

# Chapter 25

## Politics Matters: The Attempts and Failure of Health Finance Reform in Hong Kong

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### ABSTRACT

*Hong Kong's public health services gradually developed since the 1950s. 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 has subsequently proposed alternative methods of funding. Their proposals have been rejected by various stakeholders, who represent different, and even conflicting, values and interests; and eventually can only end up with a limited voluntary health insurance scheme. This chapter 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.*

### 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 six 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.

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From the 1990s onwards, there has been a heavier reliance on public health services in Hong Kong, despite there were also increase in private health insurance and out-of-pocket payment, 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 type of reform is necessary. Eventually, only the Voluntary Health Insurance Scheme (VHIS) could get through and will be implemented in April 2019. Nevertheless, VHIS is a limited attempt which cannot address the entire health finance problem.

This chapter 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.

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