

NSS Exploring Economics (3rd Edition)
Level 4: Mock DRQ (SAMPLE)

Q39 Hong Kong’s public healthcare fees and charges reform

Book	Chapter	Related concepts
Bk 1	Ch 1	Opportunity cost
	Ch 2	Price and non-price competition
	Ch 2	Positive and normative statements
	Ch 4	Effects of changes in demand and/or supply
Bk 3	Ch 18	Methods to improve equity
Bk 5	Ch 1	GDP
	Ch 5	Potential output level

Total marks: 29 marks

Recommended time: 45 minutes

The Hospital Authority (HA) announced a fees and charges reform of Hong Kong’s public healthcare system.

Source A: Patient triage system for Accident and Emergency departments at public hospitals

Accident and Emergency (A&E) departments (急症室) at public hospitals implement a patient triage system (病人分流制度). The HA’s service targets specify that 100% of critical (危殆) patients will receive immediate treatment, while 95% of emergency (危急) and 90% of urgent (緊急) patients should be treated within 15 or 30 minutes, respectively. In 2024–25, the average waiting time for semi-urgent (次緊急) and non-urgent (非緊急) patients was 144 minutes.

Source: Press Releases of the Government of the HKSAR, summary of news report

Source B: Changes in fees and charges of selected public healthcare services

Services		Current fees	New fees (effective from 1 Jan 2026)
Inpatient (住院服務)	Admission fees	\$75	Free
	Maintenance fee	\$120 per day	\$300 per day
Accident and Emergency	Critical & emergency conditions	\$180	Free
	Urgent, semi-urgent & non-urgent conditions		\$400
Specialist outpatient clinic (專科門診)	First attendance	\$135	\$250
	Subsequent attendance	\$80	
	Prescribed drug (處方藥物)	\$15 per unit	\$20 per unit



Source: Press Releases of the Government of the HKSAR

Source C: Enhanced medical fee waiving mechanism

Under the medical fee waiving mechanism, low-income households, chronically ill patients and elderly patients who have little income or assets can receive public healthcare services at reduced fees or for free. Following the public healthcare fees and charges reform, income and asset limits of the mechanism will be relaxed.

Source: Hospital Authority website

Source D: Views on Hong Kong's healthcare system

 A spokesperson for the Hospital Authority	Most semi-urgent and non-urgent patients at A&E departments can be treated by general outpatient clinics (□ □ □ □ □), private clinics or private hospitals. The medical fees and charges reform can ensure limited medical resources are allocated to patients most in need.
 A member of a patients' association	Hong Kong's medical system is unfair! Middle- and high-income groups enjoy better private healthcare services without waiting too long, but the poor have to wait for hours at A&E departments or months for specialist outpatient clinic services.

- (a) (i) ‘Only price competition is involved in prioritising treatments of patients in A&E departments at public hospitals.’ Do you agree? Explain your answer based on Source A. (2 marks)
- (ii) Explain, in terms of opportunity cost, whether it is necessarily more expensive for semi-urgent and non-urgent patients to seek treatment at private clinics or private hospitals based on Sources A and D. (3 marks)
- (b) Refer to Source B. ‘When the fee for specialist outpatient clinic services increases to \$250 per attendance, the contribution to GDP of serving each patient will also increase.’ Explain why this statement is INCORRECT. (2 marks)
- (c) Refer to Source B. With the aid of a supply-demand diagram, explain how the change in fees at public specialist outpatient clinic services will affect the total revenue of private clinics and private hospitals. (7 marks)
- (d) Refer to Source D. A member of a patients’ association commented, ‘Hong Kong’s medical system is unfair!’ Explain whether this statement is positive or normative. (2 marks)

For part (e), students are required to present their answers in essay form. Criteria for marking will include the use of sources and economic theories, relevant content, logical presentation and clarity of expression.

- (e) Consider the following policies and objectives of the reform in Hong Kong’s public healthcare system:

Policy	Objective
I. Revising fees and charges for various public healthcare services	To allocate public resources to treat patients most in need
II. Relaxing income and asset limits of the medical fee waiving mechanism	To improve equity

With reference to the above sources and your own knowledge of Economics, discuss

- how EACH of the above policies may achieve its objective; and
- ONE possible undesirable effect or limitation of EACH policy.

(13 marks)

Answers:

- (a) (i) Disagree. Under the patient triage system, priority will be given to patients classified as critical, emergency and urgent, i.e., based on the needs of patients. (2 marks)
- (ii) No. Full cost = Money cost + Time cost. The full cost for patients with a high time cost in seeking treatment at private clinics or private hospitals may be lower as this usually involves less waiting time. (3 marks)

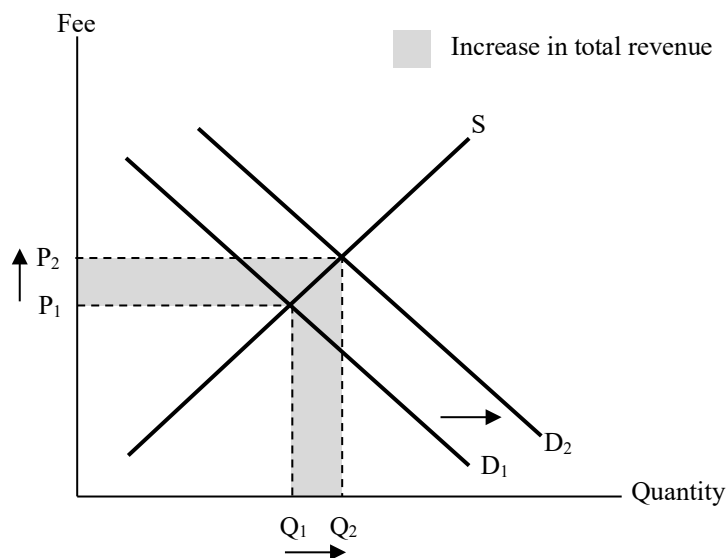
(b) Specialist outpatient clinic services in the public healthcare system are subsidised and provided at or below cost, which in turn is lower than the market price. Since the contribution to GDP is higher than the subsidised price, increasing the subsidised price to \$250 will not increase the contribution. (2 marks)

OR

Public services not sold at market prices should be counted in GDP at factor costs, which are higher than \$250. Hence, increasing the subsidised price to \$250 will not increase the factor costs. (2 marks)

(c) Indicate on the diagram:

- Rightward shift of demand curve (1 mark)
- Increase in fee and quantity (1 mark)
- Increase in total revenue (1 mark)



Verbal elaboration:

Public and private specialist outpatient clinic services are substitutes. (1 mark)

When the fees charged for public specialist outpatient clinic services increase, the demand for private specialist outpatient clinic services will increase. (1 mark)

The fees and quantity of private specialist outpatient clinic services will both increase, leading to higher total revenue. (2 marks)

(d) Normative. This statement involves a value judgement and cannot be refuted by facts. (2 marks)

(e) Marks for effective communication (EC: max 2 marks)

Marks	Performance
2	Support arguments with the source/data and appropriate economic theories. Present relevant material. Present well-organised and coherent answers without repetition of ideas. Use language that expresses ideas clearly and fluently with appropriate use of words/terms/symbols.
1	Present arguments with some support of the source/data and economic theories. Present some irrelevant material. Present answers in a less organised way with some repetition. Use language that conveys a clear message with some inappropriate use of words/terms/symbols.
0	Present arguments with no support of the source/data and economic theories. Present material unrelated to the gist of the question. Present inconsistent arguments. Express limited ideas with inappropriate use of words/terms/symbols.

The maximum mark for content is 11 marks. Answers may include the following:

How Policy I may achieve its objective:

- The fees and charges for some public healthcare services will increase after the reform. For instance, the fees and charges of A&E services for urgent, semi-urgent and non-urgent patients will increase from \$180 to \$400. Some of these patients may seek medical help from private clinics and hospitals as public and private healthcare services are substitutes. This reduces excess demand for public healthcare services and ensures that limited public resources are allocated to patients with critical or emergency conditions.
(4 marks)
- The fees and charges for some public healthcare services will increase after the reform. For instance, the fees and charges at specialist outpatient clinic services will increase. Some patients with a high time cost may seek medical care from private clinics and hospitals as public and private healthcare services are substitutes. This reduces excess demand for public healthcare services and ensures that limited public resources are allocated to less wealthy patients.
(4 marks)

(Maximum marks for ‘how Policy I may achieve its objective’: 4 marks)

Possible undesirable effect or limitation of Policy I:

- The demand for private healthcare services will increase. Patients at private healthcare services may experience higher fees and longer waiting times.
(2 marks)
- Some medical practitioners in the public sector may turn to the private sector for a higher income. This reduces the supply of public medical services. As a result, patients may suffer even longer waiting times for public medical services.
(2 marks)
- Patients who are not eligible for a medical fee waiver but cannot afford the increased fees and charges for public medical services may refuse to seek medical help. As a result, their health condition will deteriorate and their productivity will fall. Hong Kong’s potential output level may decrease.
(2 marks)

(Maximum marks for ‘possible undesirable effect or limitation of Policy I:
2 marks)

How Policy II may achieve its objective:

- Equalising opportunities: Relaxing the income and asset limits of the medical fee waiving mechanism ensures that low-income patients, chronically ill patients and elderly patients who have little income or assets can receive adequate medical treatment. This helps maintain or improve their health so that they can continue to work and earn income. (3 marks)
- Equalising outcome/income: Public healthcare service at reduced or zero fees acts like a transfer or subsidy-in-kind enjoyed only by low-income, chronically ill or elderly patients. (3 marks)

(Maximum marks for ‘how Policy II may achieve its objective’: 3 marks)

Possible undesirable effect or limitation of Policy II:

- The administrative cost of verifying the eligibility of applicants for medical fee waivers is high. This expense could have been used to provide more public healthcare services. (2 marks)
- The mechanism may cause disincentive effects on work because workers may refuse to work harder for more income or wealth, in order not to exceed income and asset limits. (2 marks)

(Maximum marks for ‘possible undesirable effect or limitation of Policy II: 2 marks)

Sample essay for part (e)

Essay structure:

<p>The Hospital Authority announced a reform of Hong Kong’s public healthcare system, which includes revising fees and charges for various public healthcare services and relaxing the income and asset limits of the medical fee waiving mechanism. This essay will evaluate how these two policies may achieve the objectives of allocating public resources to treat patients most in need and improving equity, respectively. The possible undesirable effects or limitations of these policies will also be discussed.</p>	<p>Introduce the focus of this essay.</p>
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<p>Policy I includes increasing the fees and charges of A&E services for urgent, semi-urgent and non-urgent patients from \$180 to \$400. Some of these patients may seek medical care from private clinics and hospitals as public and private healthcare services are substitutes. This reduces excess demand for public healthcare services and ensures that limited public resources are allocated to patients with critical or emergency conditions (i.e., most in need).</p>	<p>Evaluate how revising fees and charges of various public healthcare services can help allocate public resources to treat patients most in need.</p>
<p>However, the demand for private healthcare services will increase. Patients who use private healthcare services may experience higher fees and longer waiting times.</p>	<p>Discuss the possible undesirable effects or limitations of revising fees and charges for various public healthcare services.</p>
<p>Policy II includes relaxing the income and asset limits of the medical fee waiving mechanism. This ensures that low-income patients, chronically ill patients and elderly patients who have little income or assets can receive adequate medical treatment. This helps maintain or improve their health so that they can continue to work and earn income. This can equalise opportunities.</p>	<p>Evaluate how relaxing the income and asset limits of the medical fee waiving mechanism can improve equity.</p>
<p>However, the administrative cost of verifying the eligibility of applicants for medical fee waivers is high. This expense could have been used to provide more public healthcare services.</p>	<p>Discuss the possible undesirable effects or limitations of relaxing the income and asset limits of the medical fee waiving mechanism.</p>
<p>In conclusion, although the reform of Hong Kong's public healthcare system can allocate public resources to treat patients most in need and improve equity, it results in some undesirable effects or limitations.</p>	<p>State a conclusion.</p>

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Level 4: Mock DRQ (SAMPLE)

Q40 Hong Kong’s ageing population

Book	Chapter	Related concepts
Bk 3	Ch 18	Income inequality
Bk 5	Ch 1	Items not included in GDP
	Ch 5	Change in aggregate output
	Ch 6	Change in government revenue and expenditure

Total marks: 29 marks

Recommended time: 45 minutes

Hong Kong is facing the problem of an ageing population, with the median age increasing from 47.3 in 2021 to 49.4 in 2025.

Source A: Hong Kong’s government expenditure and revenue

	2024–25 Estimate (\$ billion)	2025–26 Estimate (\$ billion)
Total government expenditure	754.8	822.3
Government expenditure in:		
Social welfare	124.1	139.0
Health	130.2	141.0
Education	113.8	112.4
Government revenue	633.0	659.4

Source: 2024–25 and 2025-2026 Budget of Hong Kong

Source B: Social welfare spending in Hong Kong

The Social Welfare Department (SWD) is responsible for implementing the government’s social welfare policies, which mainly include:

(a) Provision of social security, such as the Comprehensive Social Security Assistance (CSSA) scheme; and

(b) Provision of welfare services, such as elderly services, child welfare and rehabilitation.

Source: *Hong Kong: The Facts–Social Welfare*

Source C: Hong Kong's labour force participation rate (LFPR)¹ in 2024

Working age population (Aged 15 and above)	Young people (Aged 15-24)	Elderly (Aged 65 and above)
57.0%	29.5%	13.7%

¹ Labour force participation rate = $\frac{\text{Employed population of that age group} + \text{Unemployed population of that age group}}{\text{Total population of that age group}} \times 100\%$

Source: Census and Statistics Department

Source D: Views on the ageing population in Hong Kong

 A restaurant owner	Labour shortages push up wages, making Hong Kong less competitive. We need more immigrants to fill the vacancies or encourage older people to stay in the workforce.
 A government official	An ageing population will increase the demand for elderly care, rehabilitation and community support. This may have long-term impacts on Hong Kong's government revenue and expenditure.
 An economist	An ageing population will likely reduce Hong Kong's potential output. Attracting skilled labour from the mainland or overseas is a key to maintaining growth.
 Spokesperson of an NGO	Many elderly people in Hong Kong want to work but lack essential skills. The government should provide retraining programmes to the elderly.

- (a) Refer to Source B. Explain whether government expenditure on social welfare should be included in the calculation of Hong Kong's GDP. (4 marks)
- (b) Refer to Sources C and D. Compare labour force participation rates (LFPRs) between the elderly and the overall working age population. Give ONE reason to explain such a difference. (2 marks)
- (c) The economist in Source D says, 'An ageing population will likely reduce Hong Kong's potential output'. WITHOUT the aid of a diagram, explain the above statement with reference to Source C. (2 marks)
- (d) (i) Refer to Source A. State how the Hong Kong government's fiscal situation would change from 2024-2025 to 2025-2026. (2 marks)
- (ii) Refer to Sources A, C and D. Explain why the Hong Kong government's fiscal situation would change as shown in (i) with an ageing population. (5 marks)

For part (e), students are required to present their answers in essay form. Criteria for marking will include the use of sources and economic theories, relevant content, logical presentation and clarity of expression.

- (e) Suppose the Hong Kong government is considering the following two strategies to maintain long term economic growth with an ageing population.

Strategy 1	Provide job retraining programmes for the elderly
Strategy 2	Provide an extra tax allowance for skilled immigrants

With reference to the above sources and your own knowledge of Economics, discuss the effects of EACH policy on the Hong Kong economy in terms of:

- labour supply
- fiscal balance
- income inequality

(14 marks)

Answers:

- (a) Expenditure on social security should not be included in the calculation of GDP because there is no corresponding production. (2 marks)

Welfare services are services provided by the government. Expenditure on these services should be included in the calculation of GDP (classified as government consumption expenditure). (2 marks)

- (b) The LFPR of the elderly (13.7%) is lower than that of the overall working age population (57.0%). (1 mark)

Reasons:

- Many elderly people are retired and are not in the labour force.
 - Many elderly people may lack the necessary skills to enter the labour market.
- (Any ONE or other reasonable answers. 1 mark)

- (c) The labour force participation rate of the elderly is lower. When the proportion of the elderly to the total population increases, the labour force will decrease. (1 mark)

Hong Kong's long run aggregate supply will decrease and its potential output will also decrease. (1 mark)

- (d) (i) The budget balance of the Hong Kong government would change from -\$121.8 (= \$633.0 – \$754.8) billion to -\$162.9 (= \$659.4 – \$822.3) billion. (1 mark)

The Hong Kong government's fiscal situation would worsen. (1 mark)

- (ii) As the elderly's labour force participation rate is usually lower, the government's salaries tax revenue will decrease. (2 marks)

When the proportion of the elderly to the total population increases, government expenditure on social welfare and health will increase. (2 marks)

As a result, the Hong Kong government's fiscal situation would worsen. (1 mark)

(e) Marks for effective communication (EC: max 2 marks)

Marks	Performance
2	<p>Support arguments with the source/data and appropriate economic theories.</p> <p>Present relevant material.</p> <p>Present well-organised and coherent answers without repetition of ideas.</p> <p>Use language that expresses ideas clearly and fluently with appropriate use of words/terms/symbols.</p>
1	<p>Present arguments with some support of the source/data and economic theories.</p> <p>Present some irrelevant material.</p> <p>Present answers in a less organised way with some repetition.</p> <p>Use language that conveys a clear message with some inappropriate use of words/terms/symbols.</p>
0	<p>Present arguments with no support of the source/data and economic theories.</p> <p>Present material unrelated to the gist of the question.</p> <p>Present inconsistent arguments.</p> <p>Express limited ideas with inappropriate use of words/terms/symbols.</p>

The maximum mark for content is 12 marks. Answers may include the following:

Effect of Strategy 1 on labour supply:

Providing job retraining programmes for the elderly can improve their skills. Employers will be more willing to employ them. More elderly people can rejoin the labour market and Hong Kong's labour supply will increase. (2 marks)
 (Maximum marks for 'effect of Strategy 1 on labour supply': 2 marks)

Effect of Strategy 2 on labour supply:

Providing an extra tax allowance for skilled immigrants will increase their disposable income. They will have a greater incentive to work in Hong Kong and Hong Kong's labour supply will increase. (2 marks)
 (Maximum marks for 'effect of Strategy 2 on labour supply': 2 marks)

Effect of Strategy 1 on fiscal balance:

- Hong Kong's government expenditure will increase as cost is involved in providing job retraining programmes to the elderly. (2 marks)
- Hong Kong's government expenditure on social welfare may decrease because the elderly are less likely to apply for social security such as CSSA when they can earn income from working. (2 marks)
- Hong Kong's salaries tax revenue may increase as more elderly people are employed. (2 marks)

(Maximum marks for 'effect of Strategy 1 on fiscal balance': 3 marks)

Effect of Strategy 2 on fiscal balance:

- If the tax allowance can attract more skilled immigrants to work in Hong Kong, the number of taxpayers in Hong Kong will increase. Hong Kong's salaries tax revenue will therefore increase. (2 marks)
- Existing foreign workers may also enjoy the tax allowance. Hong Kong's salaries tax revenue may decrease. (2 marks)

(Maximum marks for 'effect of Strategy 2 on fiscal balance': 3 marks)

Effect of Strategy 1 on income inequality:

The financial situation among the elderly is usually worse than that of the overall population as most elderly people are not working or are working in low-paying jobs. Providing job retraining programmes helps them rejoin the labour market or even obtain jobs for higher pay. As a result, their income will increase. This will improve Hong Kong's income inequality. (2 marks)

(Maximum marks for 'effect of Strategy 1 on income inequality': 2 marks)

Effect of Strategy 2 on income inequality:

Since most skilled immigrants work in high-paying jobs, the proportion of total income earned by the high-income group will increase. Hong Kong's income inequality will worsen. (2 marks)

(Maximum marks for 'effect of Strategy 2 on income inequality': 2 marks)

Sample essay for part (e)**Essay structure:**

<p>The Hong Kong government can consider two strategies to maintain long term economic growth with an ageing population. This essay will discuss the impacts of these strategies on the Hong Kong economy.</p>	<p>Introduce the focus of this essay.</p>
<p>For Strategy 1, providing job retraining programmes for the elderly can improve their skills. Employers will be more willing to employ them so that more elderly people can rejoin the labour market. Hence, this strategy can increase Hong Kong's labour supply.</p>	<p>Discuss the effect of Strategy 1 on the elderly's employment and Hong Kong's labour supply.</p>
<p>For Strategy 2, providing an extra tax allowance for skilled immigrants will increase their disposable income. They will have a greater incentive to work in Hong Kong. Hence, this strategy can increase Hong Kong's labour supply.</p>	<p>Discuss the effect of Strategy 2 on skilled immigrants' disposable income and Hong Kong's labour supply.</p>
<p>For Strategy 1, Hong Kong's government expenditure will increase as a cost is involved in providing job retraining programmes to the elderly. However, when the elderly can earn income from working, they will be less likely to apply for social security such as CSSA, causing Hong Kong's government expenditure on social welfare to decrease. Hence, the effect of this strategy on Hong Kong's fiscal balance is uncertain.</p>	<p>Discuss the effect of Strategy 1 on Hong Kong's government expenditure and government revenue, as well as its fiscal balance.</p>
<p>For Strategy 2, if the tax allowance can attract more skilled immigrants to work in Hong Kong, the number of taxpayers will increase. Hong Kong's salaries tax revenue will therefore increase. However, existing foreign workers may also enjoy the tax allowance. Hong Kong's salaries tax revenue may decrease. Hence, the effect of this strategy on Hong Kong's fiscal balance is uncertain.</p>	<p>Discuss the effect of Strategy 2 on Hong Kong's salaries tax revenue and fiscal balance.</p>

<p>For Strategy 1, the financial situation of the elderly is usually worse than that of the overall population as most elderly people are not working or are working in low-paying jobs. Providing job retraining programmes helps them rejoin the labour market or even obtain jobs for higher pay. As a result, their income will increase. Hence, this strategy will improve Hong Kong's income inequality.</p>	<p>Discuss the effect of Strategy 1 on the elderly's income and Hong Kong's income inequality.</p>
<p>For Strategy 2, since most skilled immigrants work in high-paying jobs, the proportion of total income earned by the high-income group will increase. Hence, this strategy will worsen Hong Kong's income gap.</p>	<p>Discuss the effect of Strategy 2 on the proportion of total income earned by the high-income group and Hong Kong's income inequality.</p>
<p>In conclusion, both strategies can increase Hong Kong's labour supply but the effects of both strategies on Hong Kong's fiscal balance are uncertain. Strategy 1 and Strategy 2 will improve and worsen Hong Kong's income inequality, respectively.</p>	<p>State a conclusion.</p>