



Hong Kong's Healthcare Reforms in the Past Two Decades

By
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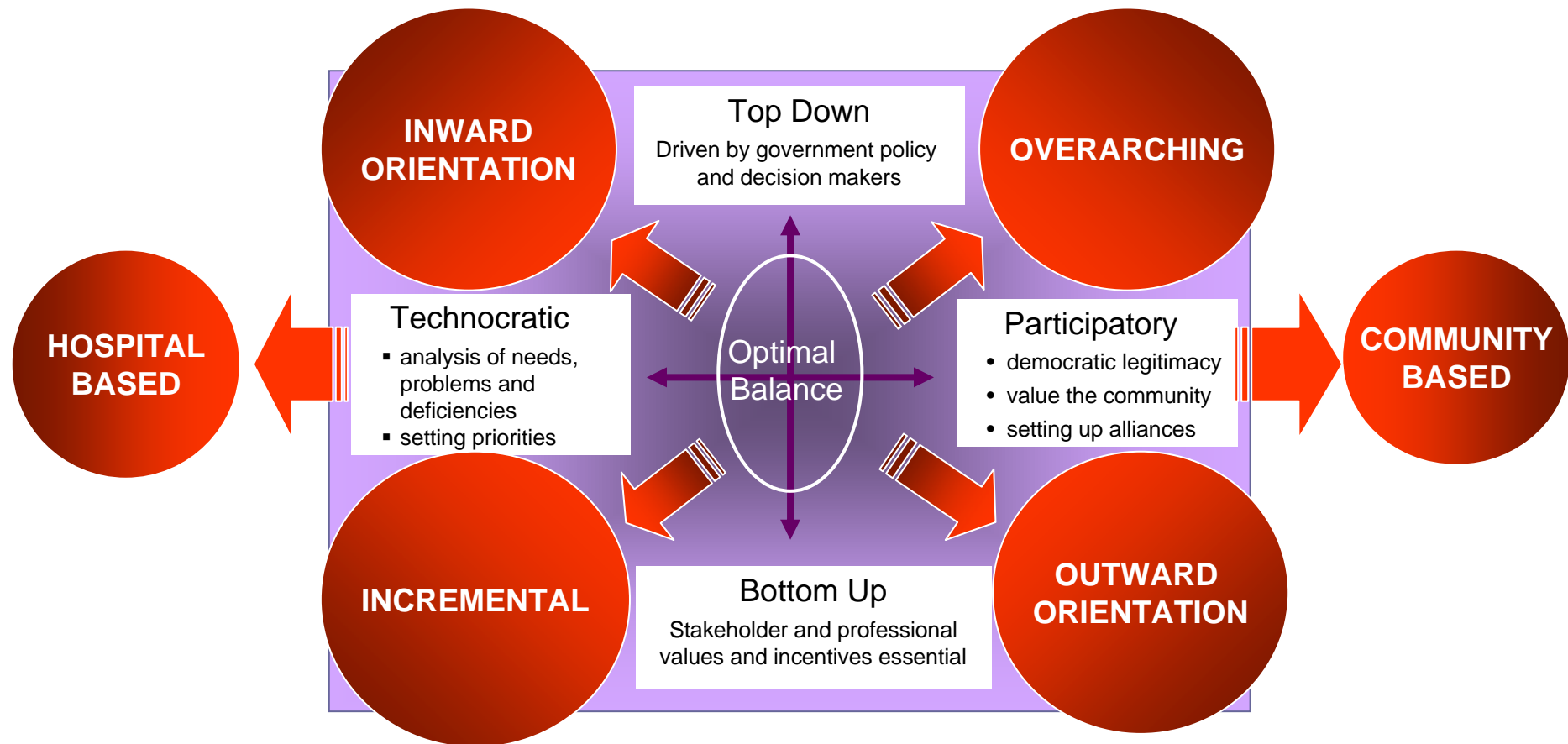
Presentation outline

- 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

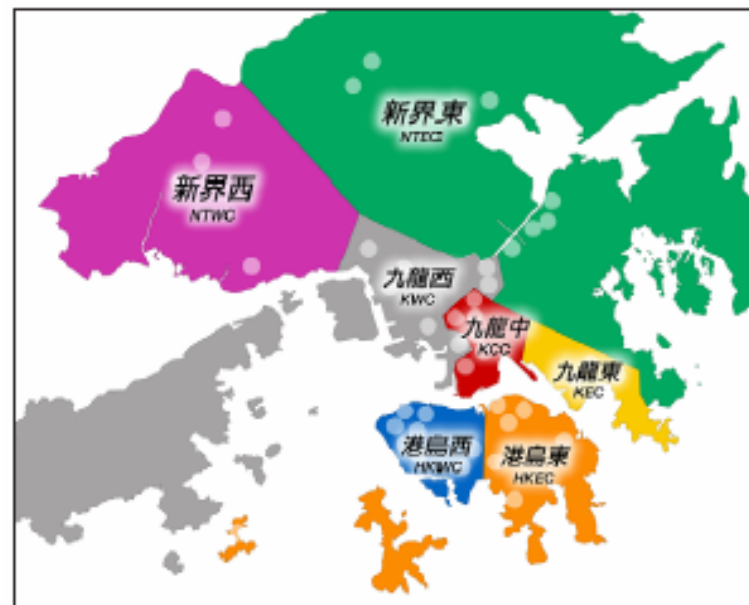
What I would like to illustrate...

- 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...



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

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

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

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

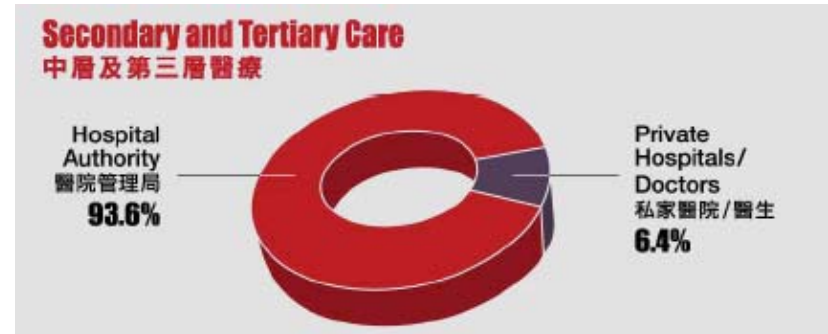
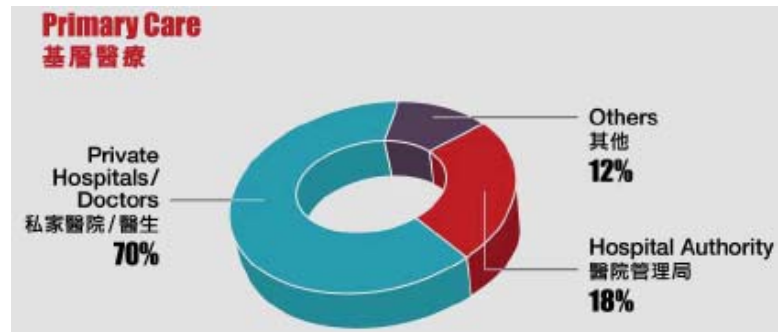
Source: HKSARG Bureau of Health, Welfare and Food, July 2004

Low fees and charges in the public healthcare sector

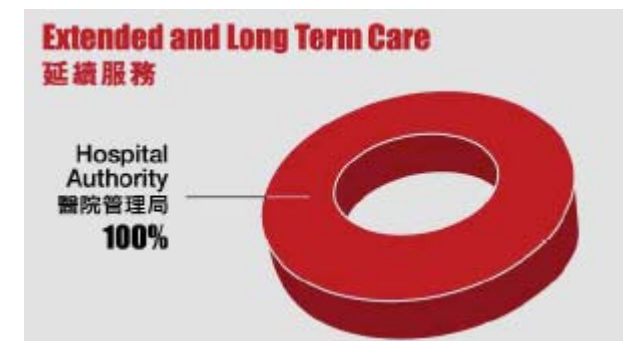
Service	Fees
Accident & Emergency	\$100 per attendance
In-patient (general acute beds)	\$50 admission fee for the 1st day, \$100 per day
In-patient (convalescent, rehabilitation, infirmary & psychiatric beds)	\$68 per day
Specialist out-patient (including allied health services)	\$100 for the 1st attendance,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

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

Expectation of Life at Birth by Sex

Sex	Years		
	1998	2002	2003#
Male	77.4	78.6	78.6
Female	83.0	84.5	84.3

Infant Mortality Rate

	1998	2002	2003#
Infant mortality rate (per 1 000 registered live births)	3.2	2.4	2.3



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?

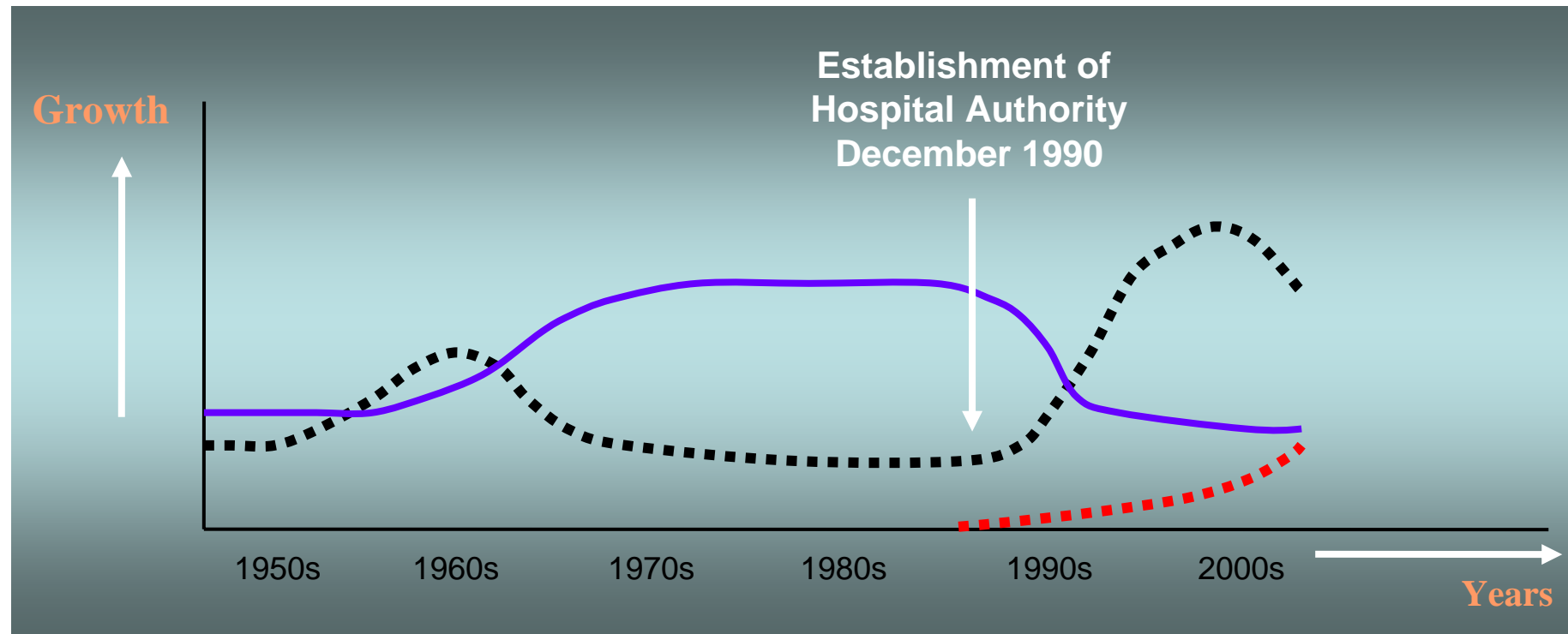
The Hong Kong's Journey of Health System Reform in the Past Two Decades



Reform approaches of selected Asian health systems

	Financing Reform	Infrastructure Reform
Japan	NHI 1961	Under consideration
Taiwan	NHI 1995	Privatization 1998
South Korea	NHI 1989	Under consideration
Singapore	MSA 1984	Corporatization 1988
Thailand	Universal Coverage 2001	Autonomization 1999
Hong Kong	Under consideration	Corporatization 1991

Hong Kong's health system development in past decades...



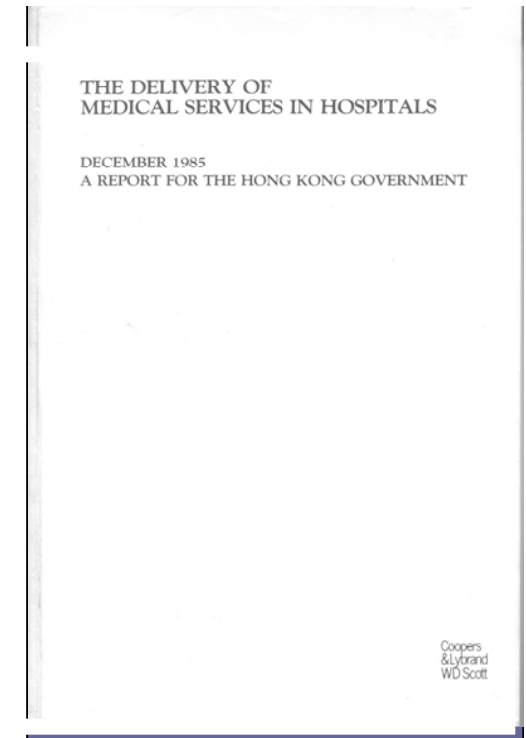
Private Sector

Public Sector

Private Entrepreneurial Initiatives

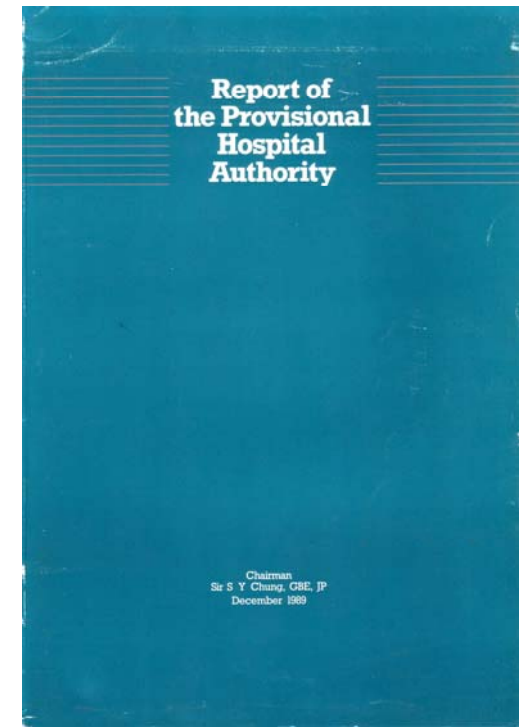
The first major reform initiative in recent decades: *The Scott Report*, 1985

- 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

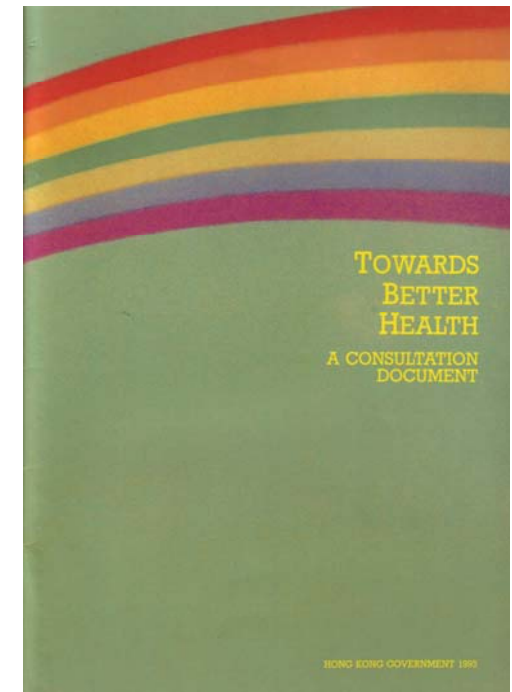
- Assumes management of all public hospitals: December 1991
- Implements corporate governance and management infrastructure with a high degree of devolution of responsibility and modern management principles and practices
- Nurtures a patient-centered, quality and team culture



Acknowledged the need to review funding policy : *The Rainbow Document*, 1993

- Presents five approaches for public consultation: fee restructuring, private insurance and new funding allocation
- Appears more focused on how to mobilize resources for the system rather than identifying the ways to identify
- The government did not understand why the government had to seek additional funding 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 the personal quality of patient care. Hospital reforms have created a compartmentalized system of care. The quality of care is uneven, and the system is benignly inefficient.
- Questioned the current organizational structure of the health care system: the current system will not be best served by the current structure in the future: the structure of the system has to be reformed.
- Current organizational structure, the role of government and use of resources are outdated.

Improving Hong Kong's Health Care System : Why and For Whom?

By The Harvard Team

The Harvard Team was led by Professors William Hsiao and Winnie Yip. The team comprised Dr. Ravi Rannan-Eliya, Amy Kwok, Anupa Bir, Zhun Cao, Karen Eggleston, Karen Fitzner, Melitta Jakab, Chi-Chi Liao, Karen Neoh, Yu-chu Shen, Aparnaa Somanathan, Demitris Vryonides, and Dr. Peter Yaracaris.

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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

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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

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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

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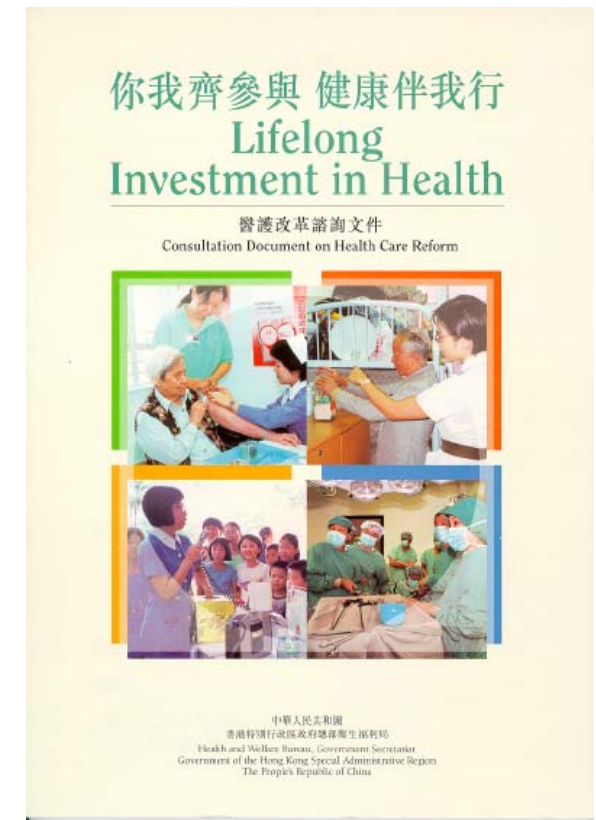
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Government's response to the consultation on *The Harvard Report*: 2000

- 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 partnership
- Facilitate dental services
- Promote Chinese medicine
- Enhance research and evidence: set up a Research Office in the Department of Health, Welfare and Food
- Improve grievance and complaint mechanisms
- Options for financing health care services: reduce costs, **revamp fees structure**, **establish health protection accounts** (mandatory savings accounts for retirement)

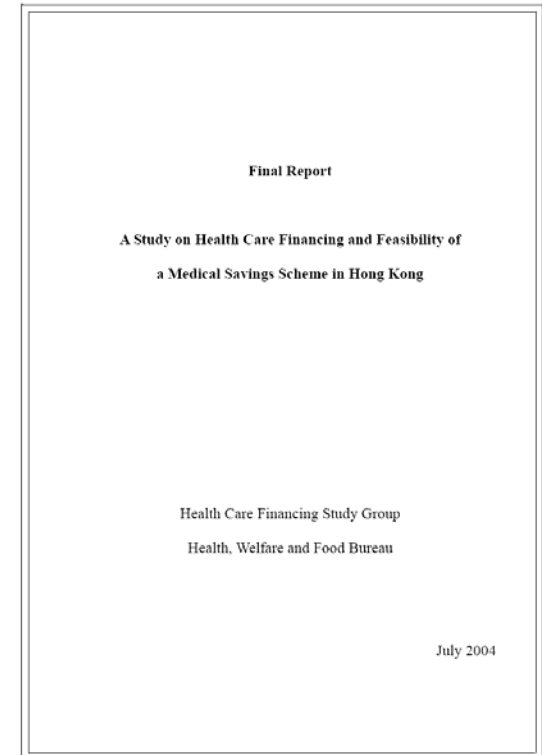
Another consultation



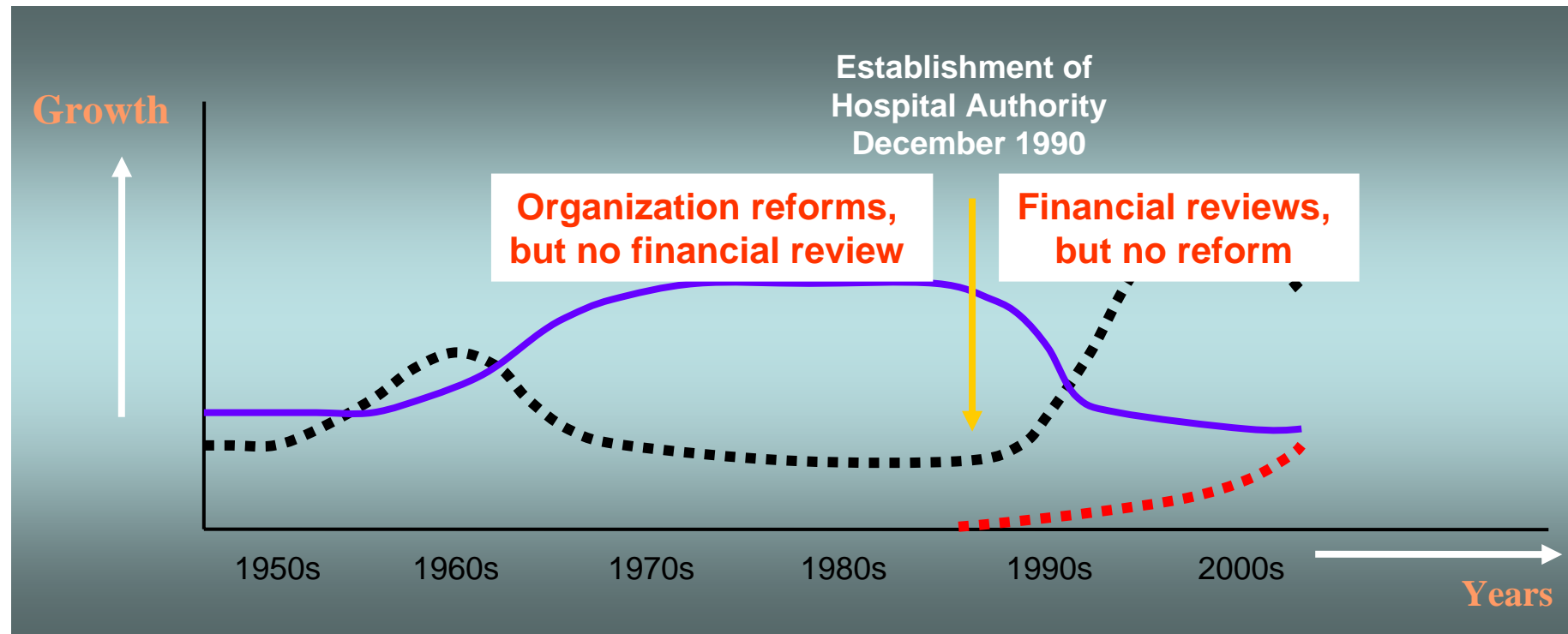
Assessing the feasibility of establishing the HPA scheme: 2004

- 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 introducing a medical savings scheme should not be rushed in times when Hong Kong is facing economic difficulties
- It is necessary 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

Another consultation yet!



Hong Kong's health system development ...



Private Sector

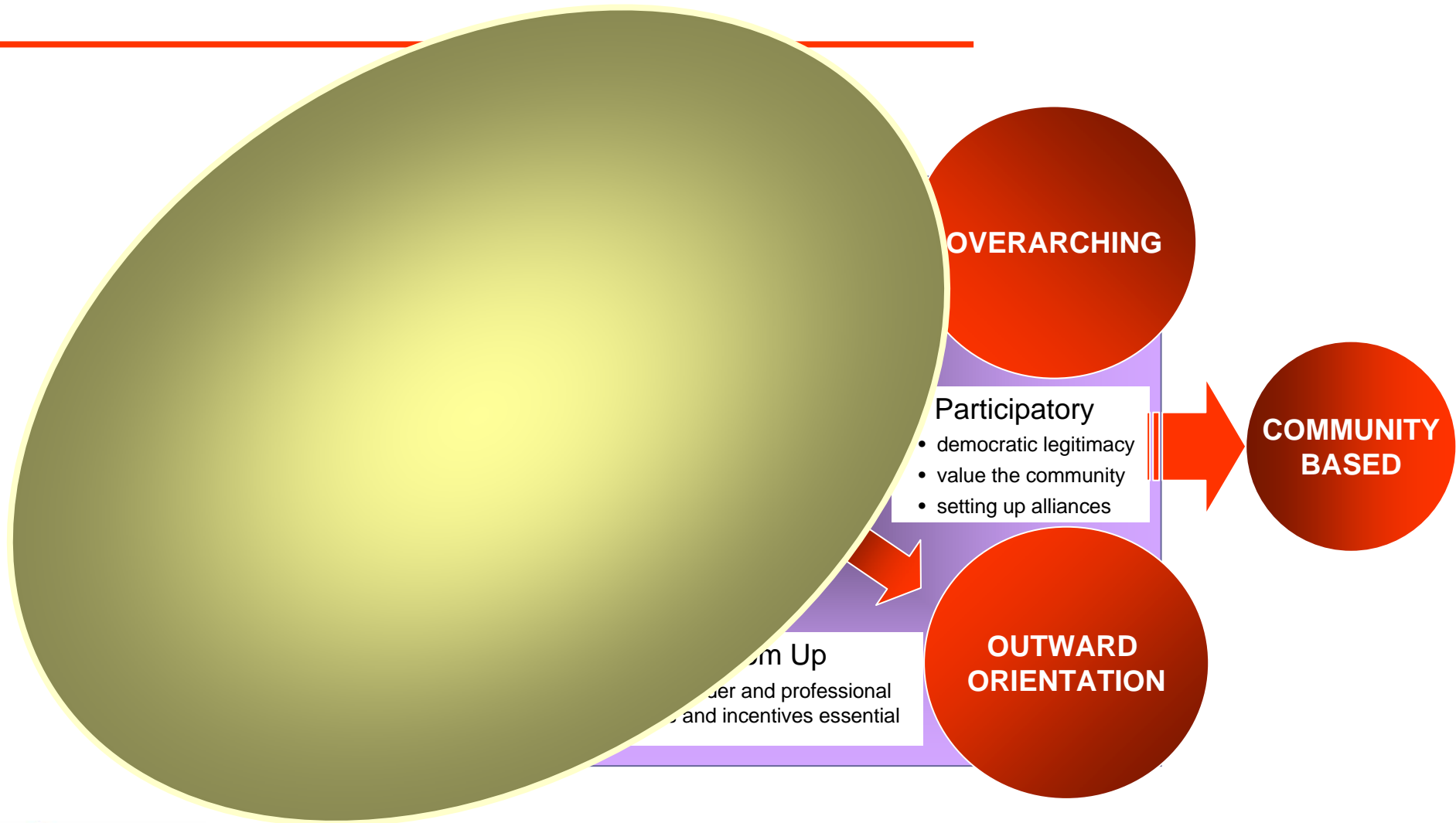


Public Sector



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!

