

CPCE Health Conference 2023



Healthcare Reform Challenges and Potentials: The Way Forward for Hong Kong and the Greater Bay Area



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The Greater Bay Area (GBA)

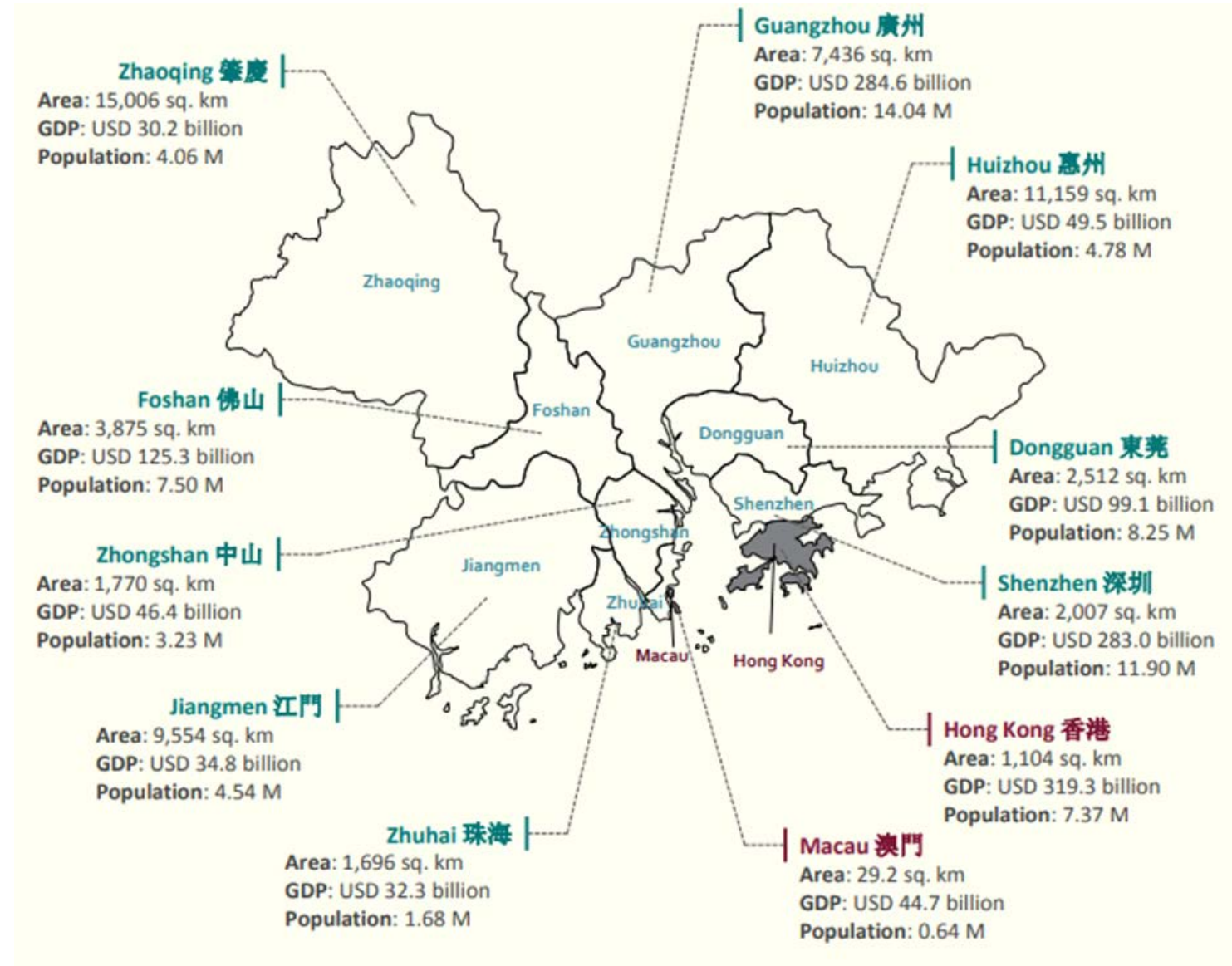
- **Composition:**
 - 2 Special Administration Regions (SAR) – Hong Kong and Macau
 - 9 Cities of Pearl River Delta (Guangzhou, Shenzhen, Dongguan, Foshan, Zhuhai, Zhongshan, Jiangmen, Huizhou, and Zhaoqing)
- **Core objectives:**
 - Strengthen regional cooperation
 - Each city focus on their own competitive advantages
 - Complimentary system for efficient delivery of products and services

Greater Bay Area

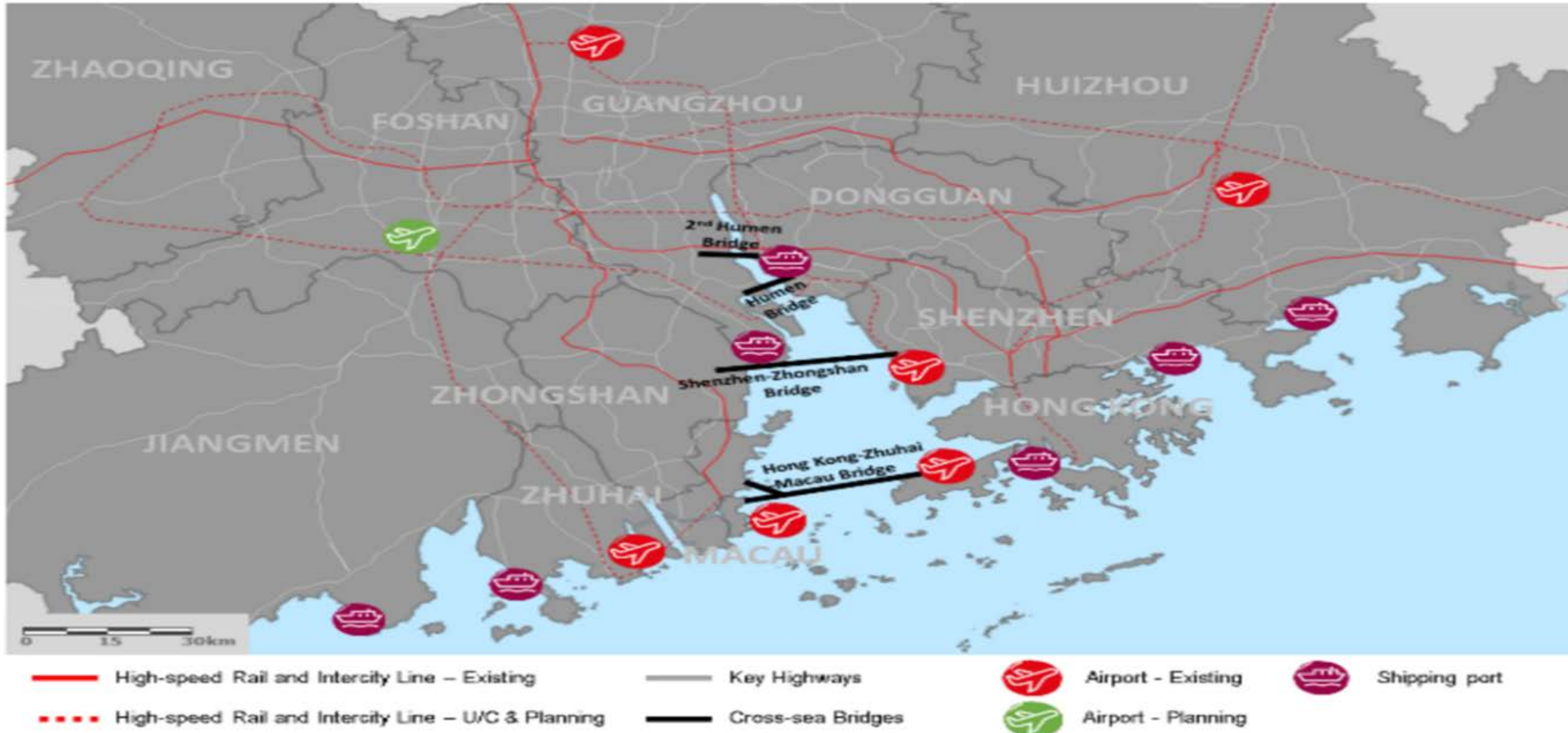
GBA : 70~ M population
Hong Kong: 7.4 M

GBA: GDP: US\$1.4T
and on growth path
Hong Kong: US\$ 320B

GBA: Area 55K sq km
Hong Kong: 1K sq km



World Class Infrastructure for Connectivity



Connected by network of high-speed rail and intercity rail lines
Four bridges (planned and completed)
3 major airports (HK, Guangzhou, Shenzhen)

An Economist Perspectives of
Health Services Opportunities and Problems
for both the Supply and Demand Sides

Supply-side Opportunities

- Land
- Manpower
- Capital
 - Funding, expertise, drugs, equipment, facilities

Demand-side Opportunities

- Cross-border patients
 - More choice for patients
 - More business for providers

Challenge #1: Health Manpower Issues

港府變
「趕府」

醫療專才短缺，
仲要「拱手北送」？

深度



Media Report expressing
Concerns about Hong Kong
Professionals working in GBA
HK01: 31.01.2018

Overworked HK doctors and nurses protest against being overworked and understaffed

Health minister booed as protesting doctors and nurses say public hospitals
need more staff, not money

South China Morning Post with additional reporting by Joanne Ma | January 21, 2019

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TWEET

FLIPBOARD

EMAIL

Like 20



The protesters brought black balloons to symbolise their unhappiness.
Photo: Robert Ng/SCMP

South China Morning Post 2019

Public Hospitals' Waiting time for patients with total joint replacement surgeries performed in the past 12 months (1 Jan 2022 – 31 Dec 2022)

Cluster	HK East	HK West	KLN Centr	KLN East	KLN West	NT East	NT West
Median Waiting Time* (month)	33	27	37	22	42	29	56
90th Percentile Waiting Time* (month)	79	67	47	64	56	60	95

https://www.ha.org.hk/visitor/ha_visitor_index.asp?Parent_ID=214172&Content_ID=221223

Getting help from Guangdong: is that sustainable?

83 Guangdong nurses arriving Hong Kong



China Daily
April 17, 2023

Neither Side appears to have excess capacity

	Hong Kong*	Guangdong**	OECD***
Doctors/1,000 population	2.1	2.4	3.4
Nurses/1,000 population	8.6	2.97	9
Pharmacists/1,000 population	0.43	0.35	0.86
Chinese Medicine practitioners/1,000 population	1.09	0.4	--

*Health Facts of Hong Kong 2022 Edition; **广东省卫生健康事业发展“十四五”规划, 11.2021;

***Health at a Glance 2021 OECD Indicators

Many differences between Hong Kong and the rest of GBA relating to health care professionals that need to be sorted out

- Governance
- Standards and practices
- Professional licensing
- Laws

Goal

- To achieve “Win-Win” situation and not one side gaining at the expense of the other side
- Need to find pockets which can complement rather than creating problems for one side
- Extensive consultations and careful design are necessary

Challenge #2: Financing Issues

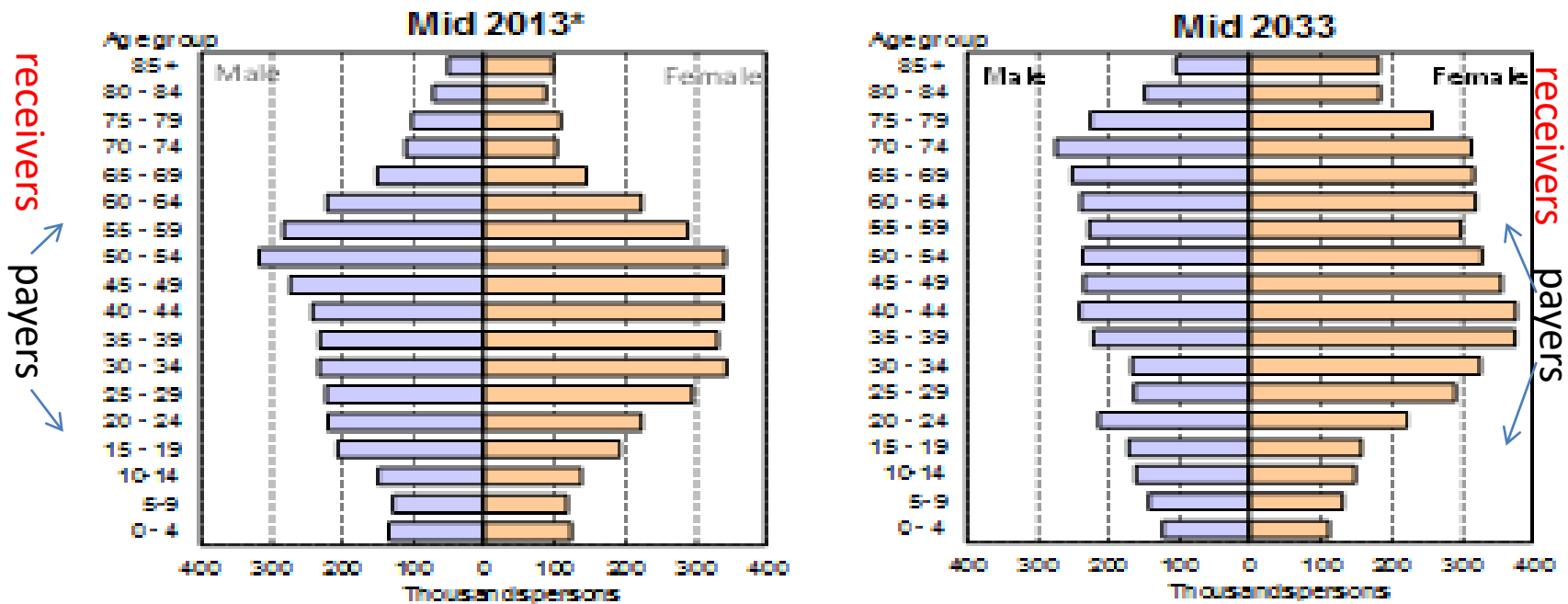
- Hong Kong: mostly tax-based – money in general does not follow patients; money all tied up in the block grant to Hospital Authority
- Not easy for Hong Kong residents to get Hong Kong Government subsidies for care in the Mainland – need special arrangements
- Mainland: mostly social insurance. Hong Kong residents living there need to enroll in one of the social insurance schemes to be eligible to receive benefits
- Both systems face unsustainability problems in light of population ageing

Shrinking Tax-payers/Premium-payers Growing Benefit Recipients

Tax and Insurance Based Systems Are Not Sustainable With Ageing Population



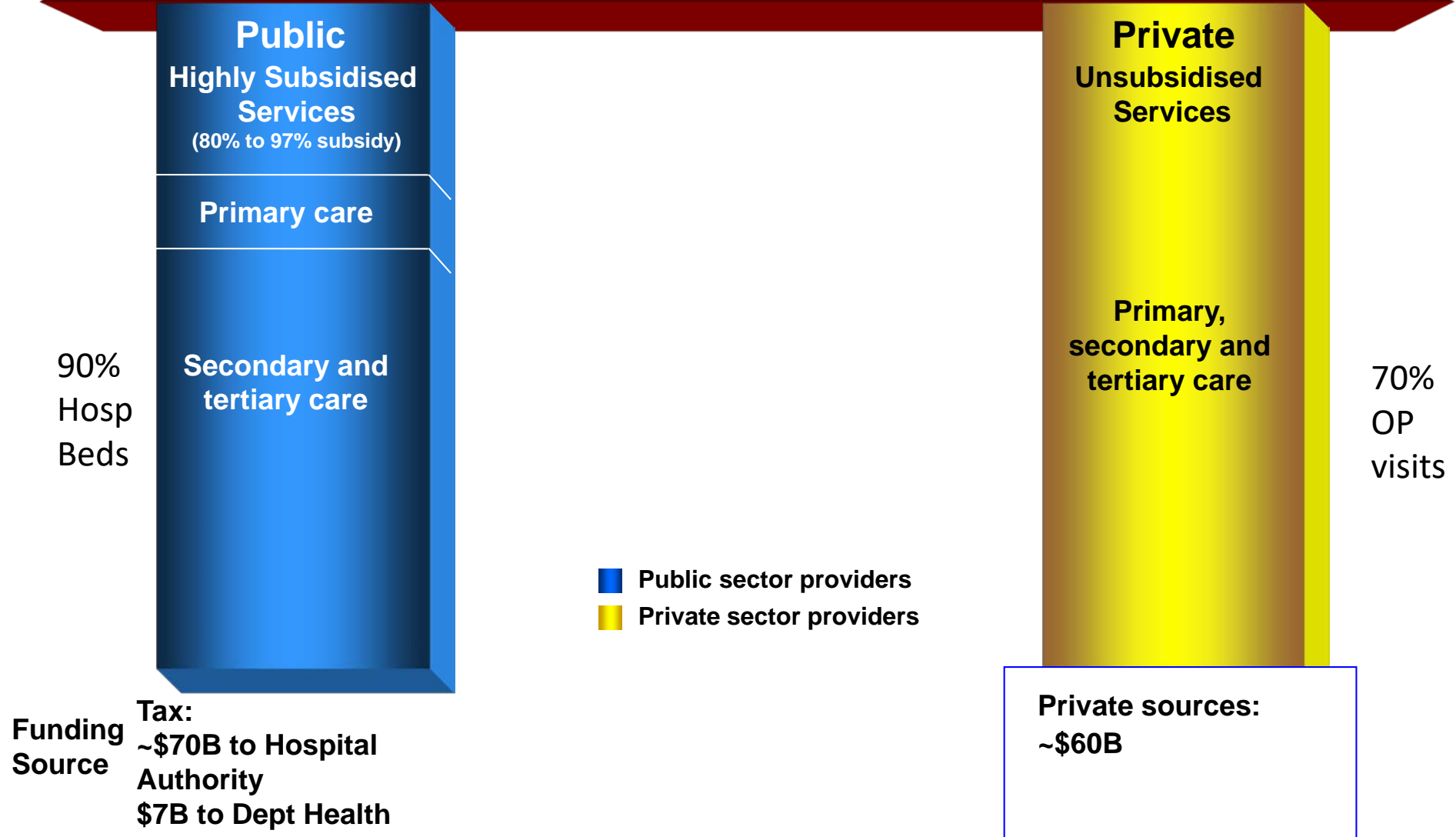
(1) Population pyramid



Note: * Provisional figures
 Sources: Hong Kong Census and Statistics Department and Hong Kong Population Projections 2012 -2041

Systems in Hong Kong

Hong Kong System: Two Pillars

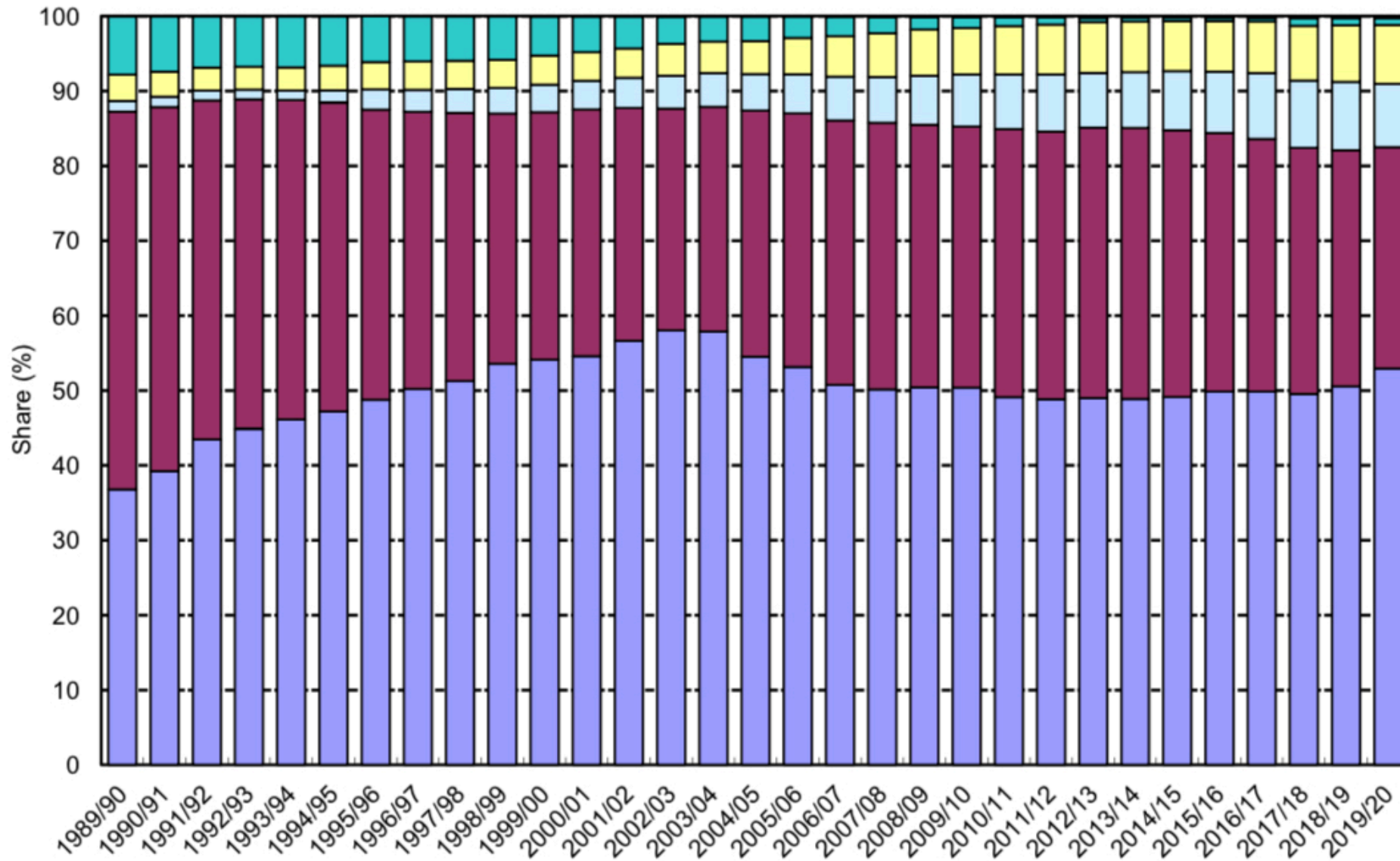


Taxed Based System

- All Hong Kong residents are eligible to receive highly subsidized hospital care (US\$15 a day all inclusive except for a list of “privately purchased items”) funded by general taxation
- 90% of hospital beds are in public hospitals
- Block grant to Hospital Authority; money does not follow patients
- Some with voluntary private health insurance, which might pay for services outside Hong Kong

Private Sector

- Over 70% of Outpatient services are provided by private practitioners (GPs and Specialists) paid for out-of-pocket payment or private health insurance; some capacity to receive nonlocal patients
- Roughly 10% of hospital beds are in private hospitals; the capacity to receive non-local patients are rather limited



**Hong Kong
Health Expenditure
By Sources
1989/90 – 2019/20**

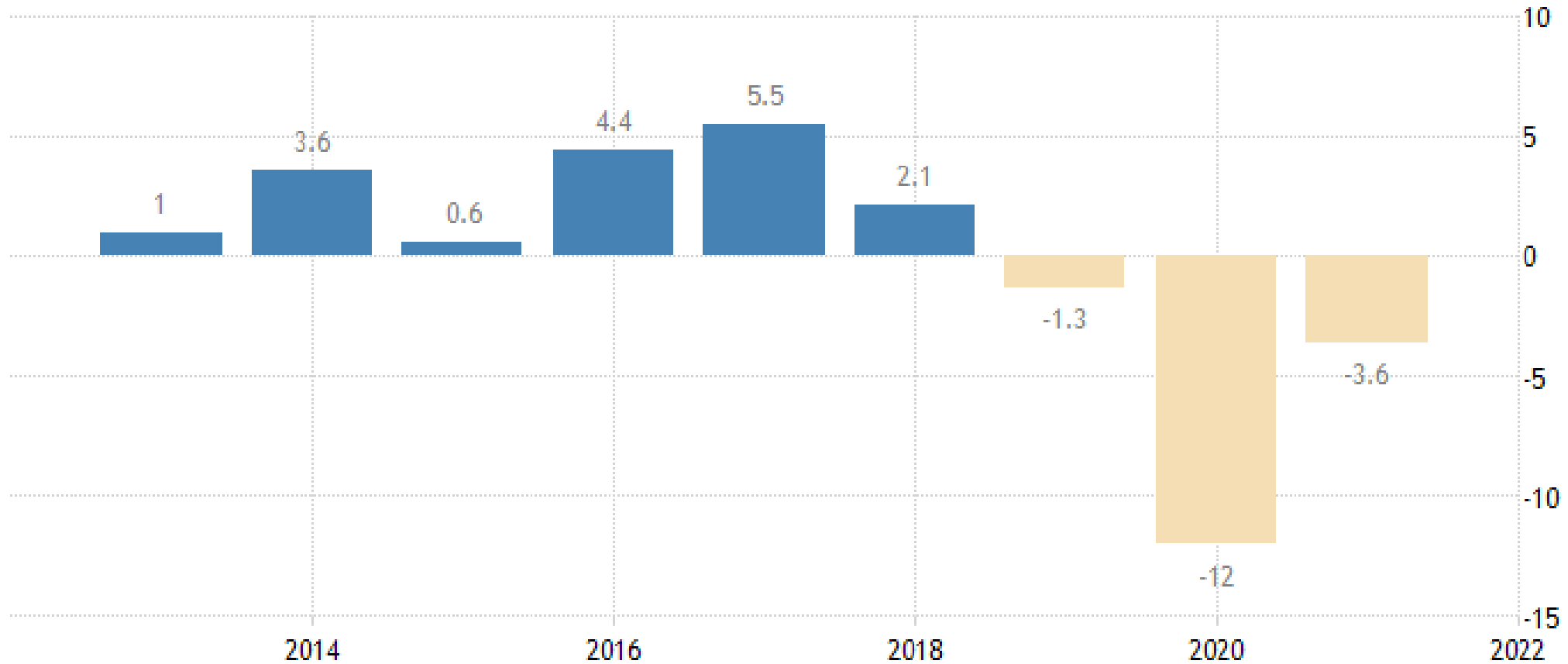


Challenges: Reliance on Tax Revenue:

2022/23: Estimated deficit of \$56.3 billion

<https://www.budget.gov.hk/2022/eng/io.html>

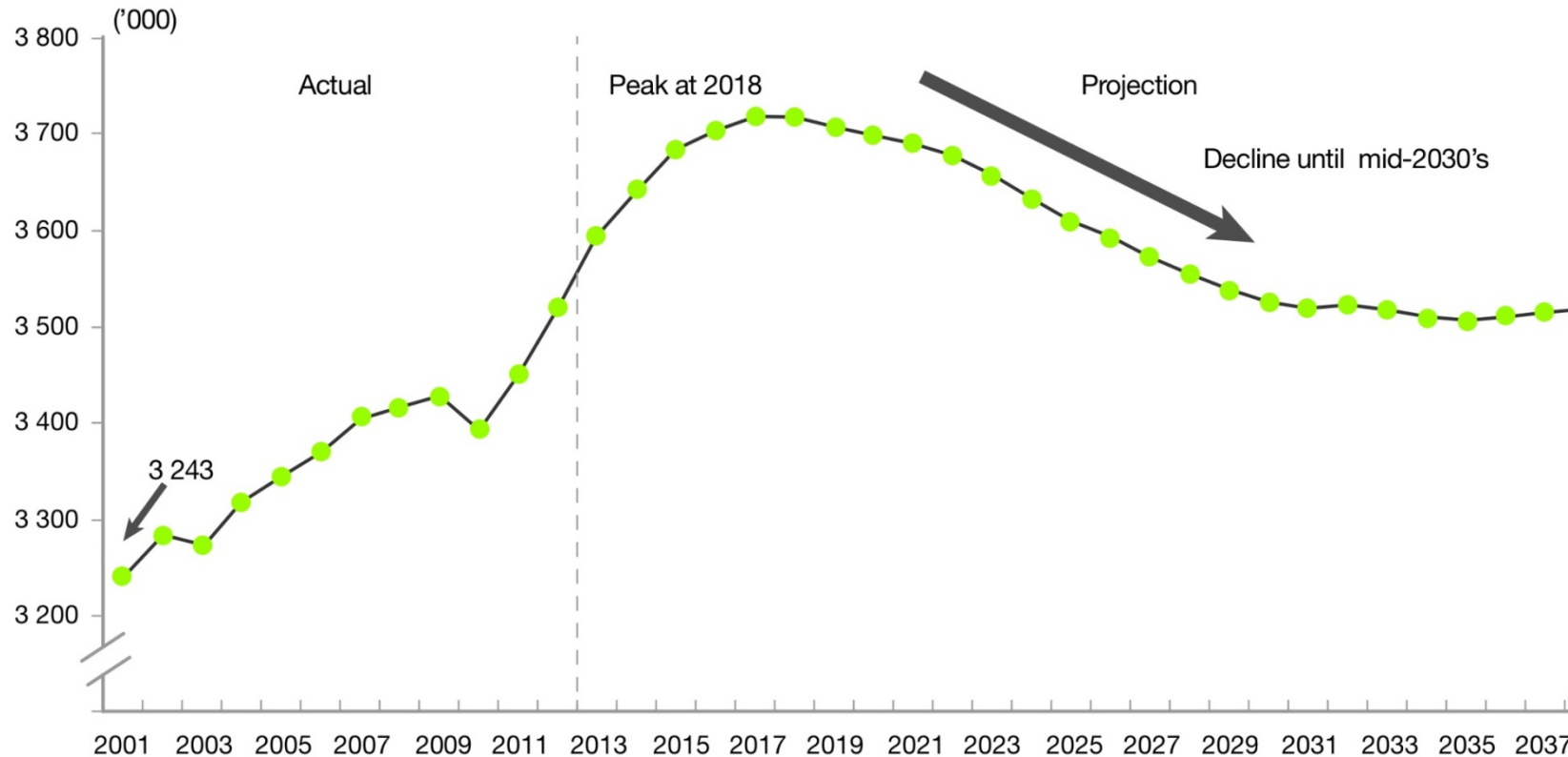
Hong Kong Government Budget 2014-2022



勞動人口下降

Steady Decline in Labour Force after 2018

Chart 1.2: Projected labour force to 2041



Note: Excluding foreign domestic helpers

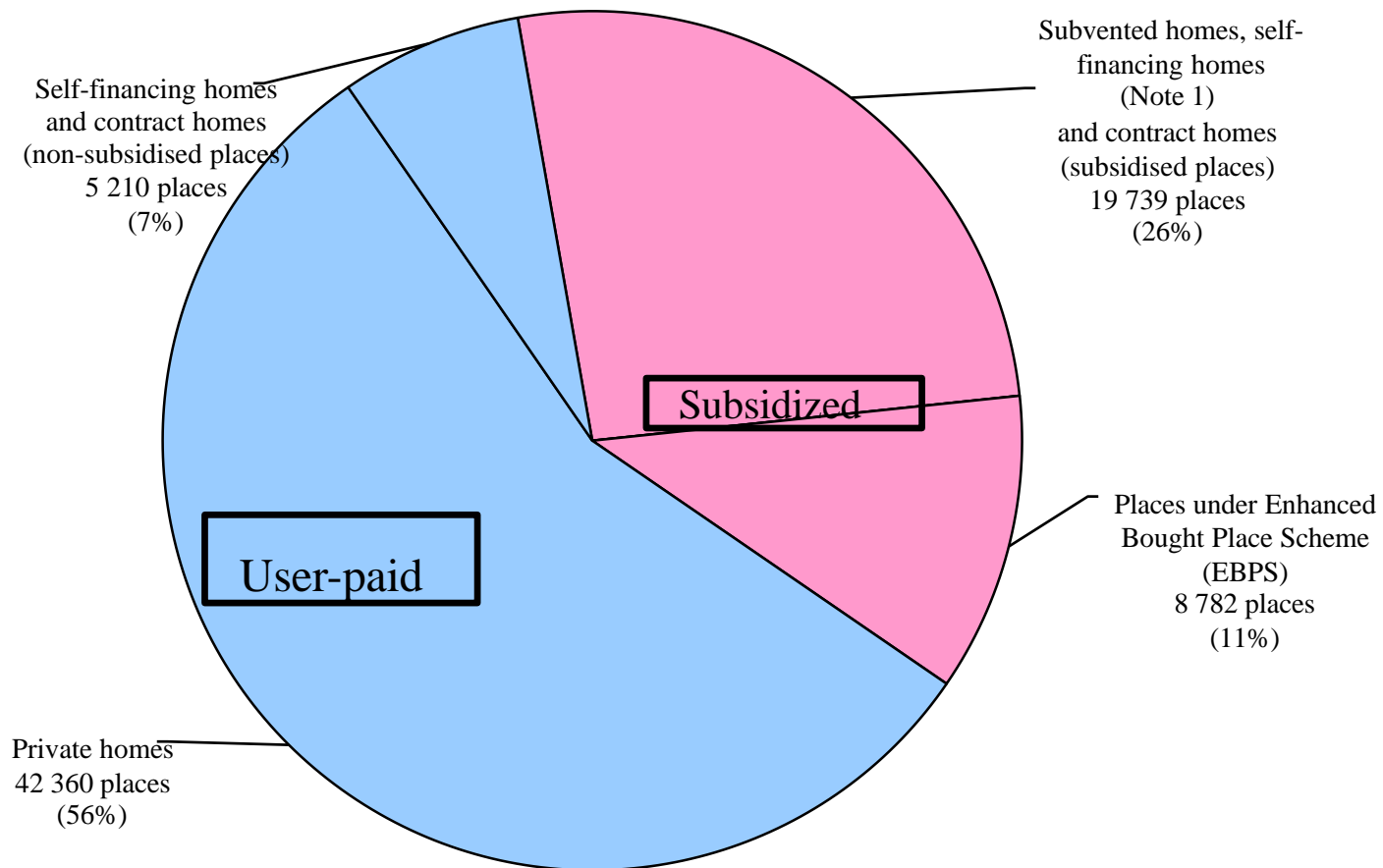
Source: General Household Survey Section, Census and Statistics Department

Source: Secretariat of the Steering Committee on Population Policy (2014), *Thoughts for Hong Kong: Public Engagement Exercise on Population Policy*, Chief Secretary for Administration's Office, Hong Kong.)

Long Term Care System in Hong Kong

- Funded mainly by general taxation and out-of-pocket payment
- For subsidized services, co-payment is around 15% of cost; not means-tested
- For non-subsidized services, consumer pays the full cost in most cases
- Delivered by NGOs, private entities (and to a less extent Government)

Provision of Residential Care Services for the Elderly
(Subsidised versus Non-subsidised Places) (as at 30.6.2020)



Note 1: Self-financing homes participating in the Nursing Home Place Purchase Scheme (NHPPS)

Many Poor Quality Residential Care Homes because of space, manpower shortages and funding

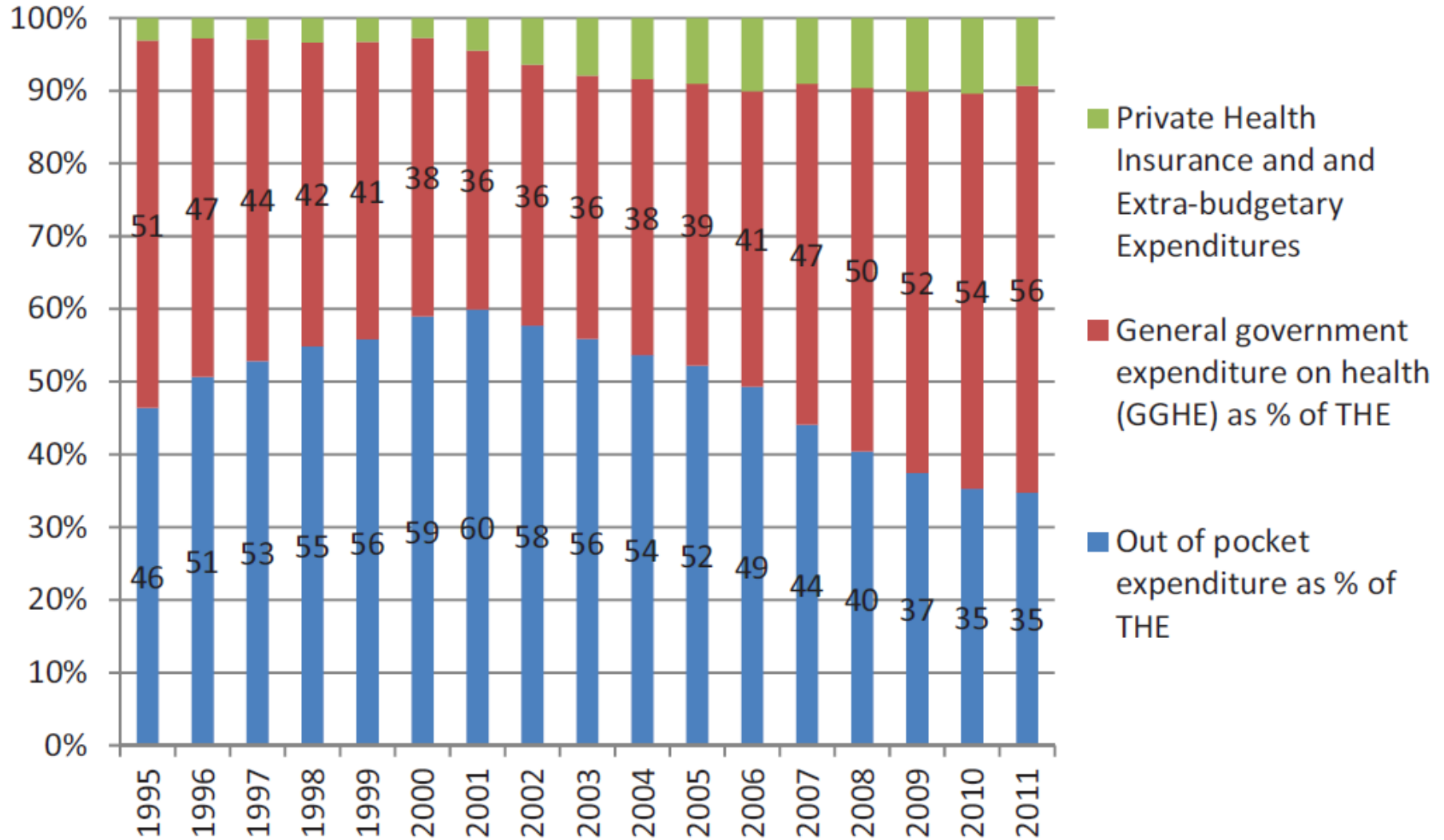


Quality of Care of Different Types of Homes

- Long waiting list for government subvented homes: ~2 years; ~5,000 passed away every year while waiting
- Serious staff shortages
- GBA could help
 - Space less expensive
 - Social care personnel more readily available; shorter training leadtime

Systems in the Mainland

China Health Expenditure By sources



Health expenditures by sources, 1995–2011.

Source: World Health Organization (see <http://apps.who.int/nha/database>).

Chinese Mainland Health Financing: Social Insurance

I. Urban Employee Basic Medical Insurance (UEBMI)

城镇职工基本医疗保险

- Mandatory for all urban working and retired employees in public and private sectors ~20% of population
- Insurance Fund and Individual Medical Savings Account with employers and individual contributions
- Benefits include outpatient, inpatient services and drugs with copayment

II. Urban Residents Basic Medical Insurance (URBMI)

城镇居民基本医疗保险

- Urban Residents not in formal employment sector
~15% of population
- Personal contribution and government contributions
- No individual savings account
- Covers major illness and inpatient services, some cities also cover outpatient services
- Higher co-payment rates than UEBMI

III. New Rural Cooperative Medical System (NCMS)

新型农村合作医疗

- Scheme for rural areas ~65% of population
- Most places have implemented URBMI in rural areas since 2013
- Benefits similar to URBMI

Long Term Care Insurance Pilots

- Now a Total 49 pilot cities including Guangzhou
- Covering the insured under medical insurance schemes
- A Separate LTC Insurance Fund
- Covering home care, community care, and residential care
- Money follows patients to providers

- Studies show that after implementation of LTC insurance
 - 23.9% Outpatient claims decreased by 23.9%
 - 19.8% Inpatient claims by 19.8%
 - ADL and health status improvement observed

- Y Tang, T Chen, Y Zhao, F Taghizadeh-Hesary. The Impact of the Long-Term Care Insurance on the Medical Expenses and Health Status in China. *Frontiers in Public Health*, 2022 | <https://doi.org/10.3389/fpubh.2022.847822>

Challenges

- Low benefits level, resulting in significant financial risk to the patient
 - Inpatient reimbursement rate 68% for UEBMI; 48% for URBMI; 44% for NCMS
 - For Hong Kong residents retiring in GBA, even if they subscribe to URBMI will face very high copayment in the event of hospitalization

- Cost-escalation : fee-for-service reimbursement of providers, resulting in over prescribing and over testing
- Quality of care, skilled manpower shortage, availability of facilities in the less developed areas
- Weak primary health care system

Sustainability :Serious Ageing Problems in China

- Ageing at an unprecedented rate
- Long life expectancy : close to 80 years
- Massive migration of young persons to urban areas
- Despite economic growth, many elder persons are still poor
- One-child Policy until recently
- Population started to decline in 2022
- The social health insurance schemes are likely to be in trouble in the future

Supply side Opportunities

- Long Term Care should be able to benefit from the cheaper land in GBA and the availability of the less skilled workers



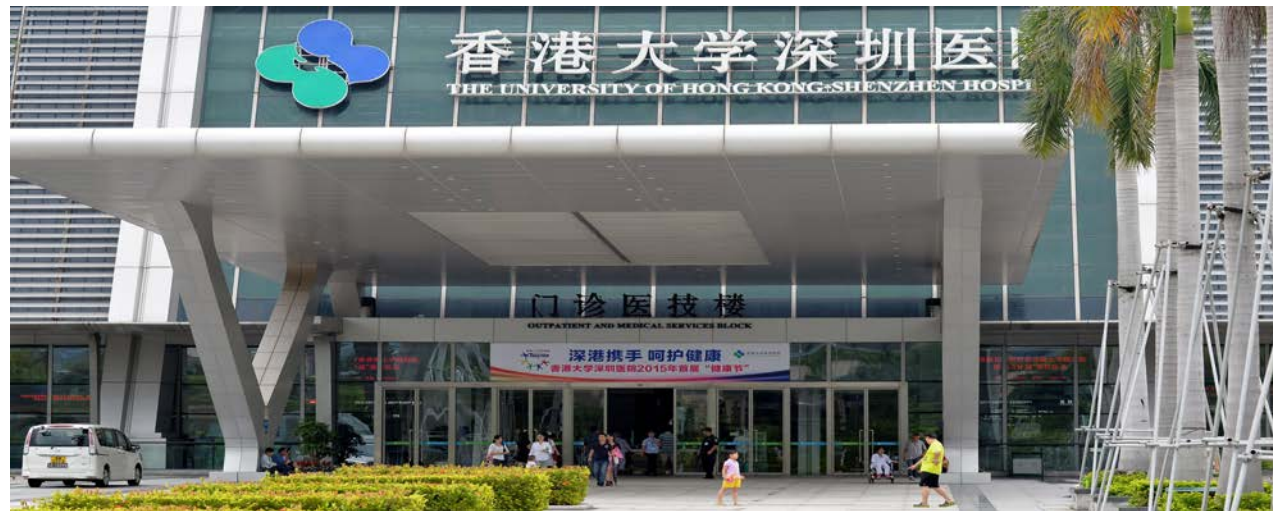
Hong Kong Jockey Club Yee Hong Residential Home in Shenzhen- Hong Kong Society for Rehabilitation

- For curative care, opportunities are confined to some specific services
- Demand for private health insurance in GBA should go up with the increase in GBA residents' income
 - Many hospitals in GBA have VIP floors providing high end services; Private Insurance can be used to pay for these services

Demand side Issues:

SCMP 18 April 2023

Hong Kong patient groups welcome new Greater Bay Area medical subsidy for residents across border, but say 2,000 yuan coverage not enough



Demand side Issues: Outbound patients

- Unless Hong Kong changes its block grant funding to HA, it will not be easy for Hong Kong residents to receive subsidized care in GBA, and schemes will be small scale and limited in scope

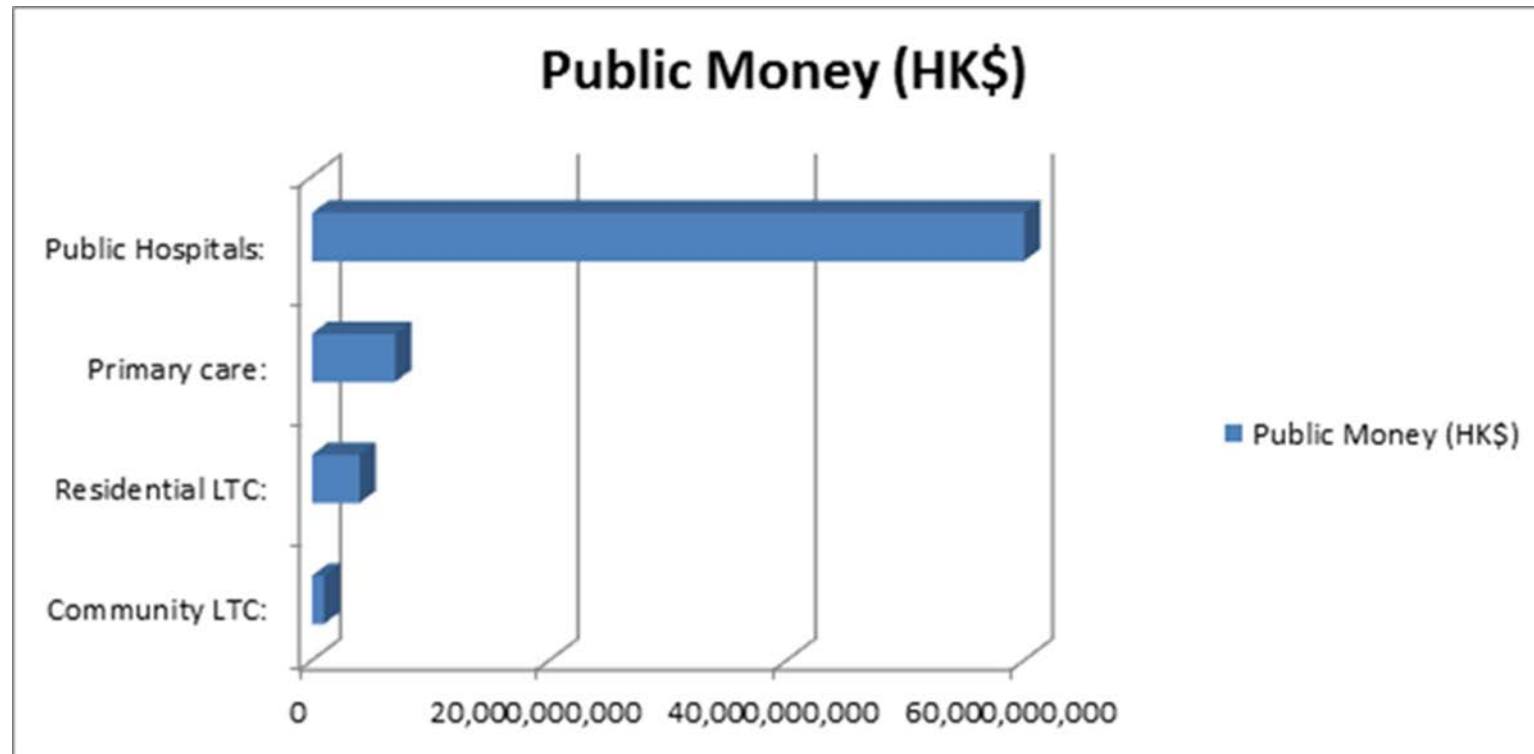
Inbound Patients

- The Hong Kong private health care sector is also stifled by the dominance of HA, and the capacity to receive inbound patients will continue to be limited unless Hong Kong switch to a money follows patients' approach

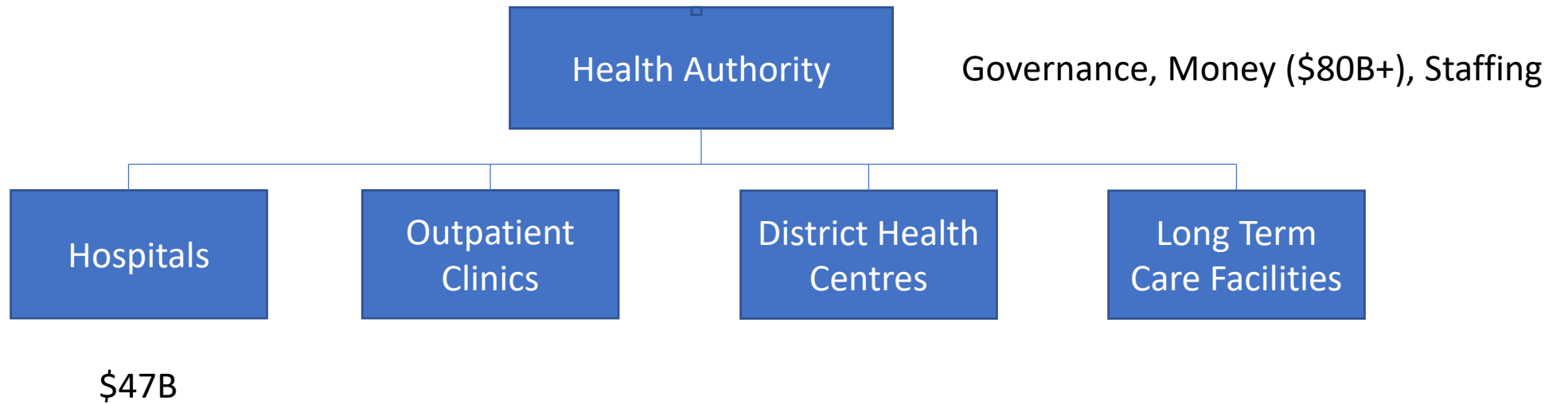
Way Forward

Hong Kong

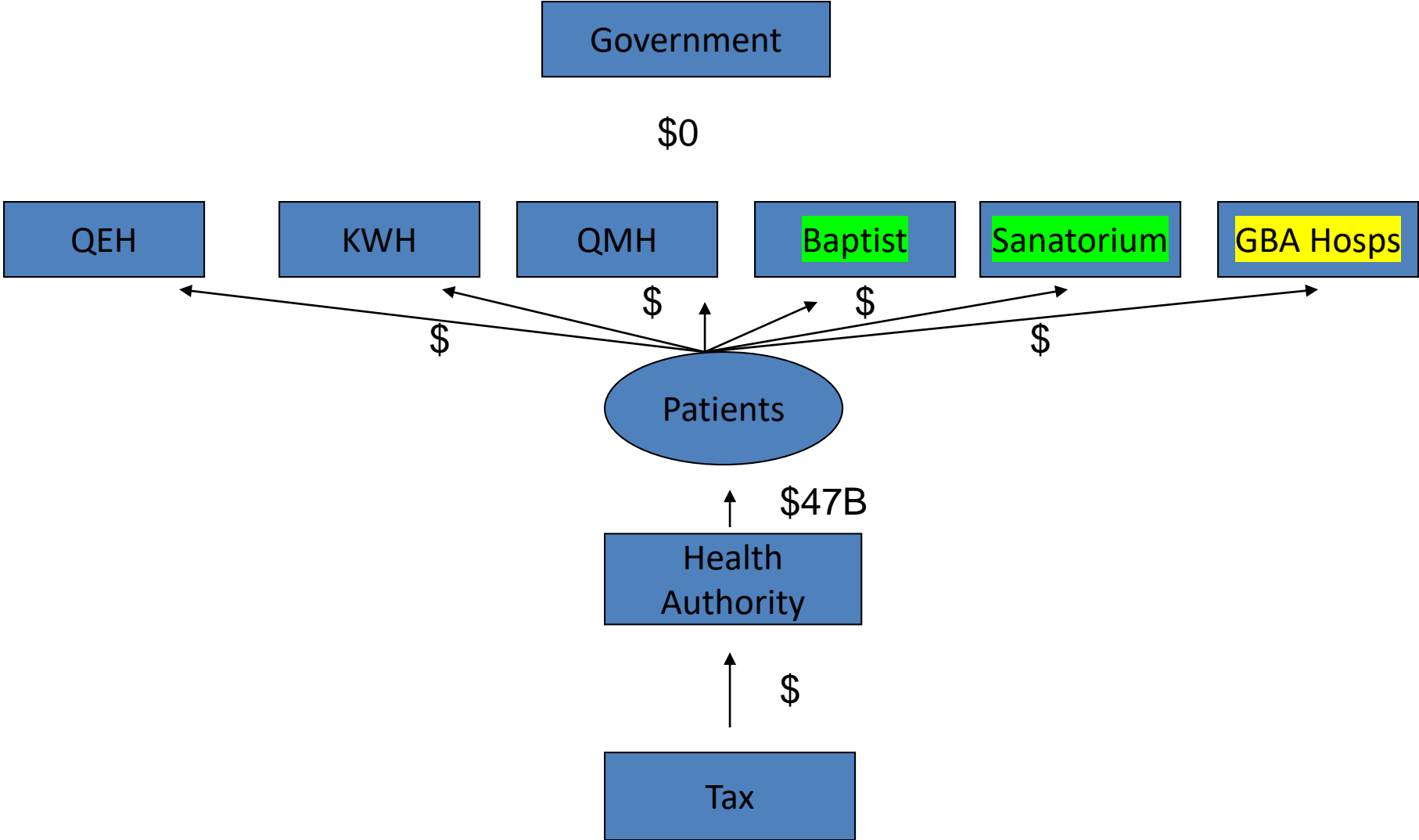
- Need to improve Allocative Efficiency by diverting more public resources into more cost-effective primary care and long term care



My Preferred Structure



Improve Technical Efficiency: Change Hospital Funding Model to Money Follow Patients to Increase Efficiency and Free up Resources



Way Forward for GBA

- Reduce financial risk for those insured under social health insurance programmes – increase contributions and increase benefit levels for major illnesses, especially for the URBMI and NRCMS
- Need to improve allocative efficiency by investing more in primary care
- Need to improve technical efficiency by reforming the fee-for-service payment system to providers -- case mix reimbursement; pay-for-performance

Way forward

- The authorities in Hong Kong and other GBA cities need to sort out these problems if the GBA integration benefits are to be realized

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Thank you!



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