

RESPONSE TO THE HARVARD TEAM REPORT

The Institute for Health Policy and Systems Research



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The Institute for Health Policy and Systems Research

IMPROVING HONG KONG'S HEALTHCARE SYSTEM
WHY AND FOR WHOM?

15 August 1999

The Harvard Team Report (hereafter, the Report) offers some useful information and suggestions for consideration in planning for the reform of Hong Kong's healthcare system. It has not, however, provided Hong Kong residents with the needed understanding of what health benefits and system performance outcome could be achievable with the proposed changes. It has also not offered Hong Kong residents the full range of healthcare financing and delivery options (based on a meaningful, objective and critical analysis of experiences in other countries) that are available and relevant for consideration and implementation in Hong Kong. More importantly, the effects of the proposed healthcare sector changes on consumer behaviour, the healthcare workforce, quality of patient care and Hong Kong's productivity are not addressed.

Healthcare financing and delivery systems are mechanisms to achieving certain health outcomes. It is unclear what health outcome the Report's recommendations aim to achieve in the end. It is also unclear to what extent the recommended financing and changes in the delivery system are based on a clear understanding of Hong Kong's social values and cultural preferences.

Any financing system must address both the resource generation and payment methods. The Report gives very little information on how providers are to be paid under the proposed options. It is widely reported in the literature that different provider payment methods will have different impacts on their practice behaviour and consequently patients' health-seeking behaviour as well. Any proposal to reform the healthcare system must fully describe and analyse the impact of how funds are to be generated and how providers are to be paid.

In designing a new healthcare system, experiences elsewhere are always useful references. There are countries such as Finland and Denmark which have over 85 percent of the population very or fairly satisfied with their respective healthcare system and only less than 8 percent indicated a need for fundamental changes. Experiences of these and similar countries and the factors that contribute to achieving such public support should be examined for their relevance and application in Hong Kong. Similarly, countries with low public support and strong indications for fundamental changes should also be studied so that mistakes committed elsewhere and the negative attributing factors of their systems could be avoided. Unfortunately, the Report does not contain such important information. More basic research in these areas is clearly indicated.

To decide if the proposed financing options should be supported, based on the information and recommendations as presented in the Report, would seem unwise at this time. More research needs to be done. The reform objectives need to be clarified and public support gained. More options need to be identified and analysed. And the momentum for reform must be sustained.

There are, in our view, at least three major items that should warrant attention now and going forward. They include:

(1) The Guiding Principles for Reform Should be Expanded and Made More Explicit

The guiding principles for reform should offer a clear and complete vision of what the future healthcare system will look like. The principles as stated in the Report are inadequate and imprecise. They should be strengthened. We recommend principles such as the following be included:

- (a) The Hong Kong SAR Government is accountable for people's health, for without a healthy population there cannot be a productive and economically vibrant society.
- (b) Hence, the Government will ensure that all residents:
 - (i) have access to comprehensive and cost-effective healthcare that is charged at reasonable and affordable levels;
 - (ii) are fully informed of the cost and quality of healthcare, including the standards of performance of individual providers;
 - (iii) have adequate financial capability, through appropriate savings, insurance or other financing mechanisms, to acquire healthcare of their choice;
 - (iv) have access to health information that enhances health consciousness and enables proper health-seeking behaviour;
 - (v) will not fall into poverty because of healthcare and be deprived of quality healthcare because of financial means.

(2) Societal Values and Cultural Emphases Must be the Anchor for Developing Hong Kong's Future Healthcare System

The healthcare system is a subset of the larger society. An effective healthcare delivery and financing system and the society's values, culture and preferences are inseparable. Hong Kong's future healthcare system must be target driven. There ought to be clearly defined health targets, supported by society and targeted at intervention priorities, to guide resource allocation, system performance and individual responsibilities.

The varied and frequently negative public responses to the Report that have appeared in the media thus far may denote that the Report's recommendations are not in full synchrony with Hong Kong's societal values and cultural emphases. It is vitally important that the assumptions used in the Report to draw up the recommendations be validated.

Towards this end, IHPSR conducted a public forum in which key stakeholders deliberated on the impact of the Report recommendations and suggested ways to move forward in the reform process. The forum was one of the few occasions that have brought together such a diverse group of stakeholders. The output of the forum, reflecting a broad spectrum of views from society, should warrant the Government's consideration in designing the next phase of the reform. The executive summary of the forum proceedings is herein submitted as part of IHPSR response to the Report (see Attachment).

(3) Taking Immediate Steps to Set the Reform into Motion

The Report pointed out that “Hong Kong is saddled with an irrational and fragmented non-system for financing and delivery of health care. The lack of a coherent overall policy for the health sector has undermined both the effectiveness and efficiency of the delivery of health care.” We agree that Hong Kong’s current healthcare system needs to change.

The interest and momentum of change should be sustained. We urge that the Government take a resolute stance to begin taking concrete steps to plan and implement initiatives to reform Hong Kong’s healthcare system. Such steps should include:

(a) Setting Up an Independent Institute for Healthcare Policy and Economics

We agree with the Report that there is need for an institute “to collect appropriate data and to conduct analysis to support designs and evaluations of health policies and strategies...[to] serve as a base to train health economists and policy analysts...[and to provide] technical assistance and policy advice to policymakers... [in] the many complex issues of health system reform.” We urge that this be given top priority in the way forward.

In planning for the implementation of the institute, we recommend that the Government give careful consideration to the following:

- (i) the pros and cons of a block grant to fund one or several such institutes;
- (ii) the pros and cons of housing the institute(s) in the government, the private sector, or a university; and
- (iii) whether or not the institute(s) should comprise full-time qualified individuals of international standing.

(b) Appointing a Top-level Commission to Plan and Implement the Reform

We support the Report’s recommendation that a top-level commission be appointed. The functions of such a commission should include:

- (i) defining specific objectives of reform;
- (ii) delineating the strategic priorities and reform targets;
- (iii) implementing and evaluating pilot programmes for further replication; and
- (iv) steering the implementation of the reform initiatives and monitoring the reform progress and results.

We urge that this Commission be appointed quickly. Its membership should comprise international experts in healthcare management or reform in addition to prominent local leaders and selected Government officials. There should also be staff who are highly qualified and experienced in managing healthcare reforms to assist the Commission in discharging its roles and responsibilities.

In conclusion, we believe the Government should now act to address the problems identified in the Report and to sustain the public's interest in the momentum of change. The need for reform is clearly indicated. In the way forward, it is critical to first clarify and seek the public's support on the guiding principles, direction and objectives of reform and then put into place the needed infrastructures-such as the research institute(s) and reform commission-to develop the needed information and to lead and manage the change efforts. It is neither necessary nor worthwhile to await all other aspects of the future healthcare system to be fully detailed and deliberated before implementing changes. These can come later. We recommend that the Government take progressive and assertive steps to reform the system now and modify or refine the system components as Hong Kong's healthcare system evolves into the future.

IMPROVING HONG KONG'S HEALTHCARE SYSTEM OPTIONS AND IMPACTS

15 August 1999

INTRODUCTION

On July 10, 1999, the Institute for Health Policy and Systems Research (IHPSR) and the American Chamber of Commerce in Hong Kong organised a forum to discuss the impact of the Harvard team's options, and to suggest ways forward in the healthcare reform process. The more than 90 participants, representing providers, suppliers, company executives, academicians and consumers of healthcare, were all well informed on the subject of healthcare reform. This was one of the first forums to bring together such a diverse group of stakeholders (see appendix I).

The event was structured to stimulate debate and reach consensus. Speakers presented their analysis of the impact of the proposed healthcare financing options, if implemented, on Hong Kong and their own sector. Knowledgeable panellists responded with their own questions and fielded questions and comments from the audience (see appendix II). At the end of each of the two sessions, all present were asked to vote on a number of multiple choice questions.

This paper highlights the key points that were made at the meeting, many of which have been neglected in the months of debate since the Harvard team's report: "Improving Hong Kong's Healthcare System: Why and For Whom?" was released in April. Nevertheless, they are of critical importance, and we urge the government to give them their due consideration.

Reform Must Tackle More Than Just Healthcare Financing

The Harvard Report and the discussions since its release have concentrated too much on healthcare funding. In focussing its options for reform solely on methods of financing healthcare, the Harvard Report ignored the changes needed to improve the system overall. Therefore, the Report was not as comprehensive as it was supposed to be. Traditional medicine is but one of the many components missing or overlooked by the Harvard team. Without a comprehensive and coherent plan to improve the healthcare system, an inappropriate financing option might be chosen. Other issues are at least as important and fundamental as financing healthcare and need to be addressed. These include:

1. Develop a Health Policy

Reform must start by formulating a coherent healthcare policy that is clearly defined and not subject to a wide range of interpretations. Much more time and effort needs to be devoted to this key issue. Although the Harvard Report cites the absence of a policy as a major weakness of the system, none of the options for reform include establishing a health policy that would then drive reform decisions. Logically, a healthcare financing strategy should be about how to pay for a health policy that has defined priorities.

The often quoted "No one will be denied healthcare due to lack of means" has been interpreted as "everyone can utilise a highly subsidised healthcare system irrespective of his or her wealth". The Harvard Report proposes a

new set of guiding principles — equity of access, reasonable quality, affordable care, and shared responsibility — but each can carry different meanings depending on how it is interpreted. For instance, does equity of access mean equity for all or for all services? Is it reasonable quality for cure or for care? How affordable is affordable and is it based on community risk sharing or self-reliance? What is the marginal increase that would be considered affordable for a normal household in Hong Kong? Is responsibility to be shared for funding or for health and how is it shared? Most importantly, what should heavily subsidised public healthcare provide and for whom?

The answers to these questions will determine the best mix of services provided between public and private sector, as well as between the public and individuals.

The government must define what and who should be the benefactors of public subsidies and where the money should come from, given the constraints of the Basic Law. Healthcare policy must also be integrated with other social policies, such as welfare, education and the environment.

2. Set Health Targets

Hong Kong's healthcare reform requires a vision of what the health situation should be in the next 30 years. The government must first set health targets and then work backward to determine the best and most realistic way to achieve those targets. The setting of health targets requires the participation of the whole community and should not be limited to healthcare professionals. Political will to push forward is essential, as it will take enormous commitment and determination to implement the strategy.

The international trend is towards developing health targets in order to improve the health of a population. Health targets should be an essential goal of reform, as they will help to set priorities and allocate resources most effectively.

Health targets have the potential to shift the balance of healthcare decision making from short-term costs to long-term public health goals. They will help Hong Kong in the transition from hospital to primary and preventive care, as well as in its attempts to develop family medicine. Health targets are directly related to the health status of the population and place the focus where it belongs — on improving people's health.

3. Regulate Healthcare

Regardless of the direction of future reform, healthcare needs to be regulated. The government's long-standing, hands-off attitude towards the private sector — including hospitals, insurers, providers, consumers and employers — must change. Regulation is one of the essential elements in improving quality of care.

Private hospitals and doctors must be required to disclose more information. Specialist fees must be rationalised and made more transparent.

The insurance industry, too, needs to be regulated. Although private insurance schemes often exclude pre-existing conditions, this barrier would go away simply by regulating what is allowed and what is not allowed. The missing element in the Hong Kong market is just simple rules: do not allow companies to exclude AIDS or any other pre-existing conditions. Then all insurers would have to play by the same set of rules. This is done in many countries including the UK, Australia, and US.

4. Co-ordinate Provision of Healthcare Services

In terms of the delivery of healthcare, private and public providers must work together and find a way to collaborate, co-ordinate and even compete for what is good for the people of Hong Kong. Healthcare services should be co-ordinated around patients, not hospitals.

Resolving the issue of compartmentalisation is of critical importance. In fact, there is no reason to wait any longer to start the process. It is possible to achieve better integration and interface without putting healthcare under one big infrastructure.

Healthcare providers should start allowing greater flexibility in the delivery of public and private healthcare services. Public and private providers should work together towards a common set of standards and quality that are explicit and made known to the public.

5. Integrate Traditional Chinese Medicine (TCM)

TCM was completely ignored in the Harvard Report, even though it has been accepted that Western and Chinese medicine have a complementary role to play in Hong Kong. TCM is in the midst of being formally incorporated into the healthcare system, and the government seems determined to put TCM on the map and is investing in R&D.

Therefore, TCM's possible impact on the healthcare financing and delivery systems warrants investigation. With TCMs being properly registered and controlled, an urgent discussion is needed on the role of TCMs in the healthcare spectrum and how much public healthcare funding should be allocated to TCMs. Action is needed especially in formulating policy in guiding the development of TCM in Hong Kong.

6. Ensure Funding for Medical Research

Under the current system, the Hospital Authority and universities are using significant public funds to develop new technologies and new medical interventions. Any proposed healthcare financing system should include 1-2% for technology transfer and R&D in the medical field.

THE HARVARD REPORT'S OPTIONS

Options? What Options?

The five options presented in the Harvard Report are not actually distinct alternatives. Any change will preserve certain elements of the status quo. All public healthcare systems cap the budget in one way or another because every government's resources are finite. Reform is sure to involve raising user fees for public services — whether through insurance, savings and copayments, or through direct out of pocket charges, or most likely through some combination of the above. An integrated, competitive health system is a long-term objective that all countries strive to achieve as opposed to a viable way to implement change in the near future. And as the authors note in the Report, the fifth option, Competitive Integrated Healthcare, is an extension of the fourth option. The Harvard Report, therefore, only presents one workable option — the Health Security Plan (HSP) and Medisage.

Support Lacking for HSP and Medisage

HSP and Medisage, as they have been outlined by the Harvard team, have few supporters.

Problems with levy-based options

One broad concern: Levy-based options assume it is possible to determine future requirements for funding and to levy at a level that is both acceptable to the population and sufficient to meet their healthcare needs. However, this is not a straightforward process and nearly every country that has tried to predict healthcare funding needs has got it wrong. Such forecasts are notoriously difficult because they are dependent on constantly changing factors such as disease patterns, healthcare practices, technology, and expectations of the population.

Levies also increase the cost of healthcare. Providers, when reimbursed on a fee for service basis, provide more services which are “covered”. Consumers demand more services in order to get their money's worth. Administration costs increase because of the considerable effort required to prevent overuse and misuse of resources.

Why HSP, Inc?

There is little support for a centrally administered mandatory health insurance scheme. Managing health insurance is a complex and difficult business. Given that the private sector is not going to hand over its know-how to HSP Inc., the government would be creating a public insurance company from scratch. The Harvard Report criticises, among other things, the government's ability to manage quality, co-ordinate healthcare services and develop effective, coherent policies. This does not inspire confidence in its ability to establish, let alone administer, HSP Inc.

Since private insurance companies have made substantial investments in systems and staff, there is no need to set up a central bureaucracy to implement and administer a programme like HSP. Sufficient capability already exists in the marketplace.

There is, however, a need for a central body to set the rules and guidelines and code of practice for the programme.

Suggested contributions are too low

No one thinks the suggested payroll deductions of 1.5-2% for HSP and 1% for Medisage will be sufficient to fund the programmes. Hong Kong is currently spending more than 1-2% of the total payroll on healthcare.

Moreover, the Harvard Report has not specified exactly what the HSP premiums will cover. For instance, will HSP pay for expensive procedures like heart transplants, experimental treatments and MRIs? Any insurance company, public or private, needs a very clear idea of what is covered in order to determine costs, liability and set appropriate premiums.

By one estimate, even with optimistic return and salary growth, a 30-year-old employee who contributes 1% of wages until age 65 will only be able to pay for 50% of the cost of a long-term care policy which is currently selling in the US. This is when the numbers are discounted back to the local environment, and it does not take into account medical inflation. So if the Harvard recommendation is going to be implemented, then more careful calculation of the mathematics is needed to determine an adequate contribution.

Government must build more facilities for the elderly

Medisage, or a similar plan to cover the healthcare needs of the elderly, is an essential programme. But in order to ensure there are services to provide in the future, the government must start to encourage the establishment of a broad range of high quality care facilities, nursing and retirement homes.

ALTERNATIVES EXIST

The Harvard Report's blueprint for healthcare reform is disappointing. HSP and Medisage are only two options in a long list and there are many alternatives that have yet to be explored. For instance, medical savings accounts, similar to the Singapore model, could be used to fund hospital care. Hong Kong people may be more inclined towards a savings model (where the risk is spread over many years for one individual or family) over insurance (which pools risk over one year for many individuals).

Mandatory private insurance warrants consideration. A diverse structure could be created using a similar set of values that guided the establishment of the MPF scheme. The government could mandate that everyone had to have health insurance and explicitly specify a minimum benefit package or basic coverage that all plans must cover. People could then choose from a number of different products such as preferred provider organisations, integrated health plans, or traditional indemnity coverage.

Furthermore, no detailed analysis was done on the impact of raising fees on the flow of patients between private and public sectors. Nor was an estimate provided of the percent of the population who would take up insurance if public sector charges were raised to say 20% of the actual cost of care. Also overlooked was the possibility of using insurance or savings plans to pay for care in HA hospitals, without fundamentally changing the HA's structure.

It is widely acknowledged that most people in Hong Kong can afford to pay more towards the cost of their healthcare and should be required to do so. At the same time, a safety net must protect the less fortunate and the government must ensure that its subsidies are directed at the needy. Individuals who have been assessed by the social welfare department and are receiving social assistance cannot afford to pay. All others are presumed able to pay unless they can prove otherwise.

But in terms of the right financing mix for Hong Kong, a long list of doubts and concerns accompany any discussion on HSP and Medisage. Many questions remain to be answered and more research is needed. The government must go back to the drawing board because there are other avenues and options still to be explored.

THE VOTE

At the end of each of the two sessions all present were asked to electronically register their response to a number of multiple choice questions. The results were telling.

1. The current system of healthcare financing will be unsustainable in 15 to 20 years.

Q: Do you agree that the current system of healthcare financing will be unsustainable in 15 to 20 years?

1. Yes	58.7%
2. No	20.6%
3. Don't know	20.6%

2. The government should NOT decrease its healthcare budget.

Q: How much of the government's budget should the government give to the future public healthcare sector?

1. More than now	48.1%
2. The same	42.0%
3. Less than now	9.9%

3. Healthcare funding should be a shared responsibility.

Q: In your view should Hong Kong's future healthcare funding be a government responsibility or a personal responsibility?

1. Government	4.8%
2. Personal	1.2%
3. Equal between both	36.1%
4. More government, less personal	30.1%
5. More personal, less government	27.7%

4. A system of multiple providers and funding mechanisms is desired.

Q: Should Hong Kong in the future emphasise offering a system of multiple providers and funding mechanisms?

1. Yes	89.5%
2. No	10.5%

5. Health targets, managed competition and target subsidies are key.

Q: What should be the key feature of Hong Kong's future healthcare system?

1. Minimal government intervention	-
2. Tight government control e.g. quality and prices	11.1%
3. Stronger private sector	1.6%
4. Stronger public sector	-
5. Health target driven	44.4%
6. Single-payer	-
7. Private insurance driven	1.6%
8. Target subsidy	15.9%
9. Managed competition	22.2%
10. Others	3.2%

6. Improving quality, not financing, is the top priority.

Q: In reforming the healthcare system what areas should be given top priority?

1. Improve access	2.5%
2. Improve quality	17.7%
3. Lower cost	3.8%
4. Improve access and quality	21.5%
5. Improve access and lower cost	2.5%
6. Lower cost and improve quality	24.1%
7. Improve access, improve quality and lower cost	27.8%

7. More research is needed to find the best option.

Q: What should be the next immediate step for Hong Kong to take the healthcare system reform forward?

1. Ask the Hong Kong public what they want	21.7%
2. Do more research to propose the best option	46.7%
3. Appoint a high commission to begin making changes	20.0%
4. Leave it to the government	-
5. Ask the legislators	-
6. I don't care: anything is fine	-
7. I don't know	-
8. Others	11.7%

CONCLUSION

Reforming a healthcare system is a complex process; the Harvard Report just scratches the surface. Without the complete range of options to debate, public discussions since the release of the Harvard Report have almost entirely been limited to HSP and Medisage. Hong Kong has missed an opportunity to discuss the broader fundamentals of financing and delivering healthcare, some of which have been touched on in this paper.

Disappointing as it may be, the Report is a beginning. Although many issues remain to be resolved, the debate should not be allowed to fade away like the "Rainbow document" did in 1993. The current momentum for reform must be sustained.

Stakeholders should work together and develop a number of alternative plans — each with its pros and cons clearly and objectively explained. That is what it will take to get the public to see both sides, and then the community will have the information it needs to participate in real debate and make an informed choice about the future of Hong Kong’s healthcare system. Meanwhile, there is no need to wait to start an active collaboration between the public and private sectors.

The immediate, urgent next step in Hong Kong’s healthcare reform should be to conduct research in order to propose the best option, ask the public what they want, and appoint a high commission to begin making changes.

Appendix I: List of Speakers and Panellists

Speakers:

- **Prof Anne Chang**, Associate Professor, Department of Nursing, Chinese University of Hong Kong
- **Ms Alice Chin**, President, Hong Kong Association of the Pharmaceutical Industry
- **Mr Andrew KIELTY**, Managing Director, BUPA (Asia) Ltd
- **Dr The Hon C H Leong**, JP, Member, The Legislative Council, HKSAR
- **The Hon Christine Loh**, Member, The Legislative Council, HKSAR
- **Mr Joseph Wu**, Director, Group Insurance & Healthcare Practice, HK&PRC, William M. Mercer Ltd
- **Mr K S Yeung**, Human Resources Manager, The Hong Kong and China Gas Company Ltd
- **Dr Hong Fung**, Deputy Director, Hospital Planning and Development, Hospital Authority

Panellists:

- **Mr Henry Ching**, Branch Director, Services & Business Branch, Hong Kong Productivity Council
- **Prof S P Chow**, Faculty of Medicine, University of Hong Kong
- **Dr David Fang**, JP, President, Hong Kong Academy of Medicine
- **Mr Wilfred Tsui**, Judiciary Administrator, Judiciary, HKSAR

The forum was chaired by **Dr So Kai Ming**, chairman of IHPSR, and sponsored by PricewaterhouseCoopers.

Appendix II: Profile of the Participants

Medical Doctors	14%
Other Healthcare Professionals	20%
Insurance Industry	17%
Pharmaceutical Industry	13%
Company Directors or Executives	18%
Others (Consumers, Academics, Lay Public etc.)	18%

The Institute for Health Policy and Systems Research

THE PROCEEDINGS

15 August 1999

SESSION I

Professor Anne Chang, Associate Professor,
Department of Nursing, Chinese University of Hong Kong

Regulating the provision of healthcare services, and not radical new ways of financing healthcare, is the key to solving Hong Kong's healthcare problems, according to Prof Chang. Regardless of the system, there will never be enough funds to meet demand. She criticised the options presented in the Harvard Report for focusing only on methods of financing healthcare and ignoring the changes needed to improve the system overall. The Report pays insufficient attention to the current deficiencies and a clearer picture of the system that needs to be funded would have been beneficial, she said. Prof Chang warned that without a comprehensive and coherent plan to improve the healthcare system, an inappropriate financing option might be chosen.

Like many of the speakers, Prof Chang emphasised that she was presenting her own views and opinions. She brought an international perspective to the discussion, drawing from her professional experience in Australia and the UK, as well as Hong Kong.

The major elements of a healthcare system should include:

- maintaining and improving nursing care
- placing greater emphasis on primary healthcare services and preventive care
- promoting continuity of care between hospitals and the community
- providing community services for the elderly, chronically ill and disabled.

The most important underlying principles of healthcare reform are:

- meeting consumers' need for healthcare services
- promoting equitable access to essential healthcare services
- encouraging consumers to take responsibility for their health
- emphasising evidence-based care
- evaluating the processes and outcomes of care.

With these basic elements and underlying principles in mind, Prof Chang then analysed the Harvard Report's recommendations. She grouped the five options into three types of financing systems: user pays, levies, and user pays with some degree of government subsidy. Although all options were found wanting because they focussed exclusively on financing, a modified version of the status quo was presented as the best alternative.

1. User pays (option C)

A user pays healthcare system is dependent on everyone being able to pay for services, and therefore the system is inequitable because the poor will be deprived of services. In addition, some forms of healthcare are too expensive for most individuals to pay for, and although consumers can opt for insurance to cover healthcare costs, a proportion will neglect to insure and thus will need to pay at a time when they are least able to do so.

2. Levy required (options D and E)

Levy-based options assume it is possible to determine future requirements for funding and to levy at a level that is both acceptable to the population and sufficient to meet their healthcare needs. However, this is not a straightforward process and nearly every country that has tried to predict healthcare funding needs has got it wrong. Such forecasts are notoriously difficult because they are dependent on constantly changing factors such as disease patterns, healthcare practices, technology, and expectations of the population.

Levies also increase the cost of healthcare. Providers, when reimbursed on a fee-for-service basis, provide more services which are “covered”. Consumers demand more services in order to get their money’s worth. With no payment at the point of service, there is no incentive not to utilise services. Administration costs increase because of the considerable effort required to prevent overuse and misuse of resources.

Inevitably, levies lead to cost effectiveness and efficiency goals, which most policy experts regard as desirable. But there is a possible downside, depending on how the terms are defined. For instance, if it means not providing services to those over a certain age or to those needing expensive care where outcomes are uncertain or have a low success rate, then there could be a negative impact. On the one hand, providers will compete for cost-effective services. On the other hand, patients will be deprived of treatments considered to be not cost effective.

3. Some user payment with public subsidy (option A and B)

The status quo represents a compromise between user pays and public funding through taxation (which is really a type of levy). It is a flexible system; the only real problem is the present perception that the system is financially not sustainable in the long-term.

Capping the budget is inevitable, regardless of the model of funding, because there will never be sufficient funds to meet the demand for healthcare services. The debate, therefore, should be about how best to regulate the provision of services in order to minimise deprivation to the poor, chronically ill and disabled.

The choices are to either withhold or delay some services. In a climate of escalating costs, services deemed not cost effective or efficient might be withheld. However, according to Prof Chang, it is preferable to regulate through the use of waiting lists for those services that are less expensive and well provided for in private medicine. Then patients can choose to pay for private care or wait for public care, rather than have no service at all.

The majority of healthcare services are not expensive and should be provided by private practitioners and paid for by patients. Publicly funded resources should focus on services that are too expensive for individuals and on a limited provision of common services for those unable to pay.

In conclusion, Prof Chang said the public system must clarify the services it will provide. She added it is not funding but the regulation of service provision that will promote equity, prevent deprivation, and limit the progressive expansion of costs.

Ms Alice Chin, President, Hong Kong Association of the Pharmaceutical Industry (HKAPI)

Speaking on behalf of the HKAPI, Ms Chin said the association was concerned about the omission of certain issues critical to the healthcare reform debate. She criticised the Harvard study for not extending its reach beyond financing and including options to improve the delivery of healthcare. Although financing issues are important, there is a lack of balance in the discussion on other fundamental issues — such as quality and efficiency — that a comprehensive reform requires.

HKAPI believes that the stated principle guiding the Harvard Report's recommendations — that “every resident should have access to reasonable quality and affordable healthcare” — may misguide reform efforts by making too early a trade off between quality and financing of healthcare. High quality and sustainable affordability of the system are not necessarily mutually exclusive, said Ms Chin. Therefore, HKAPI advocates using “striving for the best quality health system” as the yardstick for reform.

Although the Harvard Report cites the absence of a coherent overall policy for financing or organising healthcare as a major weakness of the system, none of the options for reform include establishing a health policy that would then drive reform decisions. Logically, a healthcare financing strategy should be about how to pay for a health policy that has defined priorities.

HKAPI agrees with the Report's conclusion that the status quo is not a viable option, and it strongly supports comprehensive and visionary reform. But the most important recommendation that follows this conclusion — the need to establish community health targets — has been grossly overlooked, she said.

She noted the international trend towards developing health targets in order to improve the health of a population. This should be the essential first step in the reform process. Only then is it possible to set priorities and allocate resources (including pharmaceuticals) most effectively.

Health targets have the potential to shift the balance of healthcare decision making from short-term costs to long-term public health goals. They are directly related to the health status of the population and place the focus where it belongs — on improving people's health.

HKAPI is not in favour of any option that caps the overall budget — or the pharmaceutical budget for that matter. Ms Chin said under-investment and rationing of medical technologies does nothing for a reformed health system. If optimum quality is the goal, then “component management” and restrictive formularies, or any mechanism mimicking them should not be tolerated.

In the reformed system, each component of the health system must be considered inter-related rather than compartmentalised, and health services must be co-ordinated around patients. Management should take a long-term view on the value of the various components rather than the short-term cost. The focus then becomes attaining health targets, delivering the best quality treatment, maximising healthcare efficiency, and minimising overall costs.

The Harvard Report claims that its HSP and Medisage option will manage overall healthcare expenditure and improve efficiency. This financing option is based on an acceptance of healthcare spending and costs as they are today rather than as a variable that can be managed, said Ms Chin. But if efficiency can be enhanced, not only can total healthcare costs be lowered but the savings can be reinvested to provide better healthcare services.

The Harvard Report makes no mention of the role of innovative medicines as a major means to improve efficiency. For instance, apart from its costing of antibiotic use, the report says nothing about the current usage, costs and contribution of modern medicines for major diseases and disorders. There is a lack of understanding that medicine can improve efficiency and lower costs, enhance effectiveness and quality of treatment, and improve quality of life.

As treatment changes, the way the healthcare pie is sliced also changes. For example, as costs of ulcer surgery and hospitalisation decline, expenditures on drugs to treat ulcers will rise. But the total treatment costs for ulcers will shrink. This same principle of increased drug use and lower overall costs holds true for many other diseases.

In summary, HKAPI believes quality of healthcare should be the benchmark and the value of medicine recognised as a key tool for reform.

Dr The Hon C H Leong, JP, Member, The Legislative Council, HKSAR

The only aspect of the Harvard Report's options that Dr Leong agrees with is that people who can afford to pay for healthcare should do so. He dismissed the Report's recommended financing options and presented an alternative model that involves evolution of the healthcare system instead of revolution.

Changes, however, are needed from the top level down. Policy, system, providers, patients, structure and funding are all in need of reform. The options in the Harvard Report only address the latter two levels. At the policy level, the Harvard Report notes that there is a lack of professional expertise at the Health and Welfare Bureau. In addition, the government's motto "no one will be denied proper care due to lack of means" is outdated and confusing. Though honourable, it can be interpreted as "everyone can utilise a highly subsidised healthcare system irrespective of his or her wealth".

There is no policy on the level of healthcare to be provided in Hong Kong. For instance, is the goal to pursue high tech healthcare or to keep everybody healthy? More importantly, what should heavily subsidised public healthcare provide and for whom? This is the key issue, according to Dr Leong.

At the system level there are three major problems. Firstly, the system is compartmentalised. In the public sector, this is due to the opposing cultures of the Hospital Authority and Department of Health. In secondary and tertiary care, it is because of the marked difference in fees between the private and public sectors, which means the private sector can't compete. Secondly, healthcare services are "treatment" centred, with little attention paid to preventing patients from getting sick in the first place. Worse, healthcare services have never been considered within the broader context of social policy, which includes social services, education, environmental protection etc.

Yet, any healthcare reform would not be successful without the active participation of providers and patients. On the one hand, healthcare providers, including nurses, allied health, traditional medicine practitioners and doctors, need to adhere to professional standards of practice, and learn to not only be more accountable to the public, but also be seen to be so. On the other hand, patients and the public must be made to understand that health is everyone's responsibility, not solely the government's.

The Harvard Report recommends Hong Kong's healthcare structure changes from a dual system to a single system of 12-18 regions. The biggest problem with this suggestion, according to Dr Leong, is that it will lead to the commercialisation of healthcare, with each region fighting for more money.

He also has concerns about the entire healthcare system being controlled by the Health Security Plan Inc. It will be very expensive to administer and very difficult to assess service and quality. More worrisome is how the government will monitor the health of the population when the entire system is in the hands of HSP Inc.

At the funding level, Dr Leong agrees with the report's recommended user-pays concept for those who can pay. But he takes issue with where the payment will come from. Medisage is a pseudo savings account and HSP is a catastrophic insurance scheme. His concern is whether or not the proposed percentage contributions are enough to sustain the system. He worries the government may try to kick off with a small percentage contribution in a bid to "pull the wool over people's eyes", and then raise the payroll deduction higher and higher once society has set off down the "river of no return".

Dr Leong questions the need for a revolutionary change and suggests a less radical alternative. He believes there are two parts to healthcare — welfare and service. Welfare is entirely the government's responsibility, whereas service must be paid for either by the patient (out of pocket or via private insurance), or by the government (for the poor and needy). He also suggests a compulsory contribution in the range of 0.5% or 1% of wages in order to enlarge the catastrophic pool.

This option meets the guiding principle of the Harvard Report: it ensures responsibility for healthcare is shared between government and users, those who can pay do so, the government subsidy is properly targeted, and a proper and adequate catastrophic safety net is in place.

Dr Fung strongly criticised the Harvard Report, raised a number of questions that still need to be answered, and rejected the HSP and Medisage option. He suggested Hong Kong explore a basket of options in order to find the right formula for sustaining the healthcare system well into the next century.

Because the debate since the publication of the Harvard Report has been limited to whether or not there is adequate support for Medisage and HSP, many issues have not been adequately discussed, he said. For example, the Harvard Report proposes a new set of guiding principles — equity of access, reasonable quality, affordable care, shared responsibility — that have been agreed to by the steering committee. But what do they mean, are they suited to Hong Kong’s healthcare picture, and should they become the policy for the next decade or more?

Each of the four guiding principles can carry different meanings depending on how they are interpreted. For instance, does equity of access mean equity for all or for all services? Is it reasonable quality for cure or for care? How affordable is affordable and is it based on community risk sharing or self-reliance? What is the marginal increase that would be considered affordable for a normal household in Hong Kong? Is responsibility to be shared for funding or for health and how is it to be shared?

Dr Fung said these are fundamental issues that must be thoroughly discussed before the direction of reform is decided. The answers will determine the best mix of services provided between public and private sector, as well as between government and individuals.

He grouped funding into three levels: public funding through government subsidy or social insurance; user fees; and supplementary financing in the form of saving plans or voluntary insurance. The appropriate balance in any healthcare system depends on a society’s culture and individual values.

Aside from funding sources, there are two different mechanisms to protect against risk: cross-sectional pooling spreads risk across many people for one year; prefunded temporal pooling spreads risk of one person or family over many years. Both options should be considered in light of their impact on the overall economy of Hong Kong.

User charges are inevitable in any system, said Dr Fung, they just go by different names. The Harvard Report calls them “copayments”. Among other positive benefits, user charges encourage judicious use of healthcare resources. Savings accounts also have their merits.

Hong Kong values equity and universal access, but other values are very diversified. Therefore, Hong Kong should not attempt to unify everything to do with healthcare under one roof. It should seek an optimum combination of funding options to meet different societal values, said Dr Fung. Evolutionary change is preferable to revolutionary reform.

The HSP option will lead to greater resource mobilisation, but it will also put a greater burden on the public. Everyone has been focussed on the financial sustainability of HSP, but there are other risks to be aware of. Insurance mechanisms may lead to an increase in healthcare costs because of moral hazard.

Dr Fung proposed an alternative — a targeted subsidy approach with more control by government to better manage costs, coupled with a more rational policy at the user fee level. This would allow a gradual shift and adjustment of demand between the public and private sector.

Hong Kong should explore a basket of options to find the right formula for reform. It should bear in mind both current public expenditure and the situation in 20 to 30 years when the tax base will narrow because of the increasing ratio between the elderly and the working population.

Meanwhile, resolving the issue of compartmentalisation is of critical importance. It is possible to achieve better integration and interface without putting healthcare under one big infrastructure. In fact, there is no good reason to wait any longer to start the process, said Dr Fung.

In conclusion, he suggested a way forward:

- the government must commit to the existing level of funding public healthcare
- an adequate safety net is essential
- government subsidies warrant a more critical look and should target major financial risks
- raising user fees is not just about raising revenues — healthcare costs are determined more by demand than by price, so fees (set at an affordable level) could be used as a demand management tool
- consider supplementary financing methods especially for the elderly — whether savings plans or insurance schemes should be debated
- healthcare providers should start allowing greater flexibility in the delivery of public and private healthcare services
- public and private providers must work together towards a common set of standards and quality that are explicit and made known to the public.

SESSION II

Mr Andrew Kielty, Managing Director, BUPA (Asia) Ltd.

Mr Kielty, speaking on behalf of BUPA and not the insurance industry as a whole, said the healthcare system must change. It is only a matter of when and how. He supported the idea of mandatory health insurance and savings plans, but rejected the Harvard Report's suggestion to create a quasi government body, HSP Inc, to manage the system. He said it would be better left to the private sector where the expertise already exists.

Two principles must be applied to any attempt at reform: those who have the ability to pay must do so and the government must ensure that its subsidies are directed at the needy. The current system does neither very well.

Mr Kielty highlighted the strengths of the existing healthcare system. As a percentage of GDP, costs are low compared to other countries. The public health system has improved, largely because the HA has delivered “great things” in the 1990s. A competitive private sector has thrived on free market principles, with the results being innovative products, a drive for better quality, and a constant customer focus. Hong Kong has a mixed healthcare economy that is reasonably well balanced, and this releases some of the burden from the public purse.

Two major issues are driving the need for change, according to Mr Kielty. First, if the imbalance in costs between public and private sectors is not corrected, the flow from the private to the public sector will continue, and this will put increasing strain on limited finances. Second, the marked shift in demographics and the speed at which the elderly will emerge in 10 to 15 years will have dramatic impact on the government’s ability to finance healthcare. Lower tax revenues and a lower income base to use towards the healthcare budget will exacerbate this problem.

Mr Kielty also noted other pressures and concerns, but he stressed they are due to “incremental inefficiencies” that can be solved simply by better training and process improvements. Specialist clinics are severely overcrowded and waiting lists have increased in some areas. Pressure to control costs is increasing, which tends to lead to errors and other problems. The private sector is not sufficiently transparent — there is nowhere near enough disclosure of fees in advance of treatment. Largely because of the difference in cost, there is an imbalance in capacity between public and private hospitals.

In the future, an increasingly aware society that is more affluent, demanding, and better educated will lead to increased demand on an already limited supply and to increased pressure on public spending. The current recession has made the situation worse. Increasing costs from new technology, equipment, treatments, and expensive drugs will fuel what will be a difficult budget to balance.

Mr Kielty only analysed three options — capping, raising user fees, and HSP and Medisage — because status quo is not an option and an integrated healthcare system although laudable is a long-term goal.

Capping the budget is problematic because demand will not slow down, he said. Capping does not address people’s nature to consume healthcare and thus will put tremendous pressure on the medical profession, infrastructure and facilities. Delivering healthcare from a restricted or flat level of resource will lead to errors, quality control problems, long queues, rationing of care, and ultimately to consumer dissatisfaction.

Raising user fees (with a waiver system for those who cannot pay) will ensure the cost of care becomes more transparent and people will be more aware of the value or cost of healthcare. It also ensures that those who can pay do so. It encourages private sector development, since the difference in price will not be so dramatic. Supply would be redistributed across public and private sectors, which would ease financing pressures and leave the government with more resources to direct to the needy.

Although there is not enough detail about HSP in the Harvard report, it does address the ability to pay and it is equitable because the amount paid depends on current earnings. HSP will reportedly raise significant funds, which can then be redistributed to areas of need such as better primary care, TCM, and healthcare for the poor and elderly. HSP will increase competition between public and private sector providers.

The major challenge will be implementing and managing HSP. Mr Kieilty said that since the systems, staff and capabilities already exist in the private insurance sector, there is no need to set up a central body to administer the programme. A vibrant private sector will ensure choice, as well as enhance quality and value for money, he stressed. However, a central body is needed to set the rules and guidelines and code of practice for the programme.

Medisage is an essential programme to cover the healthcare needs of the elderly, but how this is done needs thinking through in more detail, he said. In order to ensure services can be provided for the elderly in the future, the government must start to encourage the establishment of a broad range of high quality care facilities, nursing and retirement homes.

The Hon Christine Loh, Member, The Legislative Council, HKSAR

The Citizens Party believes that most of the recommendations proposed in the Harvard Report, if implemented, will strengthen and improve Hong Kong's healthcare system in the long-term. However, it disagrees with the Report's reliance on insurance over savings accounts and its patient-centred approach to reform over a community-based approach. It criticises the Report's exclusion of traditional medicines and treatments, and its recommendation to set up HSP as a quasi government monopoly. The party is promoting an alternative structure for healthcare reform which forms the basis of the position paper it has submitted to the government.

A number of observations in the Harvard Report are cause for concern, said Ms Loh. The public must first decide if it agrees with their assessment before any decision can be made on the direction of reform. The Harvard Report strongly criticises Hong Kong's healthcare system for its:

- highly variable quality of care
- lack of co-ordination and cohesion between primary and inpatient care, acute and community medicine, and public and private sectors
- absence of a coherent overall policy for financing and organising healthcare
- insufficient capabilities, competency and information at the government level to set sound policy and monitor its execution
- obsolescent organisational structure.

The Harvard Report's emphasis on healthcare financing is based on an insurance scheme plus savings accounts, which it has taken for granted the community will accept. Ms Loh, however, questioned whether this approach fits with Hong Kong's values. Given that people are used to saving and contributing for themselves and their families, perhaps the emphasis should be on a savings account scheme with a measure of insurance to cover

catastrophic events. If the primary structure is going to be an insurance scheme where the majority pays for the expensive needs of a minority, Ms Loh said that community support would be difficult to attain.

A truly integrated health system should include traditional Chinese medicine, acupuncture and alternative remedies, she added. In some cases, alternative and traditional medicines have been shown to be just as effective, and also less expensive than western medicine. The new health structure should incorporate medical wisdom from around the world, she said. In addition, healthcare should be integrated into the education system in order to teach children to be responsible for their health.

Ms Loh said it is desirable to allow the insurance industry to play a role in the reformed healthcare system. A tightly regulated market is preferable to a compulsory insurance fund that is held and administered by a single public agency such as the Health Security Plan.

In her opinion, there is no need to pigeonhole the options as if each existed independently. For instance, under status quo the budget can be capped, user fees raised, and health systems better integrated. These can start to happen now, while the direction of healthcare financing reform is being debated.

Moreover, Hong Kong's current system lacks the discipline to collect and analyse data, and so a good map of people's health is missing. Private hospitals have a lot of information that is not publicly available. These deficiencies can start to be corrected immediately; there is no need to wait until the direction of reform has been decided. Any healthcare system, present or future, will benefit greatly from reliable and comprehensive data.

The Harvard Report is well constructed, methodologically sound, paid for with public money, and now publicly released. It should continue to be debated and ultimately lead to action, as opposed to travelling the same path as the ill-fated "Rainbow document" in 1993, said Ms Loh. The worst situation, she said, would be to do nothing.

Since there seems to be an awareness of the need to reform the system, some of the assumptions and ideas in the report should be tested to see what is practical for Hong Kong. Setting some deadlines would be useful, she suggested. For example, in 18 months the way for reform will be decided.

All the stakeholders have a role to play and Ms Loh urged them to acknowledge the inevitability of change and become active participants in the formulation and implementation of healthcare reform.

Mr Joseph Wu, Director, Group Insurance & Healthcare Practice, HK&PRC, William M. Mercer Ltd.

Mr Wu spoke on behalf of employers, an important stakeholder in the reform process. Most of the 2.3 million people already covered by health insurance in Hong Kong have their premiums paid for by their employers. There is little support among employers for either HSP or Medisage, at least not in the way it is outlined in the Report, and many, many questions remain to be answered.

As an alternative to HSP, Mr Wu proposed compulsory private health insurance, similar to the Mandatory Provident Fund, with the government acting as the advisory body, regulating and monitoring the system to ensure patients' interests are protected.

Mr Wu shared the findings of a survey that sought the views of 250 major and multinational employers in Hong Kong on the options presented in the Harvard Report.

When asked what they thought of the effectiveness of the proposed HSP and Medisage schemes, less than 25% of respondents believed they would lead to financial stability in the healthcare system; only 15% thought they would be effective in managing healthcare inflation; and less than 15% felt the proposals would meet the future healthcare needs of Hong Kong people. Only a minority saw positive improvements in quality and efficiency compared to the current system, and even fewer believed HSP and Medisage would improve equity. But most revealing is the fact that 32% of respondents had no comments on the report, indicating that its proposals were too complicated for employers to comprehend.

Mr Wu said the rest of the survey consisted of more straightforward questions. The majority of respondents think something has to be done to change the system — only 4% of employers considered the status quo a viable option. Top of the option list for employers is to introduce competition (27%) into the system, something Mr Wu said is not even mentioned in the Harvard Report. In fact, by suggesting all public and private services be placed under one roof and managed by a single HSP Inc., the Harvard Report is suggesting the exact opposite of what employers would like to see.

Reducing income tax as an incentive for the public to purchase private insurance was viewed as an effective option by 17% of respondents. Compulsory private health insurance in line with what the government has proposed for the Mandatory Provident Fund had the support of 16% of respondents; 14% supported limiting future increases in medical costs; and only 8% were behind an increase in user fees.

As to what action employers would take if HSP and Medisage were implemented, 33% said they would maintain the current benefits they offer their employees. However, 56% said they would make changes to their current programme either by switching to a top-up plan (23%), cutting other benefits such as car allowances, housing etc (20%), reducing salary increases (7%), or cancelling existing private plans (6%). It appears that employers would focus on minimising the cost of HSP and Medisage in ways that would not be welcomed by employees.

Mr Wu also raised a number of issues about HSP and Medisage. The Harvard Report criticises, among other things, the government's ability to manage quality, co-ordinate healthcare services and develop effective, coherent policy. The government has no experience managing what would be a very complicated organisation covering 3.5 million people. Who is going to

develop and manage HSP Inc? How can the government ensure quality control? In setting up HSP will the government take on all the employees of the 41 private insurers who currently offer health insurance to run the system?

Since HSP Inc is like an insurance company, how will it manage risk? Will it consider transferring risk and use a reinsurance company? What about adverse risk selection? Are premiums of 1-1.5% sufficient? How will it cope with moral hazard and people's desire to get what they pay for and more?

Medisage raises even more worrying questions, most important of which is sufficiency of funds. Mr Wu's actuarial colleagues estimate that a 30 year old person who contributes 1% of wages until age 65, even with optimistic return and salary growth, will only be able to pay for 15-20% of a long-term care policy that is currently available in the US. Even when the numbers are discounted back to the local environment it still would only cover 30-40% of the cost. Who is going to make up the difference? Why set up Medisage, which will involve a lot of costly administration work and a number of other issues, if people are going to have to dip into their private savings?

Will the government regulate the market and mandate a minimal long-term care package for the elderly? At age 65 they will have a pot of money, but what are they going to do with it? Will there be sufficient services, availability of insurance products, service providers and so forth to use the money?

Medisage concepts are very complicated. Who is going to educate the public? What about inflation? Who is going to invest the money to maintain its value 40 years down the road — a long time? None of these issues are addressed in the Harvard Report, said Mr Wu.

Clearly, a lot of questions remain to be answered as to how the proposed options can operate. Mr Wu suggested the government consider alternatives like mandatory private health insurance and introducing competition. HSP and Medisage are only two options on a long list, he said. There are many alternatives available that have yet to be fully explored.

Mr K S Yeung, Human Resource Manager, The Hong Kong and China Gas Company Ltd.

As a human resource manager, Mr Yeung is interested in the practical side of offering medical benefits to employees. His concern is that service is restricted to treatment. Regardless of whether employers self-insure, use third-party insurance companies, or employ panel doctors, patient education, prevention and other components of "medical care" are neglected. Healthcare reform should be geared towards improving medical benefits to employees both when they are employed and after retirement.

Employers started offering medical benefits many years ago when the public sector did not offer good quality healthcare. In the more recent past when there was full employment, employers used medical benefits as a way to attract and keep staff.

In a recent medical benefits survey of 71 companies, all offered outpatient and inpatient benefits to employees and their families, although 48 (64%) required a contribution for coverage of dependants.

Type of plan	Out patient	Hospital
Self insured	14	10
Insured	42	55
Panel doctors	10	3
Combined	5	3

Mr Yeung said there were problems with all types of plans. Companies who self-insure do not expect a personnel officer to ask too many personal questions when processing a medical claim. As a result, employee health benefits are not managed or monitored — claims are paid for with little understanding of what is actually going on. Hopping doctors is common and because of the widespread belief that expensive doctors are good doctors, employees choose doctors depending on how much they charge.

Many employers use panel doctors. The human resource manager sees the panel administrator once a year, mostly to negotiate a fee increase. Medical benefits are focussed on treatment only and panel doctors rarely get involved in health education or preventive care.

The same holds true for insurance plans. Insurance companies generally set a dollar limit per visit, set a maximum number of visits per year, set room, hospital charges and surgical fee limits for hospitalisation. Mr Yeung said service from an insurance underwriter is never sufficient on medical care or health education. Employers are only contacted when a claim has exceeded the premium paid. In short, that is the medical benefits situation, he said.

Whether employers adequately look after their employees when they are working is one thing, but after they have retired is another matter. Whereas some retirees seek insurance coverage or pay out of pocket for private services, most join the queue for public services in the DOH or HA. There is nothing close to what could be called adequate medical care for the retired and the elderly in the public sector. Instead of having a family doctor looking after and co-ordinating their healthcare needs, they are forced to see many different doctors, most of whom have no knowledge of their medical history.

Mr Yeung said his company is one of the very few who have negotiated a portable medical insurance scheme that employees can take with them when they retire. Of course, they pay the premium, but the big benefit is that all pre-existing conditions are covered. If retirees had to purchase an insurance scheme on their own, many would not be accepted or would have to pay very high premiums.

Even though the advantages of portable insurance are obvious, Mr Yeung said very few staff members have taken advantage of the benefit on retirement, primarily because they have to pay. He does not think this will change. As long as people have a choice, most will opt to join the queue

rather than pay into an insurance scheme. If the government does not force them to pay, the only other way to redistribute resources to pay for the healthcare needs of the elderly is to tax employers and employees. Which option is chosen depends on what the government and professionals want.

Mr Yeung said status quo is not an option, but employers are looking for evolutionary change as opposed to a revolution. Improving quality is the key issue. Are the current services provided to the 2.3 million people who are already covered by insurance the best that can be offered or can more be done to upgrade medical care? Capping the budget or raising user fees are purely a matter of redistributing resources and will not necessarily improve quality.

Employers who are already paying employee medical benefits are more interested in Medisage because they would like their employees to get some benefit after retirement. It is another story for employers who are not paying, he said. Medisage, or some form of mandatory savings, is essential to cover healthcare costs of people when they retire. People must be forced to contribute when they are young because they will not voluntarily do so. Almost everyone could afford a monthly contribution. It is a matter of belief, and whether politicians are willing to push it through. They should. At present the cost of private care for elderly parents places an enormous strain on family income.