

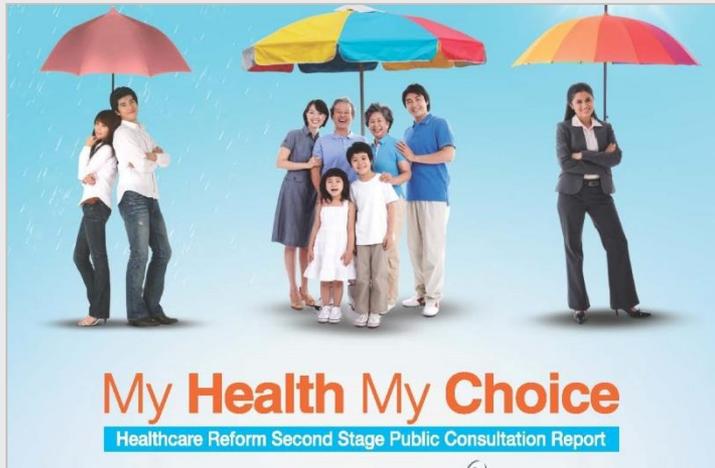


Voluntary Health Insurance Scheme (VHIS)



08.02.2015

Nothing has
changed
except the
NAME



HPS

VS



VHIS

Voluntary Health Insurance Scheme (VHIS)

– standard plan structure



	Minimum Requirements	Remarks
1	Guaranteed renewal	Guaranteed renewal without re-underwriting
2	No “lifetime benefit limit”	Coverage based on annual limit
3	Coverage of pre-existing conditions	Coverage of pre-existing conditions subject to a standard waiting period: 0% for 1 st year; 25% for 2 nd year; 50% for 3 rd year; thereafter full cover
4	Guaranteed acceptance with premium loading cap	Guaranteed acceptance with premium loading capped at 200% standard premium and to be funded by high risk pool for: i. All ages within the first year of implementation of the VHIS; and ii. Those aged 40 or below starting from the second year of implementation of the VHIS;
5	Portable insurance policy	Portable insurance policy with no re-underwriting when changing insurer, provided that no claims were made in a certain period of time (say, three years) immediately before transfer of policy;
6	Coverage of hospitalization and prescribed ambulatory	Benefit coverage must include medical conditions requiring hospital admissions and/ or prescribed ambulatory procedures;
7	Coverage of prescribed advanced diagnostic imaging tests and non-surgical cancer	Benefit coverage must include prescribed advanced diagnostic imaging tests, subject to a fixed 30% co-insurance to combat moral hazard; and non-surgical cancer treatments up to a prescribed limit;

Voluntary Health Insurance Scheme (VHIS)

– standard plan structure (cont'd)



	Minimum Requirements	Remarks
8	Minimum benefit limits	Benefit limits must meet prescribed levels
9	Cost-sharing restrictions	No cost-sharing (deductible or co-insurance) by policyholders except the fixed 30% co-insurance for prescribed advanced diagnostic imaging tests; and annual cap of \$30,000 on cost-sharing by policyholders (excluding excess amount payable by policyholders if actual expenses exceed benefit limits)
10	Budget certainty	Budget certainty for policyholders through – <ol style="list-style-type: none">Informed Financial Consent: a policyholder should be informed of estimated charges and estimated claims amount through written quotation before treatmentNo-gap/ known-gap arrangement for at least one procedure/ test: a policyholder can enjoy “no-gap” (no out-of-pocket payment is required) or “known-gap” (a pre-determined amount of out-of-pocket payment) if the procedure concerned, the institution (e.g. hospital) and doctor selected by the policyholder are on the lists agreed among his/ her insurer and healthcare providers
11	Standardized policy terms and conditions	Standardized terms and conditions e.g. exclusion and payment provision
12	Premium transparency	Transparent information on age-banded premiums through easily accessible platform (e.g. websites of insurers and the VHIS regulatory agency to be established).



Category	
(A) Itemised benefit limits (for hospitalisation only)	
(1) Room and board (daily, maximum 180 days)	\$ 650
(2) Attending physician's visit (daily, maximum 180 days)	\$ 750
(3) Specialist's visit (per admission)	\$ 2,300
(4) Surgical limit (including surgeon, anaesthetist, operating theatre ⁽²⁾) (per surgery)	Maximum \$ 58,000 (varies by surgery type)
(5) Miscellaneous hospital expenses (per admission)	\$ 9,300
(B) Packaged benefit limits	
(1) Prescribed ambulatory procedures (per procedure), e.g. endoscopy, cataract extraction and intra-ocular lens implantation surgery	Lump-sum packaged benefit limit ⁽²⁾ (varies by procedure type)
(2) Prescribed advanced diagnostic imaging tests (per test), e.g. Magnetic Resonance Imaging (MRI) examination, Computed Tomography (CT) scan, Positron Emission Tomography (PET) scan	Lump-sum packaged benefit limit ⁽²⁾ (varies by test type) subject to 30% co-insurance
(3) Non-surgical cancer treatments (per disability)	\$ 150,000
(C) "No-gap/known-gap" cover	
Applicable to the list specified by insurer on: (1) procedures/tests; (2) hospitals or clinics; (3) doctors	Out-of-pocket payment varies by procedure/test type ⁽²⁾ ; no out-of-pocket payment for "no-gap" cover
(D) Annual benefit limit	\$ 400,000
(E) Lifetime benefit limit	Nil
(F) Deductible	Nil
(G) Co-insurance (other than 30% for prescribed advanced diagnostic imaging tests)	Nil

Table 3.3 Indicative Annual Standard Premiums of Standard Plan*
(Year 2012², in 2012 constant prices)

Age Group	Illustrative Annual Standard Premium
Under 15	\$ 1,250
15 to 19	\$ 1,500
20 to 24	\$ 1,450
25 to 29	\$ 2,200
30 to 34	\$ 2,200
35 to 39	\$ 3,200
40 to 44	\$ 3,300
45 to 49	\$ 4,750
50 to 54	\$ 5,300
55 to 59	\$ 6,250
60 to 64	\$ 6,900
65 to 69	\$ 8,600
70 and above	\$ 9,950
Average	\$ 3,600

Note* The premium schedule presented here is for illustration purposes only. Insurers may structure the age bandings flexibly, for instance by having more age bandings for people aged under 15, or 70 and above. Premium differentiation by gender may also be allowed.

Voluntary Health Insurance Scheme (VHIS) – other requirements



**Tax
Incentive**

**Conversion Option for
Group Member**

Migration of existing portfolio

**Regulatory
Agency**

High Risk Pool



**What the
public needs
to know?**

What the public needs to know...



**Underestimated
premium rate is
misleading**

- \$3,600 annual premium for a standard plan is **TOO GOOD to be TRUE**
- Fact omitted = possible range of -8% - +45%
- Based on outdated figure in 2012 which excluded all pre-existing conditions
- Neglecting medical inflation (+8% - +11%)

What the public needs to know...



**Consumers
have no
choice**

- FHB expects 223,000 policyholders to join VHIS (29% take up rate vs 26% currently)
- What about those who do not want to join VHIS for financial or other reasons?
- What about those who already have group benefit provided by employers and only need a smaller amount top up plan?
- What about those with high risk but willing to exclude some of the conditions without a loading and enjoy coverage for other illnesses?

What the public needs to know...



Sustainability of the High Risk Pool is questionable

- Fees assumption not realistic - Admin cost set at 12.5% (fees for fronting insurers, administration, commission to intermediaries)
- Funding from Gov't - \$4.3 bn. What will happen when it exhausts?
- Lack of choice – without the option to buy a policy without loading but an exclusion of particular illness. People with bad health will have no choice but to join HRP and pay 300% of standard premium.
- One year window – what happen to those do not join in the first year and not able to get insurance?

What the public needs to know...



VHIS is not sustainable with limited attraction to young and healthy

- With mandatory inclusion of pre-existing conditions, there's NO incentive for people to join the scheme when they are young and healthy
- Tax incentive at \$450 per year at max is minimal

What the public needs to know...



**Private
health
insurance is
providing
protection for
4,000,000
people in HK**

- The number grows by 150,000 per year
- about 90% of reimbursed claim cases took place in private hospitals or private day case centres
- Despite medical inflation, Insurance paid an average \$75 for every \$100 incurred for hospital admission expenses, and more than \$90 for every \$100 of day surgery costs

What the public needs to know...



**No measures
regulating
medical
inflation**

- Based on historical figures, the future medical cost inflation will be in the range of 8 to 11%
- Medical inflation largely driven by drugs, procedures and medical consultation. Without regulation on fees of medical services, it is difficult to keep medical cost at a reasonable level.
- Price transparency suggested in the “Regulation of Private Healthcare Facilities” is not good enough

What the public needs to know...



Under-supply of private medical services

- Limited number of private hospitals
- Non-availability of beds at private hospitals
- Under-supply of qualified doctors/nurses/medical practitioners



**What do
insurance
companies
need to
know?**

What YOU need to know...



Guaranteed Acceptance

- Apply to all in the first year and restricted to people aged 40 or below from second year onward
- Anti-selection → people won't join VHIS until they are old and sick
- Current policyholders may terminate their plan and join VHIS when they are old and sick
- Applicant may not fully disclose health history to avoid loading → insurers accept into normal pool. And withdrawal from normal pool to HRP is complicated.

What YOU need to know...



Group plans & conversion

- All insurers must offer a conversion option for group plans → employees can convert to VHIS when leaving a group scheme
- The difference between group plan and VHIS can be HUGE. How to address this?
- Not all insurers have conversion option in place.
- Employers have the option to buy such feature.

What YOU need to know...



Portability of policy

- VHIS policyholder can switch to your company if he/she makes no claim within 3 years before transfer of policy
- **No re-underwriting is allowed**
- Policyholder can shop for a plan with lowest premium

What YOU need to know...



Budget Certainty

- No-gap/known-gap arrangement for at least ONE procedure/test - You are expected to negotiate for a deal with individual private hospitals/doctors for your policyholders
- Will you be able to strike a good deal with hospitals?
- Informed financial consent – you are expected to inform your customers the estimated charges and claims amount through WRITTEN quotation before treatment.
- Will you be able to cope with the extra administrative work?

What YOU need to know...



High Risk Pool

- Sustainability highly questionable.
- May have implications on insurers as administrators when the Government funding of \$4.3B exhausts. What happens then?

What YOU need to know...



Claims dispute resolution mechanism

- In the form of mediation and/or arbitration, probably through Financial Dispute Resolution Centre
- Costs for mediation/arbitration will incur vs free mechanism currently provided by the Insurance Claims Complaints Bureau



**What we can
do....**

What we can do...



Improve our products

- Standard policy terms
- Fewer exclusions
- Guaranteed renewal
- Co-insurance and deductible
- Premium transparency
- Scope – inpatient and/or ambulatory care covered
- Regulation on policy terms only
- Claims Dispute Resolution
- More transparency at point of admission to hospital/claim



Give Consumer a Choice

- Let FHB create a VHIS product with the design as proposed
- Allow VHIS to compete alongside the existing medical products

If VHIS attracts customers...



Through free choice, customers are attracted to the VHIS. All is well and the market is growing, taking pressure off the Hospital Authority

If VHIS doesn't attract customers...



Can't force customers into an inferior/unaffordable product. Hence the need to improve the VHIS product until customers show interest





Table 26: Individual market – Impact of HPS on average standard premium

Feature	Impact (Mid Scenario)	Potential range (\$)	Potential range (%)
2012 baseline (before HPS)	\$3,300		
New benefit structure (Product 2)	-\$250 (-8%)	-\$250	-8%
Coverage of pre-existing conditions	+\$150 (+5%)	+\$150	+5%
Chemotherapy and radiotherapy	+\$250 (+8%)	+\$150 to +\$350	+5% to +11%
Advanced diagnostic tests – MRI, CT & PET (30% co-pay)	+\$550 (+17%)	+\$150 to +\$1,400	+5% to +42%
Coverage of endoscopy and colonoscopy in ambulatory setting with packaged pricing	-\$400 (-12%)	-\$450 to -\$150	-14% to -5%
2012 HPS premium	\$3,600 +\$300 (+9%)	-\$250 to +\$1,500	-8% to +45%

Note: A deductible of \$2,000 would reduce the HPS premium by around 10%. A deductible of \$5,000 would reduce the HPS premium by around 22%.

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Governance and Operations of the High Risk Pool

