical expenses;
 - b. in the absence of other sources of funding, the public system has to rely almost entirely on the buoyancy of the economy and the fiscal conditions of the Government which unfortunately are not predictable;
 - c. the existing funding model is not conducive to public-private partnership thus limiting patients' choice and resulting largely in the use of queuing for rationing healthcare resources;
 - d. patients are only paying a nominal fee for quality hospital service and they do not therefore have a financial stake in decisions concerning their own healthcare;
 - e. although about 1.6 millions people in Hong Kong are covered by medical insurance, the potential benefits of risk pooling are far from being utilized;
 - f. under the existing voluntary system, insurance products are structured in such a way that high-cost areas, e.g. pre-existing illnesses, mental health, etc. are not insured; and
 - g. the present delivery system tends to focus on treatment of diseases rather than prevention and there is an obvious lack of transparency in terms of healthcare outcome measurement.

HKFI's Position

6. There is no doubt in our mind that going forward, our healthcare system requires an injection of additional and sustainable funding. In seeking supplementary financing the way forward, in our view, should be guided by considerations of whether or not the new system can:
 - a. help promote public-private partnership;
 - b. encourage people to take more personal interest in their own healthcare;
 - c. promote the efficient use of resources and provide choices for individuals;
 - d. maximise the benefits of risk pooling while keeping the administrative over-head at a reasonable level; and
 - e. enhance the overall transparency in respect of the fee charging structure of healthcare providers and related performance measures.

7. Having regard to the above, we are inclined to support a supplementary financing model which contains the following elements:
 - a. a progressive, measured increase in user fees for public healthcare services designed to achieve cost-sharing;
 - b. encouraging individuals to take out voluntary private insurance as an interim measure; and
 - c. setting up a mandatory insurance scheme based on contributions for the working population of Hong Kong in the long-term.

8. Medical savings are also worth considering. It can form part of the strategy for addressing rising medical costs at old age and would be a sensible component of a retirement income policy. However, overseas studies suggest that this cannot work as a stand-alone option. To make it work it has to be supported by insurance which helps stabilize the outgoings from these accounts by spreading the costs and risks across the insured population.

9. Mandatory insurance, when compared with voluntary insurance, provides a better solution in that it would enable better spreading of risks resulting in less exclusions, no medical examination required, no joining age limits, more stable premium due to community rating or age banded rating and overall lowering of administrative costs. Mandatory insurance can be provided either by government or private insurers. In the former case, experience in many countries has proven that it is more effective when provided through private insurers. Using private insurers as service providers would be a better option. The public will expect quality service and maximum choices at the lowest possible cost. This is entirely understandable and in fact achievable provided that the scheme is structured in a way which allows free competition and the proper functioning of market forces.

Way Forward

10. For the proposed mandatory system, the industry is prepared to work with all parties concerned including the Government and relevant service providers to come up with:
 - a. a defined insurance product offering standard benefits, guaranteed availability of coverage for life and minimum exclusions (e.g. cosmetic, plastic surgeries, etc.) at uniform premium rates calculated on an age banded rating or a community-wide basis;
 - b. a set of industry best practices to ensure the provision of products in full compliance with the standards and framework prescribed by Government;
 - c. a transparent system in the setting of fees by healthcare providers and assessment of healthcare outcome for quality assurance; and
 - d. a simple process to facilitate the migration of voluntary insurance taken out by an individual and/or employer to the mandatory scheme so that people need not do more than is required though they can opt for additional coverage in the form of topping-up benefits.

11. In this round of public consultation, Government attempts to demonstrate by way of illustration the possible scope and premium rates of mandatory insurance schemes for certain population groups. Based on our own actuarial analysis, though limited by lack of access to the raw data, we have reason to suggest that the figures and assumptions presented in those illustrative plans are not unrealistic.
12. We understand the Government will conduct a second round of consultation. We will make use of the opportunity to:
 - a. try and obtain the necessary data so that we are in a better position to judge whether the rates quoted in the illustrative plans are truly practical and achievable;
 - b. have close dialogue with the Government on how to structure the proposed mandatory scheme prescribing a basic service standard for all parties concerned and allowing participating insurers to have reasonable returns on investment.

The Hong Kong Federation of Insurers
10 June 2008



June 2008 Issue No. 147

Health Care Reform

We submitted an industry position paper to the Food and Health Bureau in response to its consultation document "Your Health, Your Life". In essence, we support measures to promote primary health care and care in the community, the establishment of a family doctor register, the development of electronic health records and the strengthening of a private/public sector partnership.

As for supplementary health care financing, we would like to see a measured, progressive increase in user fees for services provided in public hospitals, promotion of voluntary health care insurance as an interim measure and, in the long-term, the establishment of a mandatory scheme offering a basic package of protection with minimum exclusions and life-time coverage. We also expressed our readiness to work with all parties concerned, including the Government and health care service providers, to come up with a transparent, sensibly regulated and sustainable mandatory system providing quality health care at affordable prices.



At the second stage of the consultation, we will actively seek direct dialogue with Government to discuss what would be provided in the basic insurance package, how premium rates and the level of administration costs should be set, what kind of framework should be introduced to regulate the practice of insurers and health care providers, how to facilitate the migration/conversion of existing insurance plans to the new one prescribed under the mandatory system.

Introduction of a Competition Law



To better understand the potential impact of this proposed legislation on our current business operations, we have arranged for Mr Jonathan McKinley, Principal Assistant Secretary for Commerce and Economic Development, to brief GIC/LIC Councillors and members of the Task Force on Competition Law.

The Task Force comprising representatives from the GIC and LIC Legal Working Groups and reinsurers will study the issue and come up with a suggested industry's response.

Insurance Claims Complaints Bureau (ICCB)

Members should have by now received the latest edition of the ICCB Annual Report. This newly released publication provides a detailed account of the work of the ICCB and some noteworthy cases handled by the ICC Panel during the year under review.

The ICCB secretariat will be arranging briefing sessions for Member Companies to enhance their understanding on the operation of the ICCB, and the relevant complaints handling procedures, and to discuss issues of mutual concern. The first briefing was held on 25 June and similar sessions will be conducted in the months ahead.



Mission Well Community Project

I am pleased to report that the train-the-trainers workshops for primary and secondary schools teachers were very well received. More than 100 schools have enrolled their teachers to take part in the familiarisation workshops on the Financial Literacy Training Programme. In view of the overwhelming response, we will arrange one additional workshop for teachers during the summer break.



Visitors



LIC Deputy Chairman Mr David Alexander received a delegation of 13 from the General Insurance Association of Korea last week. Mr Alexander briefed our visitors on the latest market situation and our consumer protection mechanisms. Views were also exchanged on other areas of common interest.

General Insurance

Amendments to the EC Ordinance made under the Certification for Employee Benefits (Chinese Medicine) (Miscellaneous Amendments) Ordinance 2006

The commencement of the above *Ordinance* would allow employees injured on duty or suffering from prescribed occupational diseases on or after 1 September 2008 to seek treatment from registered Chinese medicine practitioners. A briefing for members was held in mid-June. More than 110 representatives of General Insurance Members were present. Thanks to Senior Labour Officer Ms Melody Luk for her informative and interesting presentation.



Life Insurance

The Code of Practice for Life Insurance Replacement

The modifications proposed by the LIC to the above *Code*, the *Customer Protection Declaration (CPD) Form* and its *Explanatory Notes* for clarifications of the responsibility of claim payment under the circumstance of twisting being proven were accepted by the Insurance Authority and insurance intermediary bodies.

The revised documents, which aims to clear the existing grey area and to better protect the policyholders' interest, will come into force on 1 October 2008. Members are advised to make use of the coming months to familiarise their intermediaries with the latest version of the *Code* and *CPD Form*.

Agnes Koon
HKFI Chairman

MEMBERSHIP NEWS

Change of Authorised Representative

Mr Liu Tingan, China Life Insurance (Overseas) Company Limited Hong Kong Branch

HKFI Membership

As at 30 June 2008, the HKFI has 91 General Insurance Members and 45 Life Insurance Members.



第147期 • 2008年6月

醫護改革

保聯已就「掌握健康 掌握人生」醫療改革諮詢文件，向食物及衛生局提交業界立場書。基本上，我們支持政府推廣基層醫療和社區護理、建立家庭醫生登記冊、確立電子病歷紀錄，以及加強公私營醫療體系合作。

至於醫療輔助融資方面，業界普遍認為公立醫院應逐步增加醫療收費，以及提倡自願性醫療保險，作為中期措施。長遠而言，為了更有效地發揮保險的功能，政府應該建立強制性基本保障計劃，將不保事項減至最少，並提供終身保障。同時，業界亦已準備就緒，與政府和醫護界，包括醫生及醫院等相關團體合作，制訂具透明度、受嚴格監管和可持續發展的強制性計劃，讓市民可以在負擔能力範圍以內，享用優質的醫護服務。



稍後，踏入第二階段的諮詢期，我們將積極尋求與政府討論多個具體的議題，包括：基本保險計劃會提供甚麼保障項目、如何訂定保費費率和行政費用水平、怎樣規管保險公司和醫療服務供應商的經營手法、如何協助投保人將現有的保險計劃轉移至新制訂的強制性計劃等等。

引入競爭法



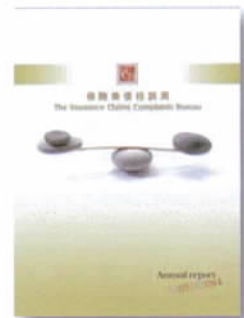
為了進一步了解建議立法引入競爭法帶來的影響，保聯邀請了商務及經濟發展局首席助理秘書長麥敬年先生，向一般保險總會和壽險總會的委員，以及競爭法專責小組的成員講解有關課題。

專責小組的成員包括一般保險總會和壽險總會轄下的法律事務工作小組，以及再保險公司的代表，負責研究有關事宜，並將草擬業界的立場書。

保險索償投訴局

會員公司應該已經收到剛出版的保險索償投訴局2007/2008年度年報，詳盡匯報投訴局的工作和保險索償投訴委員會，曾處理而值得留意的個案。

此外，投訴局為會員公司安排多個簡介會，讓會員公司更加了解投訴局的運作、處理投訴的步驟，以及討論雙方關注的事宜。首次簡介會已於6月25日舉行，稍後將會繼續安排類似簡介會。



「未雨行動」社區計劃

為中小學教師而設的「未雨行動財商教案應用工作坊」深受歡迎，有超過100家學校的教師報名參加。由於反應熱烈，稍後將於暑假期間多辦一次工作坊。



訪客



壽險總會副主席殷大偉先生接待韓國保險協會的13人代表團，向他們講解本港最新的市場狀況，以及維護消費者權益的機制，雙方更就其他課題交換意見。

一般保險

《2006年為僱員權益作核證(中醫藥)(雜項修訂)條例》對《僱員補償條例》的修訂

實施上述條例讓工傷或患上職業病的員工於2008年9月1日或以後，可以向註冊中醫求診。一般保險總會於6月中為會員舉行簡介會，超過110位一般保險會員公司代表出席。謹此感謝勞工處高級勞工事務主任陸慧玲女士深入淺出的講解。



人壽保險

《壽險轉保守則》

壽險總會就《壽險轉保守則》（《守則》）、《客戶保障聲明書》（《聲明書》）及註釋提出的建議，釐清了轉保期間的賠付索償責任，獲保監和保險中介人團體採納。有關修訂剔除現存的灰色地帶和加強保障消費者的權益。修訂文件將於2008年10月1日生效，敬請會員公司利用未來數月，讓旗下的中介人熟習新版《守則》和《聲明書》。

香港保險業聯會主席
管胡金愛

會員消息

更改授權代表

中國人壽保險（海外）股份有限公司香港分公司 - 劉延安先生

保聯會員數字

截至2008年6月30日，保聯共有91家一般保險會員公司和45家壽險會員公司。