

LegCo Secretariat releases Research Brief on “Health insurance for individuals in Hong Kong”

The following is issued on behalf of the Legislative Council Secretariat:

The Legislative Council Secretariat (the Secretariat) today (July 3) released a Research Brief on "Health insurance for individuals in Hong Kong".

In parallel with growing health consciousness in society, the number of local people covered by the individual-based health insurance (IHI) schemes has surged by 78 per cent within a decade to 2.4 million in 2016, along with a leap in the penetration ratio from 20 per cent to 34 per cent. Market premium has almost tripled to about \$10.3 billion in 2016.

However, less than three-fifths of the insured people covered by IHI policies were treated in private hospitals, indicating a general hesitation amongst IHI policy holders to patronise private hospitals. This could be partly attributable to caveats of existing IHI products in the market, including a lack of premium transparency and budget certainty, declined coverage of pre-existing conditions, no guaranteed renewal of policies, frequent reports of disputes and complaints over insurance claims.

Despite the robust penetration of health insurance, the diversion effect in overall healthcare system from the public sector to private sector is disproportionately small, partly due to higher administration cost in running the IHI system. Moreover, service expansion in the private sector was not fast enough to keep pace with the overall healthcare demand. During 2006-2016, the share of private sector in the total number of inpatient discharges declined from 20 per cent to 18 per cent, as well as the share in out-patient care from 71 per cent to 68 per cent. The public healthcare system remains highly congested.

To relieve the pressure on public sector and to broaden the source of healthcare financing, the Food and Health Bureau (FHB) will launch the Voluntary Health Insurance Scheme (VHIS) in early 2019, offering annual tax incentives of up to \$8,000 for individuals to purchase the certified IHI plans meeting prescribed minimum product requirements. FHB estimates that about 1.5 million people will join VHIS by the third year of implementation.

However, the regulatory regime is entirely voluntary and is confined to the Certified Plans under VHIS, while the stock of existing non-compliant policies in the market remains "lightly regulated". Coupled with the omission of high-risk pool from the prescribed minimum requirements and expectation of higher insurance premium of the certified plans, the policy target to cover 1.5 million people under VHIS within three years seems to be quite challenging.

This is the third issue of the Research Brief for 2017-2018 prepared by the Secretariat's Research Office of the Information Services Division with a view to enhancing information support for Members. It is a concise summary aiming at explaining a subject matter which may be of interest to Members and the general public.

The Research Brief is now available on the Legislative Council Website at www.legco.gov.hk/research-publications/english/1718rb03-health-insurance-for-individuals-in-hong-kong-20180703-e.pdf.