

# LCQ18: Voluntary Health Insurance Scheme and health expenditures

Following is a question by Dr the Hon Priscilla Leung and a written reply by the Secretary for Food and Health, Professor Sophia Chan, in the Legislative Council today (July 21):

Question:

The Government launched the Voluntary Health Insurance Scheme (VHIS) on April 1, 2019. Certified Plans offered under the VHIS by insurance companies are categorised into Standard Plans and Flexi Plans. Regarding the VHIS and health expenditures, will the Government inform this Council:

(1) whether it knows the following information about the VHIS at present:

(i) the respective numbers of Standard Plans and Flexi Plans available, and

(ii) the number of insurance policies, with a breakdown by the category of plans under which the insurance policies fall and the age group to which the insured persons belong (i.e. 18 or below, 19 to 29, 30 to 44, 45 to 59, 60 to 79, and 80 or above);

(2) whether, according to the projections based on the current trend in the number of policy holders under VHIS, the target of achieving an uptake of 1.5 million persons in the third year after the launch of the VHIS can be met;

(3) whether it knows the average standard premiums of those Standard Plans offered to the following groups of insured persons on April 1 in each of the years from 2019 to 2021: non-smoking (i) males and (ii) females aged between 60 and 95 (each group covering five years of age); whether there is an upward trend in such premiums; if so, whether it has examined if the increase is reasonable;

(4) of the number of persons claiming tax deductions for qualifying premiums paid under the VHIS policies in the year of assessment 2020-2021, and the total amount of qualifying premiums paid by them for which tax deductions are allowed;

(5) of (i) a breakdown of the recurrent health expenditure by health financing scheme and (ii) the total amount of public and private health expenditures, in each of the past two financial years; and

(6) given that one of the long-term goals of the VHIS is to alleviate the pressure of healthcare service demand on public hospitals, whether the Government has formulated indicators based on (i) the number of persons insured under the VHIS and (ii) the percentage of the total expenditure on

premiums paid under the VHIS in the recurrent health expenditure; if so, of the details; if not, whether it will expeditiously formulate such indicators, so as to facilitate public monitoring of the effectiveness of the policy?

Reply:

President,

My reply to the question raised by Dr the Hon Priscilla Leung is as follows:

(1) As at end-May 2021, there were 33 insurance companies registered as Voluntary Health Insurance Scheme (VHIS) Providers, altogether offering 78 Certified Plans (including 33 Standard Plans and 45 Flexi Plans) with 296 product options for consumers.

As at end-March 2021 (i.e. upon first two years of the VHIS implementation), the number of the VHIS policies reached about 791 000. The age profile of insured persons for the VHIS policies issued under Standard Plans and Flexi Plans is shown below:

Age group of insured persons	Standard Plan	Flexi Plan	Total
0 to 18	3 400	146 100	149 500
19 to 29	3 600	112 400	116 000
30 to 44	6 400	229 900	236 300
45 to 59	7 300	197 700	205 100
60 to 79	4 500	78 800	83 300
80 or above	200	900	1 100
Overall	25 400	765 800	791 300

Note: Figures may not add up due to rounding.

(2) and (6) Affected by earlier social events and the COVID-19 situation, the growth of the overall medical insurance market has experienced a slow-down since the latter part of 2019. This notwithstanding, the VHIS segment has considerably outperformed the market average. A survey conducted by the Food and Health Bureau reveals that VHIS policies for new customers accounted for 77 per cent of the net growth in the entire individual indemnity hospital insurance products portfolio of the VHIS Providers in 2020. This reflects that the market has largely accepted VHIS Certified Plans as mainstream products in the medical insurance market segment.

To a certain extent, the outlook of the overall medical insurance market in the coming year hinges on the COVID-19 situation and economic development. When the COVID-19 situation gradually stabilises and economy rebounds, we believe that the pent-up demand for medical insurance products will be released with rising awareness of the importance of medical needs and

protection. We stay cautiously optimistic about the long-term development of the VHIS.

The percentage of the total expenditure on premiums paid in the recurrent health expenditure are affected by various factors (such as the overall medical needs). As such, we do not have a target on the percentage of the total expenditure on premiums paid under the VHIS in the total health expenditure. However, the VHIS has enhanced the claim ratio of hospital insurance (the overall reimbursement ratio of the VHIS insurance claims reached 88 per cent in 2020). In the long run, we believe that more people would have confidence in the protection covered by the VHIS and choose private healthcare services when in need, thereby alleviating pressure on public hospital services.

(3) The average annual standard premium of Standard Plans for non-smoking male and female of ages 60 and above on April 1 in each of the years from 2019 to 2021 are listed below:

Age group of insured persons	Average annual standard premium of Standard Plan					
	Male			Female		
	April 1, 2019 (Note 1)	April 1, 2020 (Note 2)	April 1, 2021 (Note 2)	April 1, 2019 (Note 1)	April 1, 2020 (Note 2)	April 1, 2021 (Note 2)
60 to 64	\$9,900	\$7,700	\$7,500	\$9,700	\$7,300	\$7,300
65 to 69	\$12,800	\$9,900	\$9,800	\$12,400	\$9,500	\$9,400
70 to 74	\$17,100	\$12,700	\$12,600	\$16,600	\$11,900	\$11,900
75 to 79	\$20,100	\$15,500	\$15,600	\$19,600	\$14,700	\$14,500
80 to 84	\$22,800	\$16,000	\$16,500	\$22,300	\$15,600	\$16,000
85 to 89	\$25,100	\$18,400	\$18,500	\$24,600	\$17,800	\$18,000
90 to 94	\$26,500	\$19,700	\$19,700	\$26,100	\$18,900	\$19,200
95 to 99	\$27,900	\$21,100	\$21,000	\$27,400	\$20,100	\$20,400

Note 1: Average standard premium as at April 1, 2019 was based on the crude estimation of market share of different product providers at that time.

Note 2: Average standard premium as at April 1, 2020 and April 1, 2021 were based on the actual market share of different product providers in offering Standard Plans for the particular age group of insured persons. Due to data limitation, the average standard premiums for age groups with ages 85 and above are crude estimates based on the market share of different product providers for the age group of 80 to 84.

The average standard premiums are based on the market share of different product providers, which may vary over time. As such, the average standard premiums may change even if there are no premium adjustments.

For VHIS Standard Plans, there was only one Standard Plan with upward

standard premium adjustment at an average rate of 5 per cent, as at April 1, 2021. On the other hand, there were three Standard Plans with downward standard premium adjustments at an average rate of 4 per cent. Overall speaking, the premium levels of Standard Plans remain generally stable.

(4) According to the latest information available from the Inland Revenue Department, around 155 000 taxpayers claimed VHIS tax deduction in the year of assessment 2019/20, involving around 198 000 insured persons and around \$1,019 million qualifying premiums. Corresponding figures in the year of assessment 2020/21 are currently not available from the Inland Revenue Department.

(5) According to Hong Kong's Domestic Health Accounts, breakdowns of recurrent health expenditure by health care financing scheme in 2019/20 are set out in the table below:

Health care financing scheme	Recurrent health expenditure (\$ million)
Government schemes	95,903
Household out-of-pocket payment	53,568
Privately purchased insurance schemes	15,295
Employer-based insurance schemes	14,270
Enterprise financing schemes	1,677
Non-profit institutions serving households financing schemes	477
Total	181,190

Total health expenditure by public and private health expenditure in 2019/20 are set out in the table below:

	Health expenditure (\$ million)		
	Public	Private	Overall
Total health expenditure	101,527	88,097	189,624

As it takes time to collect data from a variety of sources for estimation, we cannot provide figures for 2020/21 at this stage.