



# THE HONG KONG INSTITUTE OF SURVEYORS

13 June 2008

Dr York Chow  
Secretary for Food and Health Bureau  
Food and Health Bureau  
19/F Murray Building  
Garden Road  
Central  
Hong Kong

Dear Dr Chow,

## Healthcare Reform Consultation

1. The Hong Kong Institute of Surveyors is a professional institute comprising over 7,000 members, of whom, 4,529 are qualified professionals possessing expert knowledge and experience in land use, real estates planning, valuation, development, building control, procurement and facilities management. Most of our members belong to the "middle class" and are key contributors (in terms of tax payment) to the healthcare system.
2. First of all, we would say that, given the limited resources and a majority of the population receiving subsidized healthcare, the present system is considered effective. The bottom-line that "no one is denied healthcare through lack of means" has been well guarded by our Government and well appreciated. Yet there are inadequacies in terms of doctor-patient communication, long queuing, over-crowded beds, and occasional medical mishaps.
3. In the consultation document, the statistical information provided has shown that, because of the ageing population and other external factors, the healthcare expenditure is growing much faster than our economy. According to the Government's projection, by 2033 the total healthcare annual expenditure will reach \$315.3b (9.2% of projected GDP of \$3,413b), compared with the 2004 figure of \$67.8b (5.3% of actual GDP of \$1,287b).
4. The projected figures are presented in the consultation document as "without reform" scenarios. The blunt truth is that, if the projected increases are accurate, then with or without reform the society must be prepared to pay more for healthcare in terms of % share of GDP. We agree that there is a need for reviewing the financial structure and funding sources of the healthcare system.
5. The existing healthcare system has been unkind to the middle class. As we pointed out in the opening paragraph, the middle class are key contributors to the



system. Yet the same middle class benefit the least from it. When struck ill, a middle class citizen is faced with two choices: (A) bottom-line “safety-net” services in the public system or (B) higher quality services in the private system. For a person who has contributed significantly to the system over many years, it seems only fair for him/her to look for a better quality service, only to find that in looking for (B) he/she will have to forfeit the subsidy to which he/she is otherwise entitled under (A). To illustrate this unfair situation, with a subsidy level for the public system (A) at around 95%, and assuming the services provided in the private system (B) are better than (A) by 25%, a middle class citizen will have to pay disproportionately more, i.e. 120% in return for a 25% “upgrade” of services. Many are forced to stay in the public system, resulting in an “all lose” situation. Firstly, it creates more dissatisfied customers. Secondly, it removes incentives to join the private system. Thirdly, it places unnecessary burden on the public system.

6. Contrasted against the existing system, six supplementary financing options are set out in the consultation document. In essence, these options entail different combinations of participation by stakeholders, namely, Government, private operators, insurers, and citizens (as financiers as well as recipients of services). For ease of reference, the options are set out below, with some brief remarks showing our understanding of their operation.

	Financing Source	Risk Pooling/ Sharing	Cross-class Subsidy
Current System:			
Subsidized public healthcare	G(T)	Y	Y
Unsubsidized private healthcare	C	N	N
Supplementary Financing:			
(a) Social health insurance	C(I)	Y	Y
(b) Out-of-pocket payments	C	N	N
(c) Medical savings accounts	C	N	N
(d) Voluntary private health insurance	C(I)	Y	N
(e) Mandatory private health insurance	C(I)	Y	N
(f) Personal health reserve	C(I)	Y	N

G(T) = Government (through tax money)

C = Citizen

C(I) = Citizen (through insurance)

7. Without possessing adequate financial and demographic data, it would be presumptuous to comment on the viability or applicability aspects. We would however make some observations as follows:



- (a) Any reform of healthcare should aim to achieve the following:
- (i) effective delivery of services;
  - (ii) a fair structure of contribution and cross-class subsidy; and
  - (iii) an equitable balance of contribution and benefit.
- (b) With regard to (a)(i) effective delivery of services, we support the principles and proposals in Chapters 2 to 5 of the consultation document, for enhancing primary care, promoting public-private partnerships, electronic health record sharing, and strengthening the safety net. The financing options in Chapter 6 will involve elaborated consideration of (a)(ii) and a(iii). Our views are set out below.
- (c) On the premises that increase in healthcare expenditure is inevitable (para. 4 above), whatever option is implemented, the cost will eventually be picked up by the citizens through tax payment, over-the-counter payment or insurance premium.
- (d) In the consultation paper, a gloomy picture is painted for staying status quo with the current tax-based system (para. 1.5) and the options of raising taxes or diverting public funding from other sources have been ruled out (para. 1.6). On the other hand, all the six options in the consultation paper look for funding through private means. This has created a negative image, unjustified as it may be, that the Government is not taking positive responsibility.
- (e) In principle, we support increased participation of private operators, and hence insurers, in the system. Operation of the private sector tends to respond better to patients' needs. It also induces improvement through competition. The other side of the coin is that it will attract higher administration cost and that it is prone to abuse. Practitioners charging different medical bills for patients with or without insurance coverage, and patients requesting hospital admittance for simple investigations which should otherwise be handled by day-procedures are just a few well-known examples.
- (f) A balance will need to be struck between public and private services, and the level of Government regulation required. The bottom-line is that, if private operators are to receive any form of subsidy from public money, direct (e.g. land premium concession, government subvention) or indirect (e.g. subsidized medical bill, insurance accreditation), then their operations must be subject to suitable regulation and control.
- (g) The revenue base (para. (a)(ii) above) is an important consideration which does not seem to have been adequately addressed in the consultation document. The current tax-based system is comparatively effective in terms of resources appropriation and cross-class subsidy, firstly through the incremental tax regime and secondly through a broad base apart from salaries



tax, such as corporate profits tax and properties tax. In contrast, the funding from the six options are subscriber-based and non-incremental. If any of the six options is meant to be the principal source supporting the increase from \$67.8b (1994) to \$315.3b (2033) then we are concerned that very little will come from the much well off and rich classes, leaving the heavy burden again to the middle class.

- (h) As mentioned above, many middle class citizens are “dissatisfied customers”, paying the most but benefiting the least from the current system. We note with disappointment that no proposal is made in the consultation document to address this imbalance currently existing between “contribution” and “benefit” (para. (a)(iii) above).

8. In conclusion, we see that the challenges to the healthcare system are real and imminent. In order to successfully implement any reform, understanding and support from the various classes in our society is essential. We hope that we have faithfully reflected the worries and concerns of a key sector of the society, being the prime source of contribution to the healthcare system. Unless these worries and concerns are dispelled, the momentum for reform at this critical juncture will be lost.

Yours sincerely,

Yu Kam-hung  
President  
The Hong Kong Institute of Surveyors