



THE HONG KONG
POLYTECHNIC UNIVERSITY
香港理工大學

COLLEGE OF PROFESSIONAL AND
CONTINUING EDUCATION
專業及持續教育學院

DEVELOPMENT OF PRIVATE HOSPITALS IN HONG KONG: AN INSTITUTIONAL EXPLANATION

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HEALTHCARE REFORM IN HONG KONG

- Voluntary Health Insurance Scheme (自願醫保計劃)
- Facilitating a greater use of private healthcare services as an alternative to public services through enhancing the quality of health insurance in the market
- Thereby better enabling the public sector to focus on providing services in its target areas
- Assumption: The implementation of the Scheme may require an increase of around 9%-30% in capacity for private healthcare services over the next 10 years, and possibly up to 50% by 2036.



SLUGGISH DEVELOPMENT OF PRIVATE HOSPITALS

- 11 private hospitals in Hong Kong
- Only one new private hospital in forty years
- No new private hospital in the last twenty years



UNFAIR COMPETITION FROM THE PUBLIC HEALTHCARE SECTOR

- Market share of private hospitals shrank in the 1990s
- Dramatic improvement of healthcare service by the Hospital Authority
- Heavy subsidization of Hospital Authority by the government
- But this argument is not supported by evidence.



SLUGGISH DEVELOPMENT OF PRIVATE HOSPITALS SINCE THE 1980S

Year	Government	Subvented	Private	Total
1955	1971	1817	1008	4880
1960	2432	3771	1108	8090
1979	9445	8630	2531	20606
1980	9684	8585	2537	20806
1981	10281	8755	2550	21586
1982	10743	9222	2725	22690
1983	10881	9336	2718	22935
1984	11759	9578	2736	24073
1985	12288	9622	2728	24638
1986	12285	9601	2664	24550
1987	12631	9540	2725	24896
1988	12687	9577	2793	25057

Source: Director of Medical and Health Services, Annual Departmental Reports.



THREE REASONS FOR THE SLUGGISH DEVELOPMENT OF PRIVATE HOSPITALS

1. Lack of transparency and standardization of fee-charging
2. Variability of the quality of healthcare service
3. Inadequate management of private hospitals



LACK OF TRANSPARENCY AND STANDARDIZATION OF FEE-CHARGING

- David Fang argues that the major cause of public-private imbalance is the lack of transparency of fee-charging by private hospitals (Fang 2006: 204).
- An old problem mentioned in the Rainbow Report back in 1993



VARIABILITY OF THE QUALITY OF HEALTHCARE SERVICE

- Poor documentation and record keeping by visiting doctors
- High ratio of visiting doctors in private hospitals
- Harvard Report in 1999: Inadequacy of outcome measures
- Hospitals, Nursing Homes and Maternity Homes
Registration Ordinance (Cap. 165): Scope of coverage?
- Enforcement by the Department of Health (DH)?



INADEQUATE MANAGEMENT OF PRIVATE HOSPITALS

- Corporate governance?
- Qualification and roles of the director of private hospitals?
- Accreditation?



WHY NO EFFORT TO SOLVE THESE PROBLEMS?

- Free riding and the dilemma of collective action problem
- Institutions as coordination mechanism



INSTITUTIONAL ENVIRONMENT OF PRIVATE HOSPITALS

- Minimal government intervention
 - Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165) very outdated
 - The government's reluctance to intervene?
- Fiercest resistance of the medical profession to any infringement of professional autonomy



PROSPECT OF HEALTHCARE REFORM?

- Unless there is major change of the institutional environment,
- the sluggish development of private hospitals will continue.
- The Voluntary Health Insurance Scheme will not be viable.
- Healthcare reform in Hong Kong has dragged on for more than twenty years.
- But the prospect of healthcare reform is gloomy.





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- THANK YOU -

