

27 March 2006

Ms Doris Chan
Clerk to Legco Health Services Panel
Legislative Council Building
8 Jackson Road
Central, Hong Kong

Dear Ms Chan,

Panel on Health Services Special Meeting 30 March 2006

Quality HealthCare supports the Medical Council for its concern over the maintenance in Hong Kong of consistent, transparent and high standards of quality assurance in the provision of health care.

At the same time, however, we strongly disagree that this should be tackled exclusively with regard to “health maintenance organizations” (HMOs). It is in the health care-consuming public’s (i.e. the patients’) best interest that quality assurance measures, such as continued medical education requirements, peer review and medical audit, treatment protocols and clinical guidelines, are applied not just to so called “HMOs”, but across private and public hospitals, physician groups and solo practitioners.

Problems defining an “HMO” in Hong Kong

It is important at the outset to clarify that there is no such entities as “HMOs” in Hong Kong. Thus, formulating and implementing legislation to regulate these so called HMOs can be counter-productive:

- A widely accepted definition in the US and the UK is that an HMO is a prepaid medical service in which members pay a fee for all health care. The health care provided includes primary, secondary and tertiary care.
- As a result, the only true HMO in Hong Kong is the Hospital Authority.
- Instead, a wide variety of private medical groups exist in Hong Kong. Some groups are formed by a handful of estate doctors linking together as networks; some are large medical practitioner group practices; others are panels or preferred provider organisations (PPOs - like Quality HealthCare), in which networks of selected health care providers, mainly physicians in Hong Kong, provide coverage to participants. All are licensed, regulated and accountable as the law requires a fully registered doctor to participate and deliver the service. The doctor’s behaviour is defined, overseen and enforced by the Medical Council.

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- While such PPOs involve formal business investment, these are still firmly led by medical practitioners. Doctors are invariably majority shareholders in these groups, actively participate in the management of these groups, and play a critical role in the quality and professionalism of services provided. It is QHC's experience that board membership broadened beyond the medical profession is an important means not only of ensuring that community interests, and in particular those of patients, are taken full account of, but also ensuring rigorous professional management within the health care provider.
- Many panels in Hong Kong could conveniently reconstitute themselves from a company into a partnership of doctors, or other forms of group practices, rendering ineffective any legislation intended to single out panel physicians for separate regulation.
- Even where group practices or solo practices are operated exclusively by medical practitioners, these are still operated as businesses, and are subject to identical community and market pressures. In short, all medical practices providing private health care in Hong Kong operate as for-profit businesses, just as they strive to operate as highly professional providers of health care services. Cases of misconduct acted upon by Medical Council show that having 100% ownership by Doctors do not avoid problems or complaints.

Comprehensive reform, not piecemeal regulation

We believe it is in the best interest of Hong Kong citizens that our health care system is reformed in a holistic manner. The role of panel physicians as a part of the private health care sector should be considered within the context of Hong Kong's health care reforms. Piecemeal legislation that regulates panels is inappropriate.

We support the Government's current efforts in reviewing Hong Kong's health care system, as discussed in the consultation paper published mid-2005, entitled "Building a Healthy Tomorrow: Discussion Paper on the Future Service Delivery Model for our Health Care System". Concerns raised by the Medical Council and others can and should be tackled under this review.

Investments for significant reforms in the Private Sector cannot be met just by doctor shareholders alone, as proposed by some members of the panel.

Patient needs are the priority

Panels have developed in Hong Kong to serve the interests of patients, and the client companies that employ them.

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- While QHC understands and can sympathise with concerns raised by medical practitioners, recognizing that some raise legitimate questions in need of resolution (e.g. transparent provision and pricing of drugs, or advertising in the health care sector), we believe the over-riding priority is to focus on patient needs, and how to ensure best quality, value-for-money health care services for Hong Kong people whether as individuals or as beneficiaries of company health care schemes. This priority can only be properly addressed by a comprehensive review of health care provision.
- An increasing number of Hong Kong companies offer medical benefits to their staff. These medical plans are negotiated with insurance companies. For efficiency, both the client companies and the insurance firms invariably prefer to deal with an existing network of physicians. Panels provide an efficient solution for corporations and insurance firms, facilitating their provision of medical benefits to individual employees.
- Panels provide the IT support, administrative staff and all clinical management systems that a doctor requires, so that the doctor can concentrate on treating patients and meeting their needs.
- Recent examples of unprofessional practice by health care providers have by innuendo been “blamed” on so-called HMOs. In reality, careful examination of the cases involved show that examples of unprofessional practice have arisen across the health care sector – within hospitals, inside doctor-owned practices, among solo practitioners, and with insurers. The patient’s best interest is served by recognizing that abuse can – and occasionally does – occur in all areas of the health care sector, which calls for sector-wide oversight, not piecemeal isolation of distinct segments of the sector.

The Positive Contribution of PPOs

For companies and insurers

HMO-type organisations have emerged both in Hong Kong and elsewhere for very good reasons, providing corporate health-scheme providers and medical insurance companies with the efficiency and transparency they need to operate health schemes as part of the service offered to staff or insurees. They provide:

- Confidence of high quality medical services across a broad range of services.
- Transparency, choice, consistency and predictability in terms of fees: companies that seek to provide medical care to employees must do so with a degree of bottom line/budget control and understanding of health care transactions.

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- Customized benefit programmes delivered in a cost-effective way by a single source organisation.
- Outsourced third party administration for healthcare as corporates do not have the expertise nor wish to invest in one.

For patients:

Because of their effectiveness in providing this confidence and consistency, many patients who previously had no private medical cover now receive cover from companies that employ them. It is in the public interest that companies should offer staff medical schemes and thus take the pressure off government services.

For medical practitioners:

An HMO-type organisation removes from the solo practitioner the increasingly complex and often onerous and time-consuming tasks of managing the business aspects of a medical practice, especially in corporate and insurance care, enabling the doctor to do what he or she does best – serving the health needs of patients.

This includes everything from IT systems covering billing, drug procurement and other forms of record keeping, to rostering, training and recruitment of new staff and all other forms of administrative support.

By concentrating a broad range of expertise and facilities in one location, HMO-type organisations help doctors to enhance their service to patients.

Both in terms of actual health care facilities and contract administration, HMO-type organisations provide a choice and a career path for doctors who want to be involved in contract medicine.

In sum, contract medicine enables consolidation of care, which in turn enables and encourages investment in operational, management and financial infrastructures that deliver multiple benefits to purchasers, employees and physicians. It ensures professional business management which complements the clinical expertise of medical practitioners. Contract medicine reduces the cost of care to all parties concerned, improves efficiency, and enhances convenience for patients and employers alike.

For the Government and tax payers:

- By complementing public, tax payer-funded health care, with the cost-effective delivery of private patient care, contract medicine providers like QHC help to relieve financial and operational pressure on the public health care system.

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- By enabling private and institutional investment in health care services, including stock market investment, contract care providers also alleviate the pressure on private medical practitioners to bear the cost of all investment in high quality private health care services and facilities. This has facilitated the growth of private health care provision, and enabled timely investment in the new and expensive technologies that ensure best-possible treatment for patients.

The background of Quality HealthCare

Quality HealthCare was formed in 1997-98 through the merger of three Hong Kong Medical Groups. They include Anderson & Partners, Henry Lee & Associates and the Allied Medical Practices Guild. QHC is a public company listed on the Stock Exchange of Hong Kong.

In addition to direct provision of primary care service and allied healthcare such as dentistry, physiotherapy, nursing, traditional Chinese medicine and employee assistance programmes, QHC is also a healthcare administration company providing network management, facilities management and third party administrative services.

QHC's wholly owned subsidiary Quality HealthCare Medical Services Ltd. ("QHMSL") is a health administrative company in Hong Kong, which administers corporate health schemes and provides medical services both directly and indirectly through its network of registered medical practitioners. QHMS employs approximately 100 doctors providing medical services within medical centres operated by QHMS and another 500 affiliated doctors to whom it refers patients. It does not operate inpatient or hospital care services.

QHC keenly subscribes to the Medical Council's view that Hong Kong requires high standards of quality assurance, and has such measures already in place, including:

- **Strong medical centre governance:** A Medical Standards and Compliance Committee ensures that medical centre practice and business ethics comply fully with the Hong Kong Medical Code. The committee comprises senior doctors with an average of 20 years of experience in the medical profession. Our quality assurance is proven by our two decades of experience in looking after 600,000 lives.
- **Rigorous medical centre operations:** QHC ensures full compliance of Occupational Safety and Health (OSH) requirements of the Department of Health. With a strong infrastructure of administrative support, our drug dispensing and pharmacy activities are rigorously in compliance with DOH regulations.

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- **Efficient and transparent financial governance:** QHC has a system of internal audit checks, rigorous oversight of cash handling and systematic review of medical contracts and quotations. Apart from being reviewed by an internal audit officer, QHC is audited by Ernst & Young. As a publicly listed company, QHC is subject to the code of best practice by the Hong Kong Stock Exchange. We have a proven track record that testifies to our fiscal prudence and management capability.
- **Primacy of the doctor-patient relationship:** QHC believes that the doctor-patient relationship is sacrosanct and does not interfere with this relationship. The patient's individual treating doctor maintains absolute control of the patient's treatment.

Yours sincerely,



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