Hong Kong’s Healthcare Reforms in the Past Two Decades

By
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Presentation outline

- Propose a process model to analyze health system reforms
- Review Hong Kong’s health system reforms during the past two decades
- Draw some conclusions about formulating and executing health financing or infrastructure reform strategies
What I would like to illustrate…

- In health system reforms, even the right strategy is unlikely to get public support unless the process is inclusive, democratic and transparent.
- The development and execution processes are just as important as making the right decisions about what reform to implement.
The model...

Top Down
Driven by government policy and decision makers

Technocratic
- analysis of needs, problems and deficiencies
- setting priorities

Bottom Up
Stakeholder and professional values and incentives essential

Participatory
- democratic legitimacy
- value the community
- setting up alliances

Optimal Balance

OVERARCHING

INWARD ORIENTATION

INCREMENTAL

OUTWARD ORIENTATION

HOSPITAL BASED

COMMUNITY BASED
Overview of Hong Kong’s Health System
Hong Kong healthcare expenditure as percent of GDP is relatively low…

Selected economic and healthcare indicators: Hong Kong and selected other Asian economies, 2001

<table>
<thead>
<tr>
<th>Economy</th>
<th>GDP per capita(^1) (US$)</th>
<th>Highest rates for personal income tax (^2)</th>
<th>Health care expenditure (^3)</th>
<th>As a % of GDP</th>
<th>Public funding (% of total)</th>
<th>Private funding (% of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>24,850</td>
<td>17.0%</td>
<td>4.6</td>
<td>53.8</td>
<td>46.2</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>25,130</td>
<td>50.0%</td>
<td>8.0</td>
<td>77.9</td>
<td>22.1</td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>15,090</td>
<td>36.0%</td>
<td>6.0</td>
<td>44.4</td>
<td>55.6</td>
<td></td>
</tr>
<tr>
<td>Mainland China</td>
<td>4,020</td>
<td>45.0%</td>
<td>5.5</td>
<td>37.2</td>
<td>62.8</td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td>17,200</td>
<td>40.0%</td>
<td>5.9</td>
<td>66.1</td>
<td>33.9</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>22,680</td>
<td>28.0%</td>
<td>3.9</td>
<td>33.5</td>
<td>66.5</td>
<td></td>
</tr>
</tbody>
</table>

Source: HKSARG Bureau of Health, Welfare and Food, July 2004
General taxation and out-of-pocket payments are major sources of healthcare funding

Proportion of healthcare expenditure by funding sources: Hong Kong and selected other Asian economies, 2001

<table>
<thead>
<tr>
<th>Economy</th>
<th>General Taxation</th>
<th>Social Health Insurance</th>
<th>Private Health Insurance</th>
<th>Out-of-Pocket Payments</th>
<th>Other Private Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>53.8%</td>
<td>-</td>
<td>1.6%</td>
<td>37.6%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Japan</td>
<td>12.8%</td>
<td>65.1%</td>
<td>0.3%</td>
<td>16.6%</td>
<td>5.2%</td>
</tr>
<tr>
<td>South Korea</td>
<td>10.1%</td>
<td>34.3%</td>
<td>9.6%</td>
<td>41.3%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Mainland China</td>
<td>18.3%</td>
<td>18.9%</td>
<td>0.3%</td>
<td>59.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>8.7%</td>
<td>57.3%</td>
<td>-</td>
<td>30.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Singapore</td>
<td>25.3%</td>
<td>8.2%</td>
<td>-</td>
<td>64.5%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: HKSARG Bureau of Health, Welfare and Food, July 2004
Low fees and charges in the public healthcare sector

<table>
<thead>
<tr>
<th>Service</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accident &amp; Emergency</td>
<td>$100 per attendance</td>
</tr>
<tr>
<td>In-patient (general acute beds)</td>
<td>$50 admission fee for the 1st day, $100 per day</td>
</tr>
<tr>
<td>In-patient (convalescent, rehabilitation, infirmary &amp; psychiatric beds)</td>
<td>$68 per day</td>
</tr>
<tr>
<td>Specialist out-patient (including allied health services)</td>
<td>$100 for the 1st attendance, $60 per attendance,$10 per drug item</td>
</tr>
<tr>
<td>General out-patient</td>
<td>$45 per attendance</td>
</tr>
<tr>
<td>Dressing &amp; Injection</td>
<td>$17 per attendance</td>
</tr>
<tr>
<td>Geriatric, Psychiatric &amp; Rehabilitation day hospital</td>
<td>$55 per attendance</td>
</tr>
<tr>
<td>Community nursing (general)</td>
<td>$80 per visit</td>
</tr>
<tr>
<td>Community nursing (psychiatric)</td>
<td>Free</td>
</tr>
<tr>
<td>Community allied health services (general)</td>
<td>$64 per treatment</td>
</tr>
<tr>
<td>Community allied health services (psychiatric)</td>
<td>Free</td>
</tr>
<tr>
<td>Private services and Non-eligible Persons</td>
<td>Full cost or market rates</td>
</tr>
</tbody>
</table>

Source: Hospital Authority, August 2004
Distribution of public and private sector healthcare: Hong Kong, 2003

Source: Hospital Authority, 2003
Selected performance indicators of Hong Kong health system

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>2002</th>
<th>2003#</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expectation of Life at Birth by Sex</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>77.4</td>
<td>78.6</td>
<td>78.6</td>
</tr>
<tr>
<td>Female</td>
<td>83.0</td>
<td>84.5</td>
<td>84.3</td>
</tr>
<tr>
<td><strong>Infant Mortality Rate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infant mortality rate</td>
<td>3.2</td>
<td>2.4</td>
<td>2.3</td>
</tr>
</tbody>
</table>

(per 1 000 registered live births)
The situation two decades ago: problems in 1980s

- Growing demand
- Rising cost, rising community expectations
- Overcrowding, camp beds
- Centralized management
- Inequity, lowering staff morale
- No community involvement
The current situation

- public sector is integrated, organized, inexpensive, overloaded and staff morale is low
- private sector is fragmented, expensive but becoming highly competitive
- healthcare fundamentals are shifting: supply of doctors, employer concern for healthcare costs, consumer knowledge, public expectations, and organized medicine
- low governance credibility, shifting economic infrastructure and battle ground
Major complaints or concerns

- Financial sustainability of current public healthcare system
- Public-private sector imbalance and lack of proper interface
- Long waiting lists in the public healthcare system
- Insufficient funding for training medical graduates
- Over supply of doctors
Why are we still here?

The Hong Kong’s Journey of Health System Reform in the Past Two Decades
Reform approaches of selected Asian health systems

<table>
<thead>
<tr>
<th>Country</th>
<th>Financing Reform</th>
<th>Infrastructure Reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>NHI 1961</td>
<td>Under consideration</td>
</tr>
<tr>
<td></td>
<td>NHI 1995</td>
<td>Privatization 1998</td>
</tr>
<tr>
<td></td>
<td>NHI 1989</td>
<td>Under consideration</td>
</tr>
<tr>
<td></td>
<td>MSA 1984</td>
<td>Corporatization 1988</td>
</tr>
<tr>
<td></td>
<td>Universal Coverage 2001</td>
<td>Autonomization 1999</td>
</tr>
<tr>
<td>South Korea</td>
<td>Under consideration</td>
<td>Corporatization 1991</td>
</tr>
<tr>
<td>Taiwan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Hong Kong’s health system development in past decades…

Establishment of Hospital Authority December 1990

Growth

1950s 1960s 1970s 1980s 1990s 2000s

Years

Private Sector
Public Sector
Private Entrepreneurial Initiatives
The first major reform initiative in recent decades: *The Scott Report*, 1985

- Split the Medical and Health Department into a new Department of Health and a Hospital Services Department
- Restructure fees and charges to recover up to 15 to 20% of costs in public hospitals
- Revamp (corporatize) the management of public hospitals
Hospital Authority establishes as statutory body: December 1990

- Assumes management of all public hospitals: December 1991
- Implements corporate governance and management infrastructure with a high degree of devolution of responsibility and modern management principles and practices
- Nurtures a patient-centered, quality and team culture
Acknowledged the need to review funding policy: *The Rainbow Document*, 1993

- Presents five approaches for public consultation: fee restructuring, private insurance and prioritizing resource allocation.
- Appears more like a concept paper of how to mobilize for the system rather than a concrete proposal to identify the ways to move forward.
- The public was unable to understand why the government needed to seek additional funding, especially when the economy was booming, and no added benefits were to be gained with higher user fees.

“No one should be denied adequate medical treatment through lack of means”
In November 1997, the Harvard Team was engaged to study/recommend…

- What are the strengths and weaknesses of the Hong Kong system of financing and health care delivery?
- Can the current arrangement for financing health care be sustained?
- What are the causes of the weaknesses in the health care system?
- What are the strategic options for improving the Hong Kong system?
- What institutions need to be put in place if Hong Kong chooses a particular option?
A report that did not get strong popular and political support: *The Harvard Report*, April 1999

- Notes the achievement of relatively equal access to health care, short travel times to health care providers, and the advancement of personal quality of patient care in the hospital reforms that compartmentalized the health care system.
- Questions the long-term financial and organizational sustainability of the current health care system: the healthcare budget moves from 14% to 20-23% of government spending in 18 years.
- Concludes that the present organizational structure, the role of the government and use of resources are outdated for the public interest and patients’ health. The system has to be reformed in the future.
Recommendations of *The Harvard Report*, April 1999

- Consult with the public on its priorities and the roles of government, the Hospital Authority, the private sector, primary care and Chinese medicine
- Establish an Institute for Health Policy and Economics to conduct objective and rational analyses and to monitor the system’s performance
- Strengthen the Department of Health to conduct patient assessment and to promote quality assurance and patient education
- Improve the accountability of medical practices by conducting external quality audits; establish a Committee on Quality Assurance with participation from the medical school faculty; set up an Ombudsman Office; and conduct inter-hospital outcome comparisons
Recommendations of *The Harvard Report*, April 1999

- **Raise user fees** for “new” public health care products, such as “green lines” with shorter waiting times, better amenities, and choice of doctors
- **Implement long term care savings accounts** (MEDISAGE)
- **Expand primary outpatient services** to poor and low income residents, and **promote** the development of Family Medicine
- **Conduct pilot projects** to promote integration between primary and tertiary care and the public and private sectors by **contracting out certain service** such as Maternal and Child Health (MCH) Services or specific services which currently have long waiting lines at Hospital Authority facilities
Recommendations of *The Harvard Report*, April 1999

- **Experiment with tax incentives** to encourage employers to purchase integrated health care for employees and dependents; and allowing the Civil Service Bureau to purchase integrated health care for civil servants.

- **Phase in the Health Security Plan (HSP)** through a gradual expansion of benefits, on the one hand, and a gradual expansion of the population groups covered by HSP, on the other.

- **Implement a prepaid Competitive Integrated Health Care Plan** with *hospital- or GP-based* integrated care systems where money follows patient, government subsidy of the Hospital Authority shifts to pay premiums for the poor and to subsidize premiums for low income residents and employers and employees will pay their own premiums.
Government’s response to the consultation on *The Harvard Report: 2000*

- Strengthen preventive care: Department of Health to adopt the role of advocate for health
- Re-organize primary care: promote and enhance adoption of family medicine
- Develop community-based integrated healthcare services
- Improve public-private interface
- Facilitate dental care
- Promote Chinese Medicine
- Enhance healthcare service: set up a Research Office in the Bureau of Health, Welfare and Food
- Improve patient complaint mechanisms
- Options for financing health care services: reduce costs, revamp fees structure, establish health protection accounts (mandatory savings accounts for retirement)
Assessing the feasibility of establishing the HPA scheme: 2004

- There is no single best combination of funding sources which could meet the needs of every economy.
- It is feasible to introduce a medical savings scheme in Hong Kong.
- The Government should note the viewpoint that a medical savings scheme should not be introduced in times when Hong Kong is facing economic difficulties.
- It is important to conduct further discussion with the private insurance industry, to explore the provision of new insurance products that could enhance the scheme’s flexibility and attractiveness.
Hong Kong’s health system development ...

Establishment of Hospital Authority December 1990

Organization reforms, but no financial review

Financial reviews, but no reform

1950s 1960s 1970s 1980s 1990s 2000s

Growth

Years

Private Sector

Public Sector

Private Entrepreneurial Initiatives
The Hong Kong approach…
The conclusions...

- In health system reforms, even the right strategy is unlikely to get public support unless the process is inclusive, democratic and transparent.
- The development and execution processes are just as important as making the right decisions about what reform to implement.
Hope to see you in Hong Kong!

Thank you!

Dr Geoffrey Lieu
Email: lieugsy@ihpsr.org.hk