



Review Article

Overview of the health care system in Hong Kong and its referential significance to mainland China

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Abstract

Hong Kong's health system was established within the framework of a perfect market-oriented economic matrix, where there are wide-ranging social security and medical service systems. There are many differences in the economic foundations, social systems, and ideologies between Hong Kong and mainland China, therefore, it would probably be entirely impossible to copy Hong Kong's health care system mode. However, under the framework of *one country, two systems*, the referential significance of relevant concepts of Hong Kong's medical service system to mainland China cannot be ignored, and merits further study.

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1. Introduction

Hong Kong (HK) has been determined to be one of the *healthiest* places in the world.¹ Because of its early health education, professional health services, and well-developed health care and medication system, residents of Hong Kong enjoy a life expectancy of 85.9 years for women and 80 years for men.² The combined male/female life expectancy is the third highest in the world, and is accompanied by an infant mortality rate of 3.8 deaths/1000 births, the fourth lowest in the world.³ In addition, Hong Kong's public healthcare is virtually free to the individual. The USA, with a population of approximately 310 million, spent US\$408 billion on Medicare in 2012 and US\$246 billion on Medicaid; Hong Kong has a

population of approximately 7 million and set aside a budget for public healthcare spending of US\$5.8 billion in 2013. The US therefore spent and may continue to spend >2.5 times or 250% more on public healthcare per capita than does Hong Kong.⁴

Because of the extended duration of British colonial rule, the health care systems of HK have loosely mirrored the traditional National Health Service system in the UK.⁵ Where Hong Kong's provided programs and services differ from the characteristic National Health Service system in the UK can be found in Hong Kong's typical medical institution management mode. The Food and Health Bureau is responsible for forming policies and allocating resources to run Hong Kong's health services most efficaciously. This bureau also ensures that these policies are carried out effectively to protect and promote public health, provide lifelong holistic health care to every Hong Kong citizen, and to ensure that no one is denied adequate medical treatment due to lack of means, which is also the basic idea of HK's medical care. Today, the Food and Health Bureau has many divisions including Agriculture, Fisheries and Conservation Department, Department of

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Health, Food and Environmental Hygiene Department, and the HK Hospital Authority (HA). The Department of Health is responsible for healthcare policies and the provision of basic healthcare services, which provides its broad range of diverse services to residents of Hong Kong through various divisions, offices, and health centers.⁶

The HA is a statutory administrative body that manages all the public hospitals and health institutes in HK. It is board governed and under the auspices of the Secretary for Food and Health of the HK Government. The HA has been providing services to the public under a cluster-based structure since 1993.⁷ It currently manages 42 public hospitals and institutions, 48 specialist outpatient clinics, and 73 general outpatient clinics. These facilities are organized into seven hospital clusters, each of which comprises a mix of acute and convalescent or rehabilitation hospitals to provide a full range of healthcare services.⁸

2. Overview of medical and health services in HK

On the whole, HK leads the world in medical/health service systems. The HK government basically has achieved the goal that every citizen in HK can receive lifelong holistic health care, and no one will be denied adequate medical treatment due to lack of means.

2.1. Public medical institutions as the main body

The healthcare system of HK runs on a dual-track basis encompassing the public and the private sectors.⁹ Public healthcare is the cornerstone of our healthcare system, acting as the safety net for the whole community. Today, the public hospitals provide approximately 90% hospital medical service and 29% outpatient medical service throughout HK. The public hospital system of HK provides a comprehensive range of quality services at a very low level of user charges, at a flat rate of US\$13/d/bed, representing approximately 95% subsidies compared to the cost. The high rate of subsidy and quality healthcare services offered by public hospitals continue to attract a multitude of patients into the system.¹⁰

Additionally, the private healthcare sector provides personalized choices and more accessible services to those who are willing and may afford to pay for private healthcare services. This healthcare sector has been relatively active due to local demand and the increasing number of patients from the mainland. In 2010, private hospitals provided approximately 11% of hospital beds and served 21% of inpatients in HK.¹¹ These private hospitals and general outpatient clinics adopt the market-set price principle, independently setting prices based on the cost of medical services. Although the medical expenses are around 10 times higher than similar expenses in public hospitals, private medical institutions have particular advantages their public care counterparts lack. Public hospitals are usually overburdened with lengthy waiting lists and waiting time for services. Patients going to private facilities can directly see doctors whom they trust, and participate in the decision as to when to be hospitalized and

when to go undergo surgery. As the superior medical service and treatment mode, private medical institutions are often particularly attractive for patients who have sufficient economic capability.

2.2. Government increases financial input on public health care and provides high medical subsidies for individuals

For the past several years, HK's government budget for medical health services has increased year-to-year. HK has established 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 and personal insurance. For example, government subsidies account for a large amount of the revenue of public hospitals, therefore, patients' expenses in public hospitals are much lower than the corresponding medical cost. This entire system is able to function effectively in part because the Comprehensive Social Security Assistance Scheme is in place, enabling sizeable numbers of patients to be deemed eligible beneficiaries.

The government has also been promoting the development of private hospitals in recent years as part of its healthcare reform initiatives to improve the long-term sustainability of HK's healthcare system. In particular, the government has supported the expansion and redevelopment plans of existing private hospitals, as well as reserving four pieces of land for new private hospital development.¹²

3. Contemplating the health care system of HK and the relevance to mainland China

3.1. Hospital management mode

In mainland China, hospitals have always been managed by the central government's National Health and Family Planning Commission (NHFPC) and health bureaus at local government level. Moreover, the NHFPC and health bureaus are still responsible for health inspection and enforcement. According to state regulations, NHFPC not only draws up healthcare policies, plans, standards, and technical specifications, and coordinates the healthcare reform and medical security system, but also directly formulates and carries out administrative measures for medical institutions and the medical services industry. This would include drawing up and implementing regulations and standards for medical institutions' services, medical techniques, healthcare quality, medical safety, and management measures for blood collection and supply agencies.¹³ The core behind this type of medical system is a mix of *rowing and steering*, governance, and administration. This is an obvious disadvantage of China's medical system and also poses one of the toughest problems for medical reform in mainland China. If health bureaus fail to manage or directly lead hospitals, the close relationship between the two will accordingly be diminished, which will facilitate the creation of

a fairer competitive environment and be of benefit for the more effective use of medical health resources.⁶

HK was troubled by mixed governance and administration 20 years ago, when all health and medical issues were under the management of the Medical and Health Department. In 1990, a new health administration system was introduced. The department became the Department of Health in 1991, wherein the management of all the public hospitals was passed to a new statutory body, the HA, which had been established in 1990 under the HA Ordinance. In 2003, the General Outpatient Clinics of the Department of Health were transferred to the authority. The establishment of the HA marked the beginning of the separation of hospital governance from administration in HK. At present, the Department of Health and HA are both health institutions in HK. The Department of Health is the government's health adviser and agency to execute health policies and statutory functions, safeguarding the health of the people of HK through promotive, preventive, curative, and rehabilitative services as well as fostering community partnership and international collaboration.¹⁴ Although the HA is a governmental bureaucracy of a public institution, it directly establishes, manages, controls, and develops public hospital systems, responsible for hospitals' financial establishment, ongoing fiscal health, and routine work.¹⁵ The two primary health institutions in HK perform their duties independently, and are efficiently organized and closely coordinated with mutual supervision. The health care mode of separating management from enforcement in HK is of great reference and comparative value for what might be important medical reforms in mainland China.

3.2. Scientific medical service idea

Mainland China should for reference look to HK's successful experience and the basic medical service idea that no one is denied adequate medical treatment for financial reasons. Part of this adaptation would involve important enlightenment to incorporate the public hospital-based strategy that emphasizes both its commonwealth character and the strengthened government responsibility of mainland China. On the mainland, an increasing number of people complain that they cannot afford to consult a doctor or purchase medicines from a chemist when they get sick, which is contrary to HK's medical philosophy. This dilemma is reflected in the difference in drug prices between the two markets. In mainland China, drug sales are the main source of profits and comprise almost half of many hospitals' total revenues. Although government officials are aware of this ongoing challenge, and some precautions have been taken such as pharmaceutical purchases through public bidding, the whole bidding process lacks sufficient regulation so that potential savings or benefits usually are not achieved.¹⁶ Public medical institutions must balance their duties of both fulfilling their public social service responsibility, and pursuing economic benefits.

3.3. Insist on a government-led medical service system

Government investment is not the cure-all solution to resolve successfully conflicting medical services issues and

other reform problems of mainland China's healthcare system. It is likely to be impossible for many governments to adopt noninterventionism completely from the perspective of a democratic country's morality and responsibility. At present in China, the government's underlying position is that basic medical security for its population should be provided without exception. In HK, although the larger medical system is dominated by the government, advantages of the market's impetus combined with the government's overall planning are effectively combined, similar to that seen in the UK and Canada.¹⁷ Although marketization of many healthcare components involving product and service pricing provides the HK medical system with elevated efficiencies and sensitivity, government intervention remains helpful in maintaining the system's fairness and ability to control costs.

3.4. Unified medical information system

A very important element that enables HK to have one of the world's leading medical services systems is a unified medical information system.¹⁸ Through this system, the HA is able to concentratedly manage the medical data or information including medical images for all hospitals. This type of management system makes relevant data available to private healthcare providers for bidirectional information sharing in the shortest possible time. Because of the Electronic Medical Records System, it is much easier to facilitate patient referral and movement between different hospitals.¹⁸ However, mainland China has an enormous population within a wide and far-reaching geographical area, therefore, establishing a unified medical information system covering the entire country may be unrealistic in the short term. Instead, for situations requiring patient referral between hospitals and similar matters, information management at the regional level should be considered such as provincial-level platforms for the sharing of medical data.

3.5. Comprehensive health insurance system

Generally speaking, HK's healthcare system is divided into two options: public health insurance and private health insurance. The government simply provides healthcare for everyone at virtually no cost primarily through the public option, which includes services for not only HK citizens or permanent residents, but also nonpermanent residents. Therefore, as soon as a person is in HK with a valid visa and has acquired an HK ID card, they are eligible for public healthcare. However, the health insurance system in mainland China is divided into three tiers. Although the combination of the three tiers has already achieved general universal coverage, the overall quality of its provided services remains too low. China's total expenditures relating to healthcare have increased year by year over the past several decades, however, the percentage of the government's larger budget dedicated to healthcare expenditure is actually decreasing. Spending on healthcare as a percentage of China's financial expenditures and gross domestic product (approximately 5% in recent

years) is much smaller compared to HK, where the annual government recurrent expenditure on healthcare increased 40% from 2007 to 2012, reaching almost US\$5.8 billion in 2012, and accounting for 17% of the HK government's total recurring expenditures.⁹ Secondly, the household registration system and the urban–rural dual system in mainland China make the overall health insurance system too fragmented, contributing to inefficiency and inequity to a certain degree, and contributing to the excessively low level of insurance coverage for the poor. Different payment standards and reimbursement ratios have further intensified the socioeconomic injustice in how health insurance resources are allocated. Therefore, policy makers must be abundantly aware that China, as a developing country, has its own unique national conditions and social structures. The primary challenges to health insurance reform in mainland China originate from many different sources including public hospital reform, blocking by vested healthcare interests, and the unimproved fiscal and taxation system. All these problems with the existing system of healthcare delivery in mainland China are deeply rooted and will involve solutions that will take time to conceive and implement, and must be addressed in a gradual and orderly manner.

4. Problems of HK's health care system

Similar to other countries, HK is presently facing serious challenges due to its rapidly aging population, as well as an increase in lifestyle-related noncommunicable diseases and escalating medical costs caused by advances in technology. Today, the elderly comprise approximately 12.5% of HK's total population; this figure will reach 25% by 2030.⁹ As mentioned above, the public hospital system of HK provides a comprehensive range of quality services at a very low user charge level. This continues to attract patients into the system even if they independently have sufficient economic capability of their own to afford private medical care, which results in lengthening waiting lists and waiting time for services.¹⁰ Misuse, inefficient use, overuse, and abuse of health care resources tends to gradually develop, and the workloads of public hospitals and doctors alike are woefully overextended, resulting in the loss of medical talent, which in turn has further exacerbated manpower shortages.¹⁹ The HK government has to date been trying to meet the increase in expenditure required by public healthcare over the past years. The annual Government recurrent expenditure on healthcare increased 40% from 2007 to 2012, reaching approximately US \$5.8 billion in 2012, accounting for 17% of total recurrent expenditure of the government.⁹ Additionally, a number of public hospital development and redevelopment projects were launched in the past few years as well. Consequently, these additional economic obligations have continued to increase the HAs financial deficit.

On a separate note, HK is at a critical stage in formulating detailed proposals for the Health Protection Program (HPP), which is a voluntary and government-regulated private health

insurance scheme proposed in 2010. By offering better protection and value-for-money private insurance products, use of the HPP may provide an alternative to public healthcare to those who are willing and able to afford private healthcare services, in particular the middle class.²⁰

As more people choose to make use of private healthcare services, the public health system can have the capacity to reprioritize its work to better focus on providing services in its four target areas: (1) emergency care; (2) service for under-privileged groups; (3) complicated illnesses that entail high costs and advanced technology; and (4) the training of health care professionals. In drawing up detailed proposals for the HPP, the government has looked at options that would include the use of financial incentives or government subsidies, including tax incentives, to encourage people to participate in the scheme.

Currently, both systems in HK and mainland China are undergoing significant changes, in strikingly similar fashions. Similar to HK, mainland China will also require significant changes to contain the growth of health care expenditures, due to rising cost pressures associated with new technologies, as well as burgeoning and aging populations. Economically, both HK and mainland China face increasing pressure and demand for health care services. From a public policy perspective, the two areas' systems provide care inefficiently because they have incentive systems that encourage overuse of health services, and financial support for health care that is only half of what is commonly seen in most developed countries. Therefore, mainland China should consider implementing some features of managed care, which may help reduce incentives for overutilization. Secondly, a large portion of the population still could not afford health care despite low fees in mainland China. Although antipoverty reforms may improve the population's health and allow individuals to purchase private health insurance, more effective and easier insurance programs should be initiated to encourage greater use of private health insurance. Lastly, HK needs to carefully look at the possibilities of user fee increases, raising the cost of care at the point of service, and improving the coordination of care to create and maintain a healthier financial equation that is both affordable and sustainable in the short and long term.

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