

Hospital Authority passes health test

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In mid-July, a legislator's motion on dissolving the Hospital Authority, the statutory body for managing all public hospitals and institutions, stirred widespread debate on Hong Kong's health policies. Although the motion did not succeed in the Legislative Council, heated discussion still goes on.

A committee set up by the government late last month is due to review the authority's performance, but even this has proved contentious; controversies about its membership have arisen. Hong Kong has a world-class health system financed by taxes with very low patient fees. Is an overhaul of its health governance system really necessary?

Criticism of the Hospital Authority usually takes three forms. First, that the quality of care and patient satisfaction have declined, mainly due to long waiting times; second, the uneven allocation of resources; and third, there are still staffing and infrastructure shortages, while the private sector's potential to provide services has not been fully utilised.

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However, these problems are attributable to a series of systemic glitches that can be corrected, rather than fundamental flaws in the design of the authority.

Long waiting times are quite common in most health systems financed through taxation, and the situation in many other countries is a lot worse than in Hong Kong. In Canada, for instance, a patient has to wait four months, on average, for an MRI scan, while the average time for a knee replacement is almost a year.

We can't blame patients for visiting hospitals too often because they have medical needs, but in most public medical systems, the "free lunch" syndrome persists. This leads to overutilisation. As seen in Taiwan, overuse has led to less efficient allocation of financial resources because some patients may not actually need that much tertiary health care.

In theory, it's possible to prescribe very straightforward policy advice. On the demand side, an increase in out-of-pocket fees would deter overuse of the system and thus reduce waiting times. But this is unrealistic in Hong Kong's current political climate; any such suggestion would meet overwhelming public opposition, a lesson learned from the frustration of past public consultations.

Yes, something could be done on the supply side, by enhancing the capacity of the public system or establishing new hospitals, for instance. Unfortunately, both need a long time to take effect, not to mention the constraints on the training capacity of local medical schools.

Some have called for private hospitals to have a stronger presence in Hong Kong, which could create pressure for public hospitals to improve performance on one hand, while absorbing a large number of patients from the overloaded public system, on the other. The new private hospitals under construction reflect the government's long-term planning for the health system.

However, it should be noted that few people other than the rich would benefit from more choice in the private market; millions of middle- and low-income residents would still be left with no choice but the public system.

With or without the Hospital Authority at the top, the health governance system is not responsible for this socioeconomic reality. In recent debates, the concept of "money follows the patient" has merited attention. Researchers generally agree that subsidising the demand side, that is, patients, tends to be more efficient than pouring taxpayers' money into public hospitals. Hong Kong is not short of successes in this regard. The Health Care Voucher Scheme, introduced in 2008, is a good example. It encourages the elderly to use private facilities by offering them annual subsidies of HK\$250, which was increased to HK\$1,000 after the pilot scheme showed positive results.

Given Hong Kong's rapidly ageing population, longer life expectancy, increasing demand for quality care and the heavy pressure on public facilities, adopting similar demand-side schemes has to be a

promising policy option. It would not only help relieve the pressure on public hospitals, it would also contribute greatly to the government's long-term agenda of poverty alleviation and social protection.

Some critics of the Hospital Authority contend that a centralised governance structure is inefficient, and point to the HK\$1 billion budget for its headquarters. However, health care is very prone to market failures, which makes government regulation indispensable. This is why the government's belief in non-interventionism did not prevent the formation of a strong central statutory institution. In this regard, our East Asian neighbours offer lots of lessons. South Korean health care, for instance, is dominated by private facilities. This has not only made it harder for the state to correct market problems, but has also fuelled cost inflation.

In contrast, Taiwan's system has been lauded as one of the world's best, the key reason being that the National Health Insurance Administration - as the single purchaser of health services - is in a strong position to guide hospitals, seek compliance and ensure policy objectives are met.

Hong Kong's health governance system is not perfect, but its overall performance provides strong justification for the Hospital Authority to continue to exist. Seven major mainland cities, including Beijing, Shenzhen and Chengdu, have followed Hong Kong's path and created their own hospital authority as a key initiative to drive their health system towards centralised and professional regulation.

The issues that have emerged in recent debates largely point to systemic glitches that can be corrected through fine-tuning and continuous improvement, rather than reflecting a fundamental institutional dysfunction.

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