The Politics of Health Finance Reform in Hong Kong

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ABSTRACT
Since the late 1950s, Hong Kong’s public health services have increased. They are mainly funded by taxes, supplemented by minimal user fees. In the late 1980s, the government recognized the limitations of this financing model and subsequently proposed alternative methods of funding. Their proposals have been rejected by various stakeholders, who represented different, and even conflicting, values and interests. This paper describes the development of health services and the debates that have surrounded health financing since the late 1980s. It shows that the health finance debate in Hong Kong is not a simple issue that can be tackled by rational planning; instead, it is a complex consequence of welfare politics in an increasingly mobilized society.

Keywords: Health Finance, Health Policy, Health Services, Hong Kong, Public Health Services

INTRODUCTION
The earliest public health services in Hong Kong were mainly devoted to combating communicable diseases. As the government was largely unresponsive to demands for further services, the gap in provision was filled by traditional Chinese medical practitioners and hospitals operated by local philanthropic organizations. It was not until the late 1950s that the government expanded its role and investment in health care.

During the past five decades, a system of service provision has developed with a clear division of labour: the private sector oversees primary health care, and the public sector is responsible for the more expensive secondary and tertiary health care services. In terms of financing, the private sector is mainly funded by user fees and the public sector by taxes.

From the 1990s onwards, there has been a heavier reliance on public health services in Hong Kong, due to improvements in these services and to the increasing number of people without the funds for private care. The burden of financing these services will soon become even heavier due to the aging population. Facing these challenges, the government has repeatedly called for health finance reforms. However, all its proposals, with the exception of a medical fee increase, have been met with strong resistance, and no decisions have been reached. In the process, conflicts have arisen among various stakeholders and social classes, though all agree that some types of reform is necessary.

This paper describes the development and characteristics of public health services in Hong Kong since the 1960s, various proposals for
health care reform, and key conflicts among stakeholders. It will be shown that efforts for reform have been impeded by the welfare politics of this increasingly mobilized society.

### THE DEVELOPMENT OF PUBLIC HEALTH SERVICES IN HONG KONG

The first long-term plan for the development of health services was initiated in 1957. Since that time, the government has played an increasing role in health services provision. In the 1960s, government financing was primarily devoted to the construction of clinics and hospitals. According to the White Paper “Development of Medical Services in Hong Kong” (1964) the government planned to construct a network of clinics, supplemented by specialists and hospital facilities, that would be operated by the government or by government-assisted voluntary organizations (Chan, 1996, p. 98). The document also laid down the principle that users were required to pay only a nominal fee for this universal public health service (Chau & Yu, 2003).

In 1974, the White Paper “Further Development of Medical and Health Services in Hong Kong” was endorsed. Its major objectives were to improve the hospital bed to population ratio and to establish a network in which regional hospitals and clinics combined forces with the private sector to provide primary health care. The fees charged for public health services were kept low. For example, in 1980, the charge for out-patient treatment was HK$ 3 and for in-patient treatment, HK$ 5 per day. In the 1980s, public health services continued to expand: there was a 17.5% increase in the number of government hospital beds during the decade. In the mid-1980s, however, cost efficiency became a priority. The government stated that, 

*The lesson of public health services all over the world is that increased expenditure does not necessarily translate into higher standards. What is really important is the way the money is used and how well the facilities are managed* (Hong Kong Government, 1989, p. 14).

“The Delivery of Medical Services in Hospitals”, also known as the Scott Report was published in 1985 (W.D. Scott Pty Company, 1985). It focused on health services administration, cost-recovery, and cost-containment. Improving the management of limited resources was a key issue in the 1990s. The Hospital Authority was formally established in December 1990, with the aim of maintaining the quality of services without increasing state investment.

While new forms of health financing were being explored, the easiest option—to increase user fees—was adopted. It was hoped that such policies could help to improve the Hospital Authority revenue and reduced demand on public health services (such as the accident and emergency services). In 1992, the out-patient fee was raised to HK$ 21 and the in-patient ward fee to HK$ 43. These rates are now HK$ 45 and $100, respectively. Though the increase seems dramatic, it is consistent with the growth in the general income level (e.g., the median household income was HK$ 9,964 in 1991, and HK$ 18,100 in the third quarter of 2010).

While the government concentrated in hospitals and clinics construction plan, the private sector continued to concentrate on primary health-care provision offered in small, individually owned clinics (in the past decade, there has been an increase in health-management organizations and group-practice clinics). The fees charged by these clinics are determined by the market and are not subject to government regulation. Most users pay for their treatment, though some are covered by health insurance that is either independently purchased or provided as part of an employee benefit package.

The health system in Hong Kong is based on a “dual medical economy” in which “the government has been significantly involved in both the funding and provision of health services mainly through tax financing, whereas the private sector operates in a loosely organized manner as individual clinics that dominate the ambulatory care sector” (Yeung & Chan, 2006,
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