



# My Health My Choice

Health Protection Scheme – An Introduction



Food and Health Bureau  
Hong Kong Special Administrative Region Government

# Healthcare Reform: Enhancing Services on a Sustainable Basis



Dear Citizens,

Hong Kong's healthcare system is facing the challenges of a rapidly ageing population and rising medical costs. There is an imminent need to ensure its sustainable development in order to provide the public with adequate protection. In 2008, the Government embarked on healthcare reform, putting forward a package of reform proposals through the first stage consultation entitled "Your Health, Your Life". We are now conducting the second stage consultation on healthcare reform and proposing a voluntary Health Protection Scheme. We would like to seek your valuable views.

## Healthcare Reform: Enhancing Services on a Sustainable Basis

In view of public concerns and expectations, Government has been increasing the budget for health from \$30.5 billion in 2007-2008 to \$36.9 billion in 2010-2011. We have also invested more than \$15 billion to improve healthcare infrastructure, enhance public healthcare services, and take forward the various healthcare service reforms which have wide public support, including enhancing primary care, promoting public-private partnership in healthcare, developing electronic health record sharing and strengthening public healthcare safety net.

## Public Healthcare: Unswerving Government Commitment

The Government has an unswerving commitment to healthcare, which will only be increased and not reduced. We will continue to uphold the public healthcare system as the healthcare safety net for the whole population, with resources focused on the provision of priority services, including acute and emergency care, healthcare for low-income and under-privileged groups, catastrophic illnesses requiring professional team work, advanced technology and high cost, as well as training of healthcare professionals.

## Health Protection Scheme: Voluntary and Government-regulated

The first stage public consultation reflected a general support for healthcare reform. Most expressed reservations about mandatory supplementary financing options, and preferred voluntary participation. The public wanted more choices, better protection, and sustained access to quality private healthcare services as an alternative to public healthcare services. The proposed Health Protection Scheme (HPS) aims to make available government-regulated health insurance to provide better choices to those who choose private healthcare services. It also aims to ease the pressure on public healthcare system by encouraging more people to use private healthcare on a sustained basis, and enhance the sustainability of the entire healthcare system, thus benefiting those who depend on the public system for their healthcare needs.

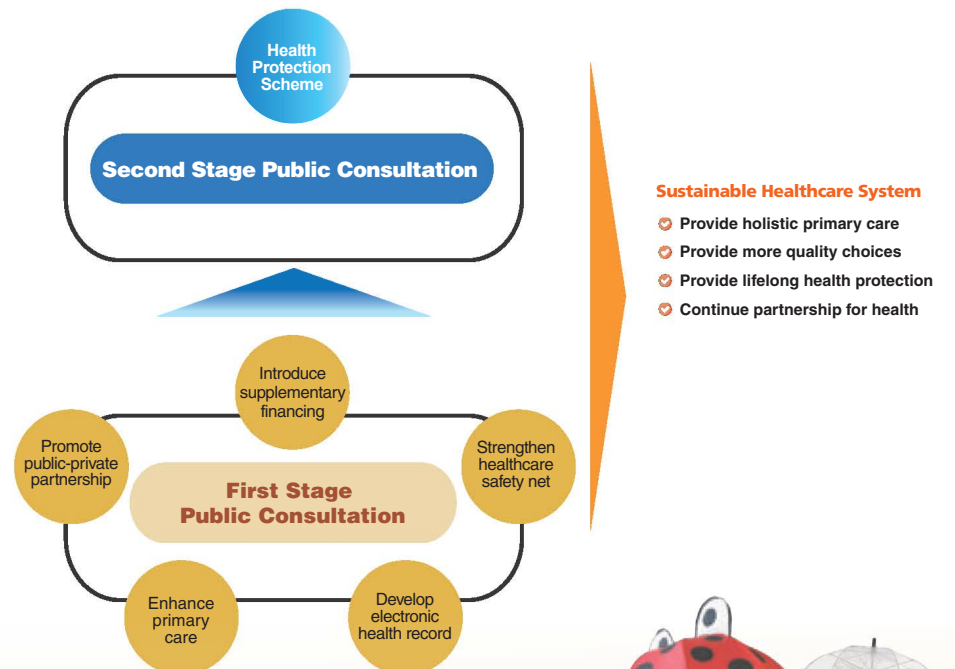
## We need your views

We choose "My Health, My Choice" as the theme of this consultation in the hope that the public can participate in the formulation of a health protection scheme that suits their needs. I encourage you to go through this brochure and share your views and suggestions with us.

Dr. York Y N Chow  
Secretary for Food and Health  
October 2010

# Healthcare Reform: Enhancing Services on a Sustainable Basis

## Healthcare Reform

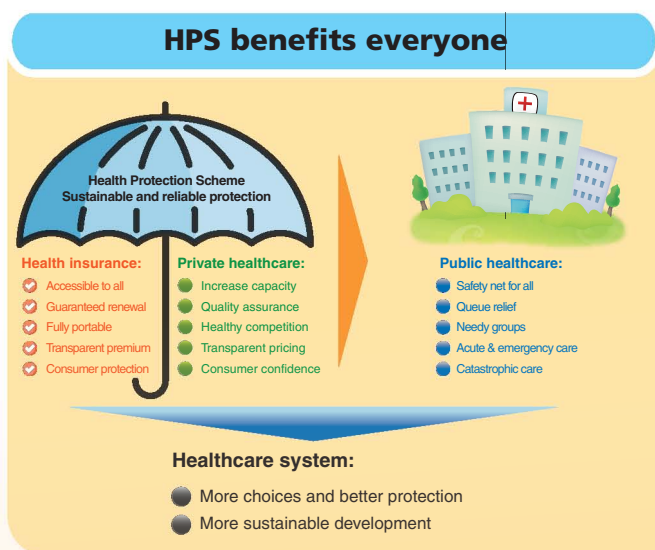




# Health Protection Scheme: Voluntary and Government-regulated

The Health Protection Scheme (HPS) is proposed with a view to enhancing consumer protection, price transparency, quality assurance and market competition in the private health insurance and private healthcare service sectors. Specifically, the HPS aims to:

- Provide more choices with better protection to those who are able and willing to pay for private health insurance and private healthcare services.
- Relieve public queues by enabling more people to choose private services and focus public healthcare on target service areas and population groups.
- Better enable people with health insurance to stay insured and make premium payment at older age and meet their healthcare needs through private services.
- Enhance transparency, competition, value-for-money and consumer protection in private health insurance and private healthcare services.



The Government has pledged to draw \$50 billion from the fiscal reserve to support healthcare reform after the supplementary healthcare financing arrangements are finalized for implementation. We will consider making use of the \$50 billion to provide incentives to encourage the public to participate in the HPS on a sustained basis, thus relieving the long-term demand for public healthcare services.

## Key Features of HPS

Health insurance plans to be offered under the HPS (HPS Plans) are required to have the following key features:

- No turn-away of subscribers and guaranteed renewal for life
- Age-banded premiums subject to adjustment guidelines
- Covering pre-existing medical conditions subject to waiting period
- High-risk individuals insurable with a cap on premium loading
- Risks arising from accepting high-risk groups to be shared out through High-Risk Pool industry reinsurance
- No-claim discount for premiums (up to 30%)
- Insurance plans renewable on leaving employment and portable between insurers
- Insurers required to report all costs, claims and expenses
- Standardised health insurance policy terms and definitions
- Establishment of a Government-regulated health insurance claims arbitration mechanism



## HPS provides better health insurance plans

Key features	Current health insurance products in general	HPS Plans
1. Is the plan regulated by the Government for consumer protection?	✗	●
2. Will there be checks to ensure that premium adjustment is reasonable?	✗	●
3. Can I switch my plan to another insurer with no loss in coverage?	✗	●
4. Can my plan continue after I retire with no loss in coverage?	✗	●

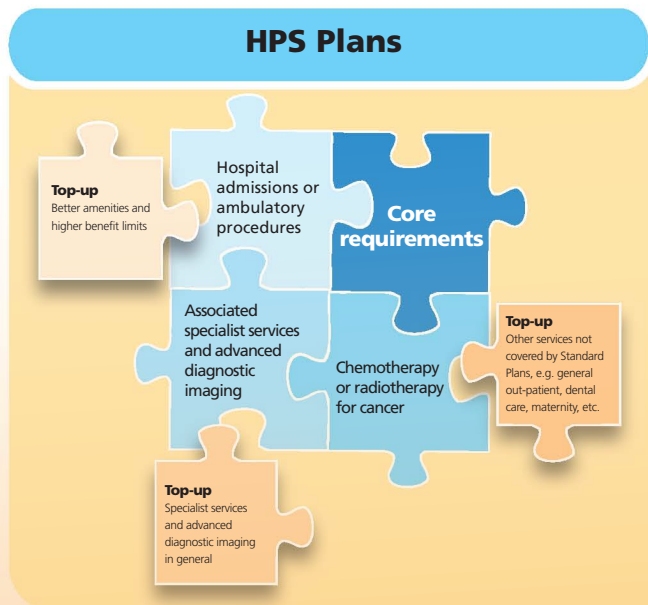
# HPS Coverage and Levels

## A. HPS Standard Plans

- Coverage and Levels
  - Hospital admissions (at general ward rate) and ambulatory surgery/procedures
  - Specialist out-patient consultations and advanced diagnostic imaging services required
  - Chemotherapy or radiotherapy for cancer
- For HPS Standard Plans: benefit limits for common healthcare services based on packaged charging required. In the absence of packaged charging, benefit limits based on itemized charging (at median-priced service rate)

## B. Top-up Components

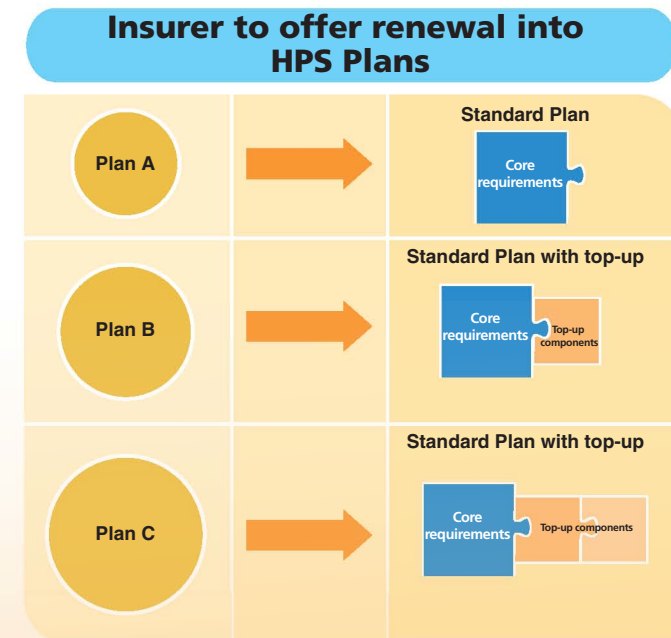
- Subscribers may purchase optional top-up benefits to suit their individual needs. Examples include:
  - Higher class of in-patient ward (semi-private and private ward, etc.)
  - Higher benefit limits for healthcare services
  - Specialist out-patient consultations and advanced diagnostic imaging services in general (not associated with surgery or procedures)
  - Other services, such as general out-patient services, dental care and maternity coverage, etc.



# Migration of Existing Health Insurance

**For existing individual policy-holders:** participating insurers will be required to offer them an option to renew their existing health insurance policies to an appropriate HPS Plan which must meet or exceed the requirements for Standard Plans with no less coverage and benefits and without undergoing re-underwriting, and to enjoy advantages offered by the HPS including pre-existing conditions coverage subject to waiting period, portability, no-claim discount, etc.

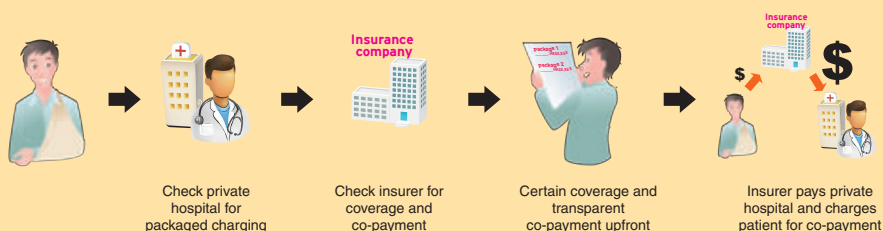
**For existing group policy-holders (mainly employers):** participating insurers will be required to offer them upon renewal an option to switch to an appropriate tailor-made HPS Plan which must meet or exceed the requirements for Standard Plans that provides no less coverage and benefits and meets the core requirements and specifications under the HPS. The insurers may offer top-up components to suit individual employers' needs.



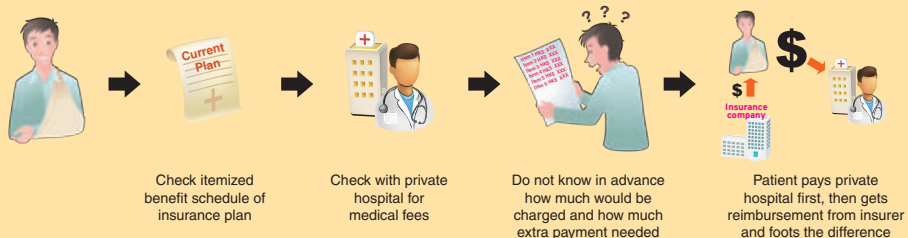
Another key feature of the HPS is to promote transparent medical fees with packaged charging for common procedures. Private hospitals would be encouraged to offer quality-assured, all-inclusive and condition-specific packaged services and pricing. HPS Plans would be required to set reimbursement levels based on packaged charging where available, thereby enhancing transparency and certainty of medical charges to the insured. With packaged charging under the HPS, we could enhance market transparency and competition in private healthcare services and help safeguard consumer interests in making use of such services.

## Reimbursement of medical fees

### Scenario 1: Packaged charging

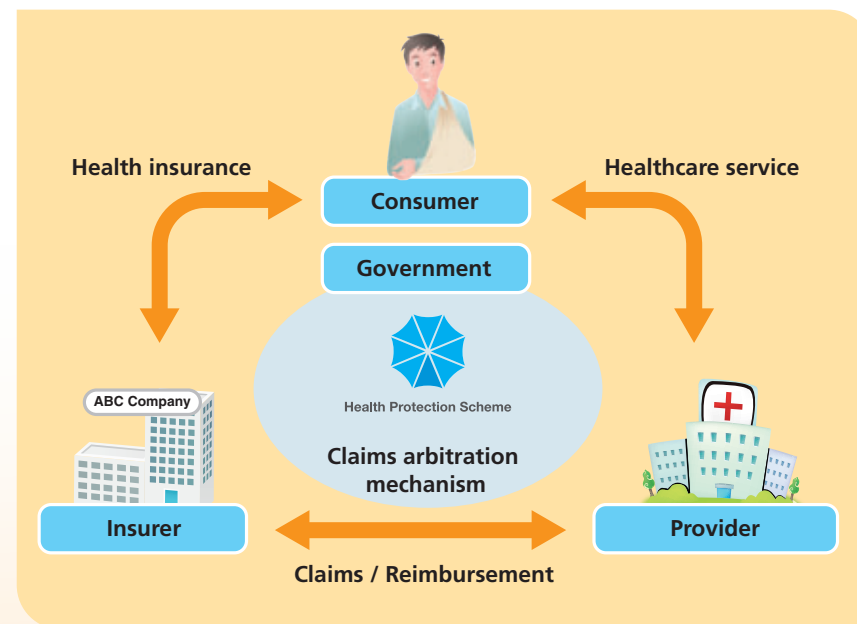


### Scenario 2: Itemized charging



We propose to require insurers participating in the HPS to adopt a standardized set of policy terms and conditions as well as associated definitions, with a view to enabling consumers to better comprehend the terms upfront and minimizing disputes over interpretations afterwards.

To safeguard consumer interests, a proposed requirement under the HPS is for private health insurers participating in the HPS and private healthcare providers providing services to the insured under the HPS (including private hospitals and their engaged or associated doctors) to participate in a health insurance claims arbitration mechanism to handle disagreements between patients, private insurers and/or private healthcare providers over health insurance claims. The arbitration mechanism will be regulated by the Government with a view to maintaining impartiality and ensuring consumer protection in the private health insurance and healthcare service markets.








## Higher Risk Groups: Access to HPS

- How pre-existing conditions should be covered in health insurance?** We propose to start coverage of pre-existing conditions after a one-year waiting period, and provide reimbursement of 25% in the second year, 50% in the third year, and 100% after three years.
- How high-risk individuals may subscribe to health insurance?** We propose to cap the premium plus loading to be paid by high-risk individuals at three times the published premium for Standard Plans.
- How individuals already at older age may also get health insurance?** We propose to require insurers to allow people aged 65+ to subscribe to HPS Plans within the first year of introduction, but with no cap on their premium plus loading.

### Higher Risk Groups to Access HPS

	Lower risk / premium Lower accessibility	Proposal	Higher risk / premium Higher accessibility
1. How long should people with pre-existing conditions wait to be covered? 	Longer waiting period Lower ratios for reimbursement	<b>1-year waiting period; reimburse 25% in 2nd year; 50% in 3rd year; 100% after 3rd year</b>	Shorter period for full cover Higher ratios for reimbursement
2. How much more premium should people with higher risks pay? 	Higher premium cap Lower reinsurance	<b>Capped at 3 times the published premium</b>	Lower premium cap Higher reinsurance
3. How may the elderly get health insurance? 	Set upper age limit for entry	<b>65+ may join within 1st year with no cap on premium plus loading</b>	Apply premium cap Higher reinsurance

## Government Incentives

To achieve the objectives of the HPS, we propose that financial incentives making use of the \$50 billion fiscal reserve earmarked to support healthcare reform should be considered in the following directions:

- Protection for high-risk individuals:** to allow high-risk individuals to join HPS Plans without requiring other healthy insured to pay excessive premium, we propose to consider government injection into the High-Risk Pool where necessary to buffer the excess risk arising from the participation of high-risk individuals.
- Premium discount for new subscribers:** to attract individuals especially the young to join HPS Plans, we propose to consider government incentives for all new joiners of HPS Plans to enjoy maximum no-claim discount i.e. up to 30% discount on Standard Plan premium immediately on joining.
- Savings for future premium:** to enable the insured to continue to afford health protection under the HPS at older age, we propose to consider government incentives for savings by individuals for paying future premium at older age (say 65 or above).



# An Illustrative HPS Standard Plan

This is an illustrative example of a health insurance plan prepared by actuarial consultants to illustrate the possible shape of Standard Plans that may be offered under the HPS. The indicative premium is estimated by actuarial modelling based on the illustrative plan and the features of the HPS.

## Packages Benefit Limits (subject to co-insurance)

Examples of hospital inpatient packages	
- Hernia procedures	\$22,000
- Appendicectomy	\$35,000
- Percutaneous transluminal coronary angioplasty (PTCA)	\$90,000
<i>(Stents are covered separately under Surgical Implant benefit. An illustrative benefit limit for stents is \$22,000 per stent.)</i>	

Examples of ambulatory procedure packages	
- Haemorrhoid procedures	\$7,000
- Endoscopic retrograde cholangiopancreatography (ERCP)	\$10,000
- Cataract procedures	\$13,000

*Note: Itemised benefit limits will apply to diagnoses for which no package is available. Such diagnoses may include more complex conditions like stroke and brain trauma.*

## Outpatient services related to inpatient or covered ambulatory procedure

- Specialist consultation, per consultation (maximum 3 consultations per admission / procedure)	\$600
- Specialist outpatient investigations, per admission / procedure	\$5,000
- Advanced diagnostic imaging tests, per admission / procedure	\$5,000

## High cost outpatient services

Radiotherapy or chemotherapy, per disability	\$200,000
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## Indicative monthly premium

Age 0-19	\$70-170
Age 20-39	\$130-200
Age 40-64	\$240-460
Age 65 and above	\$560-1,250

*(Premium is estimated based on actuarial evaluation of illustrative plan. The premium level shown is before no-claim discount, with no deductible, and excludes commission and acquisition costs.)*

## Co-insurance requirements

For hospital in-patient and ambulatory procedure, 20% for first \$10,000, 10% for next \$90,000 and 0% for subsequent charges; for other services, 20%.

The design of the core requirements and specifications for Standard Plans under the HPS will be subject to further deliberations during implementation, taking into consideration feedback during this consultation. The actual health insurance plans and premium that are to be offered under the HPS may thus vary.

# We Need Your Views

## Part 1 : General Views

- 1.1 Do you support introducing the voluntary HPS providing health insurance standardized and regulated by the Government?
- 1.2 Do you support regulating health insurance plans under the HPS to provide protection and better choices to consumers?
- 1.3 Do you support increasing private healthcare sector capacity and strengthening quality assurance measures in support of the HPS?

## Part 2 : HPS Design

- 2.1 Do you agree with the proposals for allowing higher risk groups to access health insurance?
  - HPS Plans should cover pre-existing medical conditions after 1-year and provide 25% / 50% partial reimbursement in 2nd / 3rd year, and full reimbursement after 3 years.
  - HPS Plans should accept high-risk individuals with premium plus high-risk premium loading not exceeding 300% of the published premium rate applicable.
  - HPS Plans should accept those aged 65 or above during the first year of introduction, but without being subject to cap on high-risk premium loading.
- 2.2 Which option to save for future premium do you prefer?
  - I. required to save as part of the health insurance policy to pay future premium
  - II. given an option to save to a medical savings account that can be used for any purpose; or
  - III. allowed to save on their own, with incentives provided for payment of premium from age 65.
- 2.3 Do you agree with the proposals to introduce packaged charging for private healthcare services, to require insurers to facilitate migration of existing health insurance, and to establish a government-regulated claims arbitration mechanism?



# We Need Your Views

## Part 3 : Financial Incentives for HPS

- 3.1 Do you support government injection into the High-Risk Pool where necessary to protect high-risk individuals and avoid premium increases for the healthy under the HPS?
- 3.2 Do you support that there should be a no-claim premium discount up to 30% of premium for all new subscribers for a limited period after the introduction of the HPS?
- 3.3 Do you support that there should be rebate up to a certain percentage of savings used to pay Standard Plan premiums under the HPS on or after age 65?



Your views on the Health Protection Scheme are welcome.

Please send them to us on or before 7 January 2011 through the contact below:

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## **Health Protection Scheme**