

CHAPTER 13

MEDICAL BENEFITS

13.1 INTRODUCTION

Proposal in Report No. 7

13.1.1 In Report No. 7, we recommended that medical benefits should be included in total packages of both the public and private sectors for pay comparison purpose and proposed that the value of medical benefits should be assessed on the basis of the premium rates charged by leading insurers for the benefits provided.

Current Practice in the Civil Service

13.1.2 The main emphasis of the medical services available to civil servants is on the provision of treatment as and when necessary. Those entitled to Government medical services include :

- (a) all monthly paid civil servants and their families;
- (b) pensioners and their families; and
- (c) the families of deceased officers in receipt of a pension under the Widows and Orphans Pensions Scheme or the Widows' and Children's Pensions Scheme.

13.1.3 Medical benefits which civil servants receive in addition to the general medical and health services which the Government provides to the public are as follows :

- (a) exemption from charges at Government clinics, hospitals and dispensaries;
- (b) priority treatment, up to a fixed quota, at certain out-patient clinics;
- (c) concessionary maintenance fees at Government hospitals; and
- (d) six additional clinics for the exclusive use of two groups of civil servants :

- (i) four general medical clinics for members of the Royal Hong Kong Police Force; and
- (ii) two Families Visiting Clinics for English-speaking officers.

Current Practice in the Private Sector

13.1.4 According to previous Fringe Benefit Surveys, many companies in the private sector provide more than one type of medical benefit, so that different groups of staff might receive different levels of benefit. Benefits provided by companies include the following :

- (i) reimbursement of all or part of the medical expenses incurred by their employees;
- (ii) provision of their own free or subsidized company doctors; and
- (iii) provision of contributory or non-contributory medical insurance schemes.

However, only a few surveyed companies extend medical benefits to dependants.

13.2 WORKING GROUP'S VIEW

13.2.1 The Working Group proposed that the value of medical benefits should be taken into account in calculating total packages. As regards methodology, the Working Group thought that it would be difficult to value medical benefits, because, in many cases, there was no monetary ceiling and the extent to which individual employees might benefit from them also varied widely. It therefore recommended that, for jobs in both the public and private sectors, a notional value of one percent of salary should be assigned where some form of medical benefit was provided.

13.3 PAY RESEARCH ADVISORY COMMITTEE'S PRELIMINARY VIEW

Inclusion of Medical Benefits in Total Packages

13.3.1 Since additional benefits were provided for civil servants over and above the medical services provided to members of the public, and since private sector employers also provided medical benefits to their employees, the Pay Research Advisory Committee considered that medical benefits should be included in total packages of both the public and private sectors for the purpose of pay level surveys.

Valuation of Medical Benefits

13.3.2 As regards methodology, the Pay Research Advisory Committee considered that :

- (a) given the wide range of medical and health services which the Government provided to members of the public, only the excess, if any, over the general provisions which employers provided should be included in civil service and private sector total packages;
- (b) the development of a detailed methodology for the valuation of medical benefits should be one of the subjects which the consultants engaged by the Standing Commission should look into;
- (c) subject to (b) above, medical benefits provided in both sectors should be assessed on the basis of the current insurance premium rates which civil servants or comparable employees in the private sector would have to pay to insurance companies to obtain the same level and range of medical benefits, if those provided by the Government or by employers in the private sector were withdrawn; and
- (d) for the purpose of valuing the medical benefits provided to civil servants, only hospitalization at concessionary rates should be taken into account, as other benefits were either insignificant or difficult to quantify. However, the value assigned to medical benefits should have regard to the fact that dependants of civil servants (making the usual assumptions about the size of a standard family) were also entitled to them. The value of medical benefits, once determined, would be the same for all eligible civil service ranks.

13.4 CONSULTANTS' ADVICE

13.4.1 TPF & C recommended that, for the first formal valuation of fringe benefits, the value of medical benefits in both sectors should be determined by reference to premium rates in the insurance market, i.e. by obtaining a set of premium rates from a reasonably competitive insurance company to cover the existing medical plans available in the civil service and the private sector. For subsequent valuations, TPF & C recommended that the value should be determined by relating medical plans to a small number of prototype plans.

13.5 PAY RESEARCH ADVISORY COMMITTEE'S RECOMMENDATION

13.5.1 The Pay Research Advisory Committee recommended that only hospitalisation at concessionary rates for civil servants should be included in the civil service total packages and that different types of medical benefits provided for employees in the private sector should be included in the private sector total packages, for the purpose of pay level surveys. The Pay Research Advisory Committee agreed with TPF & C's advice that these medical benefits should be valued by obtaining current insurance premium rates for covering these medical plans available in the civil service and the private sector.

13.6 VIEWS EXPRESSED AT PAY LEVEL SURVEY ADVISORY COMMITTEE MEETINGS

13.6.1 The Hong Kong Chinese Civil Servants' Association pointed out that priority treatment up to a fixed quota at certain out-patient clinics should not be considered as a benefit because the rationale for this arrangement was to enable civil servants to return to work as soon as possible after medical treatment. It also registered reservations on whether the recommended method would give accurate results because what the civil servants obtained from a concessionary rate, if hospitalised, would only be a nominal value, compared with the hospital maintenance fees paid by the general public. A request was made by the Senior Non-Expatriate Officers' Association that the difference in quality between government and private hospitals should be reflected in the valuation. (Paragraph 4.4 of the PLSAC's Report Part II at Appendix X refers).

13.7 STANDING COMMISSION'S RECOMMENDATION

13.7.1 We recommend that for the civil service, only hospitalization at concessionary rates should be included in total packages as this is the only benefit civil servants enjoy on top of the service provided to the general public. For the private sector, we recommend that the different types of medical benefits provided for employees should be included in total packages. We further recommend that the value of medical benefits should be determined by reference to premium rates in the insurance market as suggested by TPF & C. We believe that this method will be able to reflect the different quality of medical benefits provided in the public and private sectors.