



Redistribution or Horizontal Equity in Hong Kong's Mixed Public-Private System: A Policy Conundrum

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In contrast to other high-income economies of Asia (eg Japan, South Korea and Taiwan) and elsewhere, Hong Kong has not used the fruits of development to adopt social health insurance but has maintained a mixed model of public-private health care. The basis of this model is universal entitlement to a comprehensive range of publicly provided health services financed from government general revenue. In parallel, a substantial private sector, which is financed mainly by direct payments but with some private insurance and employer-provided health benefits, concentrates on outpatient care. To better appraise the case for imminent health system reform and to speculate on the consequences of specific proposals, it is necessary to understand the performance of the current system.

The distributional implication of the system is one dimension of performance that deserves particular attention because it is a major axis on which health systems are commonly judged. Moreover, the distributional characteristics are a potentially important seed to the plea for reform. We examine the distributional characteristics of Hong Kong's mixed health economy to identify the net redistribution achieved through public spending on health care, compare the income-related inequality and inequity of public and private care, and measure and explain horizontal inequity in health care delivery overall.

Payments for public care are highly concentrated on the better-off while benefits are pro-poor. As a consequence, public health care effects significant net redistribution from the rich to the poor. Public care is skewed towards the poor in part because of allocation according to need but also because the rich opt out of the public sector and consume most of the private care. Overall, there is horizontal inequity favouring the rich in general outpatient care and (very marginally) inpatient care. Pro-rich bias in the distribution of private care outweighs the pro-poor bias of public care. A lesser role for the private sector may improve horizontal equity of utilisation but would also reduce the degree of net redistribution through the public sector.

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