



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 -

