

LCQ5: Voluntary Health Insurance Scheme

Following is a question by the Hon Chan Pui-leung and a reply by the Acting Secretary for Health, Dr Libby Lee, in the Legislative Council today (December 4):

Question:

The Voluntary Health Insurance Scheme (VHIS), which was fully implemented on April 1 2019, aims to provide the public with an additional choice of using private healthcare services through hospital insurance. Regarding the implementation of VHIS, will the Government inform this Council:

(1) of the number of policies of certified plans, the sums insured and the age distribution of insured persons under VHIS to date; whether the authorities have estimated the total savings in public healthcare expenditure since the implementation of VHIS; if so, of the details; if not, the reasons for that;

(2) of the number of taxpayers who claimed tax deduction for participating in VHIS and the total amount of qualifying premiums allowed for tax deduction in the past three years of assessment; whether the authorities have plans to further raise the ceiling for VHIS tax deduction in the future, so as to encourage more people to participate in VHIS; if so, of the details; if not, the reasons for that; and

(3) given that VHIS has been implemented for more than five years, whether the authorities will conduct an interim review on VHIS and set a target for the number of VHIS participants in the future; if so, of the details; if not, the reasons for that?

Reply:

President,

I provide a consolidated reply to the question raised by the Hon Chan Pui-leung as follows:

The Voluntary Health Insurance Scheme (VHIS) is one among many medical insurance products. The Government introduced the VHIS in April 2019 to establish standards and improve market transparency for individual indemnity hospital insurance products (IHIPs), providing consumers with greater confidence in using private healthcare services through purchasing health insurance. VHIS Certified Plans need to fulfill a number of requirements on consumer protection, including:

(1) guaranteed renewal up to the age of 100 regardless of any change in the health conditions of the insured persons;

- (2) no "lifetime benefit limit";
- (3) covering unknown pre-existing conditions and day case procedures (including endoscopy);
- (4) no unreasonable charging of differential premiums on individual policy holders; and
- (5) covering psychiatric inpatient treatments in local hospitals etc.

There are two types of VHIS Certified Plans, namely Standard Plan and Flexi Plans. Standard Plan benchmarks the minimum complying requirements, including the basic benefit coverage and specified claimable amount; whereas Flexi Plan allows greater flexibility in product design by insurance companies to offer additional protection on top of Standard Plan, such as higher benefit limits and broader benefit coverage to cater for the needs of different consumers.

To provide an additional incentive for further encouraging citizens in purchasing VHIS Certified Plans, taxpayers are allowed to claim tax deductions for VHIS qualifying premiums which they paid for themselves and all specified relatives. The maximum deductible amount of premiums paid for each insured person is now \$8,000 per year of assessment.

The VHIS has been launched for nearly five years, three of which coincided with the COVID-19 epidemic when the usage of private healthcare services by Hong Kong residents was significantly impacted. Both the service volume and location pattern also differed considerably as compared with the pre-epidemic era. It is thus premature to draw any conclusion on the effectiveness of the scheme at this very stage.

As at March 31, 2024, the number of policies of VHIS Certified Plans was about 1 341 000, with 97 per cent of the insured persons having purchased Flexi Plans. This shows that quite a number of consumers in the market may prefer having a higher level of medical protection. Among all insured persons, more than half (about 53 per cent) of them were below the age of 40, about 35 per cent were aged 40 to 59, and about 12 per cent were aged 60 or above. The younger profile among policy holders has been in line with the Government's policy to encourage citizens to get insured at a younger age.

Despite the epidemic, the number of VHIS policies has recorded steady growth. The latest figure as at 2023 shows that VHIS policies accounted for nearly one-third of the IHIP market share in Hong Kong. We believe that the VHIS will become the mainstream standard for the IHIP market in the long run and provide citizens with greater confidence in purchasing VHIS products to choose private healthcare services when in need, thereby alleviating the burden on the public healthcare system.

Based on the latest information available from the Inland Revenue Department, there were 247 000, 329 000 and 404 000 taxpayers who claimed tax deductions in the three years of assessment from 2020/21 to 2022/23, involving a total of \$1.693 billion, \$2.355 billion and \$2.987 billion in VHIS qualifying premiums respectively. For instance, about 74 per cent of the insured persons had their paid premiums fully deductible in the year of assessment 2022/23. We consider that the current ceiling of tax deduction

remains appropriate, and will review it from time to time in view of economic development and market demand.

The Health Bureau will continue to monitor the implementation of the VHIS, collect market data and canvass the views of various stakeholders so as to align it with various public health policies of the Government. As an example, in view of the imminent operation of the Chinese Medicine Hospital of Hong Kong, the Government has initiated dialogue with the insurance sector on covering relevant medical expenses under the VHIS in future. Relevant discussions are actively underway. Moreover, the Government is willing to review the possible areas of refinement for the VHIS in due course, such as the benefit items to be covered, service charges and benefit limits. This serves to ensure that the VHIS can keep abreast with the latest trends in the healthcare market and achieve sustainability while catering for the needs of the public.

In the meantime, the Government will also focus on deepening reform of the healthcare system. As announced by the Chief Executive in his 2024 Policy Address, the Government will develop quality indicators for public and private healthcare systems and explore legislating for private healthcare price transparency to enhance service efficiency and address the issue of medical inflation, with the plan to consult the healthcare sector next year. Other measures include establishing a professional platform for developing evidence-based clinical protocols and exploring the feasibility of devising service quality and efficiency standards for public and private healthcare sectors, as well as amending relevant legislation to require all healthcare providers to deposit essential health data in the personal eHealth accounts of members of the public. These would contribute to enhancing the quality and efficiency of healthcare services in Hong Kong including those in the private sector.

Thank you, President.