

Q.32

Topic:	Shortage of public healthcare services in Hong Kong
Relevant economic topics:	demand and supply, market intervention, equity, gross domestic product, aggregate demand and aggregate supply, fiscal balance
Types of material:	table, news excerpt, opinions
Question design: (total marks: 25 marks)	Elementary-level questions (14 marks); Advanced-level questions (11 marks)

- (a) Total health expenditure as a percentage of nominal GDP in 2018-19
 = (HK\$176,984 million / HK\$2,853,191 million) × 100% = 6.20%
 Total health expenditure as a percentage of nominal GDP in 2019-20
 = (HK\$189,624 million / HK\$2,797,950 million) × 100% = 6.78%
 Total health expenditure as a percentage of nominal GDP increased. (2 marks)

OR

Between 2018-19 and 2019-20, as the total health expenditure increased while the nominal GDP decreased, total health expenditure as a percentage of the nominal GDP increased. (2 marks)

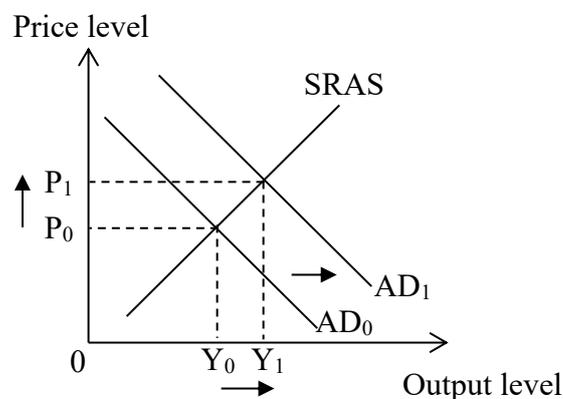
- (b) Verbal elaboration:

An increase in government funding will cause government expenditure to increase, so aggregate demand will increase. (1 mark)

In the short run, the output level and the price level will increase. (1 mark)

Illustrate in the diagram:

- rightward shift of the AD curve (1 mark)
- higher output and price levels (1 mark)



(c) Verbal elaboration:

Redeploying healthcare professionals to cope with the COVID-19 epidemic would lead to a drop in the supply of services at specialist out-patient clinics in public hospitals. (1 mark)

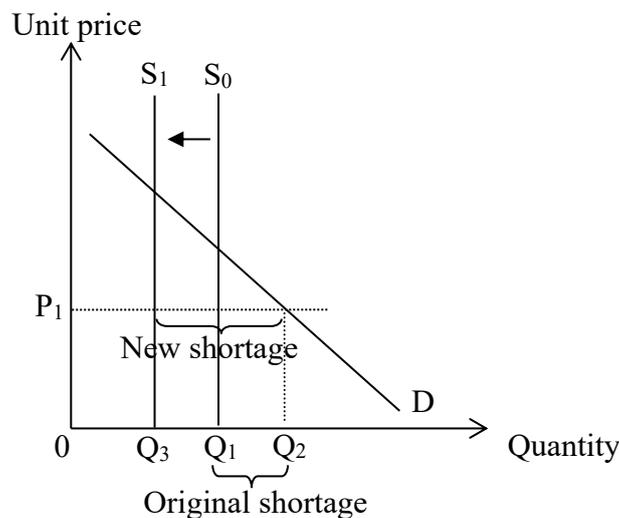
There would be a greater shortage (excess demand) of services at specialist out-patient clinics in public hospitals than before. (1 mark)

Illustrate in the diagram:

- vertical supply curve (1 mark)

- leftward shift of the supply curve (1 mark)

- a larger shortage (excess demand) (1 mark)



(d) Marks award for effective communication (EC: max 2 marks)

Marks	Performance
2	<ul style="list-style-type: none"> ● Arguments supported with the source/data and appropriate economic theories ● Relevant materials presented ● Well-organised and coherent answers presented without repetition of ideas ● Ideas clearly and fluently expressed with appropriate use of language/words/terms/symbols
1	<ul style="list-style-type: none"> ● Arguments presented with some support of the source/data and economic theories ● Some irrelevant materials presented ● Answers presented in a less organised way with some repetition of ideas ● A clear message conveyed with some inappropriate use of language/words/terms/symbols

0	<ul style="list-style-type: none">● <i>Arguments presented with no support of the source/data and economic theories</i>● <i>Materials unrelated to the gist of the question presented</i>● <i>Inconsistent arguments presented</i>● <i>Limited ideas expressed with inappropriate use of words/terms/symbols</i>
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The maximum marks for content is 9 marks. Answers may include the following:

Patients

- Patients would prefer strategy I. Public hospital services and private hospital services are substitutes. Subsidising the use of private hospital services will reduce the fees patients pay to use private hospital services. Some patients may switch to private hospital services, and the demand for public hospital services will decrease. The shortage of public hospital services will decrease, thus shortening the waiting time for other patients who rely on public hospital services.
- Patients would prefer strategy II. Even if the government provides subsidies to the use of private hospital services, some low-income patients may still not be able to afford the medical expenses of private hospitals and will not be able to use private hospital services due to budget constraints. The construction of new public hospitals and the expansion of existing public hospitals can increase the supply of public hospital services. The shortage of public hospital services will decrease, thus shortening the waiting time for public hospital services.

Private hospital operators

- Private hospital operators would prefer strategy I. Subsidising the use of private hospital services will increase the demand for private hospital services. Total revenue including the subsidy for private hospital operators will increase.
- Private hospital operators would not prefer strategy II. Public hospital services and private hospital services are substitutes. The construction of new public hospitals and the expansion of existing public hospitals will reduce the waiting time for services of specialist out-patient clinics in public hospitals. The full cost to citizens of using public hospital services will decrease, and the demand for private hospital services will decrease. The total revenue for private hospital operators will decrease.

Politicians who are concerned about equity in Hong Kong society

- Politicians who are concerned about equity in Hong Kong society would prefer strategy I. Since higher-income patients and lower-income patients receive the same amount of subsidy for the same medical services in private hospitals, the subsidy will cause a higher percentage increase in the income of the lower-income group. This will help equalise income.
 - Politicians who are concerned about equity in Hong Kong society would prefer strategy I. As some higher-income patients may choose not to wait for public hospital services and switch to private hospital services, the waiting time for public hospital services will be shortened. People who rely on public hospital services (generally those with lower incomes) can receive treatment sooner, thus improving their health and enabling them to work and earn income. Therefore, their income will no longer depend on their ability to afford medical expenses (their background), but rather on their work effort, which will help equalise opportunities.
 - Politicians who are concerned about equity in Hong Kong society would prefer strategy II. The construction of new public hospitals and the expansion of existing public hospitals can increase the supply of public hospital services and reduce the shortage of public hospital services, thus shortening the waiting time for public hospital services. Patients can receive treatment sooner, thus improving their health and enabling them to work and earn income. Therefore, their income will no longer depend on their ability to afford medical expenses (their background), but rather on their work effort, which will help equalise opportunities.
- (e) The construction of new public hospitals and the expansion of existing public hospitals to provide more healthcare services will increase the total healthcare expenditure of the government, but people's general health may improve. The labour force may increase and the government tax revenue may increase. Therefore, strategy II may not necessarily worsen the government fiscal balance. (3 marks)