

For information  
on 24 February 2003

Paper No. CB(2)1245/02-03(15)

## **LegCo Panel on Health Services**

### **Enhanced Medical Fee Waiver Mechanism**

#### **Purpose**

This paper sets out the key features of the enhanced medical fee waiver mechanism, which is to be introduced in parallel with the revised fee structure of our public health care services after the current moratorium on public fees and charges is lifted.

#### **The Revamp of Fee Structure**

2. The fundamental objective of Government financing in health care services is to improve health and to provide protection for the citizens from potentially high financial risks arising from catastrophic or prolonged illnesses. To fulfil this role, the public health care system must remain accessible to all, affordable by individuals, and of a high standard. Given the finite resources, public funds should be channelled to assist lower income groups and to services which carry major financial risks to patients. The Government will continue to invest heavily in public health care services but in the light of rapidly rising costs, we also recognised the need to identify supplementary sources of funding to ensure the system's long-term financial sustainability.

3. In the Health Care Reform Consultation Document published in December 2000, one of the strategic directions on health care financing was to revamp the fee structure of our public health care sector, so that public subsidies could be targeted to areas of most needs and inappropriate use and

misuse of services could be minimised. The two other strategic directions on health care financing were to reduce cost and enhance productivity, and to introduce medical savings through a Health Protection Account scheme. This latter proposal is of course a long term one and studies are now being conducted to examine this financing option in great details.

4. Following a comprehensive review to examine how the relative priorities of services provided may be reflected in the subsidy level and how inappropriate use and misuse of services can be minimised, we have on 5 November 2002 briefed Members on the Administration's decision to revamp the fee structure of our public health care system. It should be emphasised that if we do not revamp the fee structure as soon as possible, our public health care system will continue to face great financial pressure and suffer from undesirable utilisation pattern due to inappropriate use and misuse. Moreover, the system's long-term financial sustainability will be highly questionable.

5. Except for the new charge for Accident & Emergency (A&E) service (which has been effective since 29 November 2002), all revised charges will be effective after the current moratorium on public fees and charges is lifted (a table summarising the revised fee levels is at [Annex A](#)). Following the fee restructuring, charges would continue to be affordable but should also be effective in influencing patient behaviour. Overall, even at the revised fee level, Government subsidiary still represents a high level of 96% of the full costs.

6. It has always been the Government's fundamental philosophy that no one will be denied adequate medical care due to lack of means. To ensure that this principle will be upheld after the fee revamp, recipients of Comprehensive Social Security Assistance (CSSA) will continue to be waived from payment of their medical expense at the public sector. To assist the three vulnerable groups in the community, i.e., the low income group, chronically ill patients and elderly patients who have little income or assets, but are not CSSA recipients, so that the revision will not impact

disproportionably on them, there is a need to enhance the existing medical fee waiver mechanism to provide effective protection from undue financial burden to them.

### **Guiding Principles of the Waiver Mechanism**

7. In considering the enhanced waiver mechanism, we will take into account the following guiding principles: -

- (a) Public funds should be channelled to the vulnerable groups, i.e. the low income, chronically ill patients and elderly with little income and assets, and to services which carry major financial risks to patients;
- (b) There should be a set of objective and transparent criteria to assess a patient's eligibility for exemption from payment of public medical fees. As at present, both financial and non-financial factors should be considered; and
- (c) The enhanced mechanism should facilitate accessibility to services, while maintaining the low administrative and operating cost of the existing mechanism.

8. We have currently in place a waiver mechanism operated by Medical Social Workers (MSWs). The waiver mechanism will be enhanced to ensure that the low income, chronically ill and elderly patients with limited income/assets are protected from high financial risk, with improvements to enhance its transparency and objectivity. Also, the enhanced mechanism will continue to be a system administered by the MSWs with the support of clerical staff. The enhanced mechanism will be introduced in parallel with the revised fee structure of our public health care services after the moratorium on public fees and charges is lifted.

## **Eligibility and Assessment Criteria**

9. As a general rule, only patients who meet both of the following two financial criteria are eligible to apply for a fee waiver under the enhanced mechanism: -

- (a) The patient's monthly household income does not exceed 75% of the Median Monthly Domestic Household Income (MMDHI) applicable to the patient's household size (a table showing the latest MMDHI figures is at Annex B), and
- (b) The value of the patient's household asset is within a certain limit applicable to their household size (a relevant table is at Annex C). It should be noted that the residential property owned and occupied by the patient's household will not count towards this asset limit, and households with elderly members will enjoy a higher asset limit than those without (taking into account the fact that most elderly citizens will no longer earn any income and have to depend on their personal savings).

10. For patients whose monthly household income does not exceed the average monthly CSSA payment applicable to their household size (at present it is approximately at the level of 50% of the MMDHI); and pass the asset limit test, they will be considered for full waiving of their medical fees at public clinics/hospitals.

11. For patients whose monthly household income is between 50% to 75% of the MMDHI applicable to their household size and pass the asset limit test, MSWs will consider their application (as well as whether a waiver valid for a defined period of time or one-off, full or partial waiver should be granted) on a case-by-case basis, making reference to a number of non-financial factors, e.g., -

- (a) The patient's clinical condition as defined by the patient's

frequency of use of the different public medical services, or whether the patient is suffering from terminal illness;

- (b) Whether the patient is a disabled person, single parent with dependent children, or from other vulnerable groups;
- (c) Whether a fee waiver could provide incentive and support to solve the patient's family problems;
- (d) Whether a patient has any special expenses that make it difficult to pay for his/her medical fees at public clinics/hospitals; or
- (e) Other justifiable social factors.

12. The above non-financial factors are also considered under the current mechanism. This list is not exhaustive and the MSWs will exercise their discretion to grant waivers, where appropriate, to a patient with special difficulties (even if he/she fails to meet the financial criteria) on a case-by-case basis.

### **Validity of Waiver**

13. As in the existing mechanism, a fee waiver granted by the MSWs under the enhanced mechanism will either be one-off or valid for a period of time (usually six months). The MSWs have the discretion to decide the exact period based on a patient's actual needs and conditions.

14. In line with the principle that public funds should be channelled to services which carry major financial risks to patients, the fee waiver may only be applicable to a number of services which the patient needs and frequently uses. For example, the MSWs may in advance grant fee waiver to a chronically ill patient who frequently needs SOP service, under which the waiver will be valid for a defined period of time for the SOP service he/she needs.

15. To make the system more user-friendly, if a patient is granted a fee waiver valid for a defined period of time applicable to a certain public health care service, the waiver is not only applicable to the institution he/she attends or obtains the waiver, but is also applicable to other public institutions (i.e., the Hospital Authority or the Department of Health) that provide the same service.

Health, Welfare and Food Bureau  
February 2003

**Annex A****Revised Fees and Charges for Public Health Care Services**

<b>Service</b>	<b>Existing Fee Level</b>	<b>Revised Fee Level</b>	<b>Effective Date</b>
Accident & Emergency	Free	\$100 per attendance	29.11.2002
In-patient (general beds)	\$68 per day	\$100 per day, plus \$50 admission fee for the 1 <sup>st</sup> day	01.04.2003
In-patient (convalescent, rehabilitation, infirmary and psychiatric beds)	\$68 per day	\$68 per day	No change
Specialist Out-patient	\$44 per attendance	\$60 per attendance (or \$100 for the 1 <sup>st</sup> attendance), plus \$10 per drug item	01.04.2003
General Out-patient	\$37 per attendance	\$45 per attendance	01.04.2003
Dressing & Injection	\$15 per attendance	\$17 per attendance	01.04.2003
Geriatric Day Hospital	\$55 per attendance	\$55 per attendance	No change
Psychiatric Day Hospital	\$55 per attendance	\$55 per attendance	No change
Private services	Full cost at 1995/96 level	Current full cost or market rates	01.04.2003

**Annex B**

**Median Monthly Domestic Household Income (MMDHI)  
By Household Size – 3<sup>rd</sup> Quarter 2002**

<b>Household Size</b>	<b>Median Monthly Domestic Household Income</b>	<b>75% of the MMDHI</b>	<b>50% of the MMDHI</b>
1	\$6,000	\$ 4,500	\$3,000
2	\$12,700	\$9,525	\$6,350
3	\$16,000	\$12,000	\$8,000
4	\$19,400	\$14,500	\$9,700
5	\$24,300	\$18,225	\$12,150
6 or above	\$25,300	\$18,975	\$12,650

Source: General Household Survey, Census and Statistics Department



### Asset Limit for Waiving of Medical Charges

Household Size	Asset Limit (with <u>no</u> elderly member)	Asset Limit (with <u>1</u> elderly member)	Asset Limit (with <u>2</u> elderly members)
1	\$30,000	\$80,000	-
2	\$60,000	\$110,000	\$160,000
3	\$90,000	\$140,000	\$190,000
4	\$120,000	\$170,000	\$220,000
5 or above	\$150,000	\$200,000	\$250,000

Note: The asset limit is raised by \$50,000 for each elderly member (i.e. age  $\geq$  65) in the patient's family, e.g. a 5-person family with three elderly members has an asset limit of \$300,000 instead of \$150,000.