

LEGISLATIVE COUNCIL PANEL ON WELFARE SERVICES

**Subsidy Arrangements for
Residential Care Services for Frail Elders**

PURPOSE

This paper outlines the problems with existing arrangements in providing subsidized residential care services for frail elders and seeks Members' initial advice on the proposal to develop a Fee Assistance Scheme (FAS) for residential care services for frail elders.

DEMAND FOR LONG TERM CARE SERVICES

2. Hong Kong has an ageing population. In 2002, people aged 65 or above accounted for 11.4% of the total population (777 000). This is projected to rise to 17.9% or 1 482 500 by 2022. Amongst the elderly population, as a result of improved life expectancy and advances in medical science, the number of old-olds (aged 85 or over) will also increase significantly, almost threefold from 67 300 in 2002 to 190 900 by 2022.

3. Despite general improvements in living standards and increased health awareness as well as emphasis on healthy ageing, experience of developed countries indicates that 80% of the older population would have one or more chronic health conditions. It is estimated that about 20% of the older population would have functional disabilities, i.e. they are unable to perform

Activities of Daily Living¹ and/or Instrumental Activities of Daily Living² and may require varying levels of care and support on a long-term basis. About 5% to 10% of the older population would seek some form of assistance in long term care (LTC). We expect Hong Kong to have a similar pattern. Applying this to our current elderly population, about 39 000 to 78 000 elders aged 65 or over are in need of some form of assistance in the provision of LTC.

COMMUNITY VERSUS RESIDENTIAL CARE

4. Traditionally, LTC of elders is provided at home through informal carer support by the spouse or children or in-laws, with elderly homes being a last resort. In recent years, foreign domestic helpers have increasingly played the role of carer of frail elders at home; there is also an increasing demand for elderly homes. In line with the rapid expansion in publicly-funded welfare programmes over the past decade, the total number of Government subsidized residential care homes for elderly (RCHE) places has increased from 11 600 in 1992 to 26 200 by end 2002. Over the same period, the number of private RCHEs in Hong Kong rose from 377 to 563 providing a total of 43 800 places including 5 800 subsidized places under the Bought Place Scheme/Enhanced Bought Place Scheme (BPS/EBPS).

5. Under the steer of the Elderly Commission (EC), emphasis has been placed on developing *community and home-based* care to meet the LTC needs of elders in order to assist elders to age in place, i.e. they should stay as members of the community for as long as possible by means of family care and community support services, both formal and informal. Relevant initiatives include –

- (a) strengthening of support to carers by setting up carer support corners in elderly centres, developing training materials and introducing respite services in elderly homes and day care centres;
- (b) establishment of support networks to elders or elderly couples

¹ The six Activities of Daily Living (ADLs) are bathing, toileting, transferring between a bed and a chair, walking, eating and getting dressed.

² The eight Instrumental Activities of Daily Living (IADLs) are cooking, washing clothes, doing housework, using telephone, going out, purchasing things, taking medication and handling finances.

living in isolation;

- (c) introduction of contract home care services in 1999 which goes beyond the scope of traditional home help teams to cater for personal care needs of elders;
- (d) introduction of contract enhanced home and community care services in April 2001 which provide a tailor-made individualized package of home and day centre services to meet the needs of frail elders who would otherwise have to be admitted into RCHEs;
- (e) upgrading of 138 subvented home help teams into Integrated Home Care Services Teams from April 2003 which will subsume the home care and meal services previously arranged through contracts and provide a continuum of support services to elders living at home; and
- (f) in the light of successful experience in setting up integrated community elderly projects, re-engineering of existing community elderly services within 2003-04 which includes upgrading all existing multi-service centres for the elderly to District Elderly Community Centres and 110 social centres for the elderly to Neighbourhood Elderly Centres.

6. Concurrently, in consultation with EC, various initiatives have been launched in respect of the *residential* setting with a view to ensuring that residential care services are targeted towards those elders with genuine care needs, upgrading the quality of private elderly homes, improving the cost-efficiency of subsidized RCHE services and providing better accessibility to quality service by those who can afford. These include –

- (a) implementing EBPS in 1998 and upgrading BPS places to EBPS. EBPS places at A1 standards are quite comparable to subvented homes in terms of staffing levels. Once a private home participates in the Scheme, the same standards would apply to the entire home. At present, 99 private homes are of EBPS standards. By end December 2003, all 302 BPS places will

either be upgraded or phased out. Plans are in hand to purchase a final batch of additional EBPS places with priority given to homes that have not joined the Scheme yet;

- (b) introducing since November 2000 an internationally recognized tool to assess the care needs of elders applying for subsidized LTC services. This standardized tool administered by accredited assessors takes into account the impairment level, carer and psychological support, and environmental and health factors of elders in service matching;
- (c) since early 2001 opening up new purpose-built RCHE premises for competitive bidding providing a mixture of subsidized and non-subsidized places. Five homes have been contracted out so far providing a total of 504 subsidized places at an average cost to Government of \$5,663 per place per month, compared to \$8,474 in subvented care & attention (C&A) homes and 213 non-subsidized places with fees ranging from \$4,200 for a 6-person room for an elder of moderate level of impairment to \$13,500 for an elder of severe level of impairment in a single room. Moreover, these contract homes are required to operate on a continuum of care and from the third home onwards, about half of the subsidized places are for direct admission of elders of Nursing Home severity;
- (d) completing the licensing of all private homes in Hong Kong by March 2001, publishing a directory of elderly homes in Hong Kong for consumer knowledge and with a view to promoting quality assurance, commissioning the Hong Kong Association of Gerontology in mid-2002 to undertake a two-year pilot to develop a local accreditation scheme for RCHEs; and
- (e) ceasing admission of elders into the waiting list for Self Care Hostels and Homes for the Aged from 1 January 2003 so that in time to come, subsidized residential services would be aiming at those with care needs.

PROBLEMS

7. It should be recognized that the extensive achievements in the elderly programme over the past decade as described above were underpinned by significant public resource input. To illustrate, recurrent expenditure on the elderly welfare programme has increased from \$0.6 billion in 1993-94 to \$3.6 billion in 2003-04. Against dwindling public resources in view of the serious fiscal deficit of the HKSAR Government and increasing demands from an ageing population, the current system to meet LTC needs of elders is clearly not sustainable. Other than an issue of financial sustainability, current arrangements in providing subsidized LTC, particularly in residential care services, are not conducive to the principles of equity, choice care, shared responsibility and “small government, big market”. Some of the problems are described in the paragraphs below.

The Public/Private Dichotomy

8. Unlike other welfare services that are predominantly provided by the public sector (i.e. Social Welfare Department (SWD) and Non Governmental Organizations (NGOs)), the bulk of RCHE places are in the private sector. As at end December 2002, there were a total of about 67 100 RCHE places in Hong Kong: NGOs were providing about 20 000 Government subvented places and another 2 900 places on a self-financing basis while private homes accounted for 43 800 places. Contract homes were providing 298 places (two of the five homes with contracts awarded are in operation) and the Government provided 157 places. Despite the economic downturn, we are seeing a considerable expansion in private home business with the number of licensed private homes and places rising from 515 and 38 300 to 563 and 43 800 respectively over the last three years.

9. There are significant differences between the two sectors. Subvented homes of NGOs are subject to SWD’s performance monitoring, operate from purpose-built premises and at a high cost; private homes vary significantly in quality and prices. Even with private homes under EBPS, they are perceived to be inferior by elders and their family members. To illustrate, of the 17 341 elders currently on the waiting list for C&A places

centrally managed by SWD's Residential Care Services Delivery System for the Elderly (REDS), only 1 618 are prepared to be admitted into private homes. As a result, even for elders who can afford to pay, they tend to seek admission into a subvented NGO home through the waiting list.

10. In its Report No. 38, the Director of Audit has recommended that action should be taken to provide as far as possible a uniform level of service for all places at Government subsidized homes. This is easier said than done as it involves complicated issues of cost. At the moment, statutory standards imposed on all homes are meant as minimum standards to ensure safety; raising standards through the licensing scheme would impact on the cost of these operations and could drive these homes beyond the reach and affordability of many elders and their family members. Similarly, requiring private homes participating in EBPS to have the same standards in terms of space per resident, physical facilities, qualification and remuneration for staff would escalate the cost of the purchase. We believe that the RCHE market would inevitably operate with diversity and choice to suit the needs and affordability of elders with varying means and the best driving force for quality improvement would be consumer choice. There is a strong need for us to rationalize the current system of allocating Government subsidies to elders.

Targeting subsidy towards those in need

11. In the discussion on health care financing, there is a general consensus that heavily subsidized medical services should be targeted towards those in need and people should be asked to shoulder a greater responsibility for their health cost. Similar concerns apply in respect of residential care services for elders. Admission to subsidized RCHE service is currently regulated through a waiting list on a first-come-first-served basis subject to the standardized care need assessment mechanism. However, there is no assessment on the financial needs of these elders or their families. There is also no mechanism to allow those who can afford to shoulder a greater responsibility of the care costs. In this respect, the residential care system is even inferior to the home care system which practises a three-tiered fee system depending on the financial status of the service users.

12. The preference for subvented NGO homes and the lack of

financial assessment have resulted in elders who are relatively well off enjoying highly subsidized residential care services as long as they can afford to wait. On the other hand, frail elders who have little or no means tend to fall onto the Comprehensive Social Security Assistance (CSSA) system to meet their LTC needs. Clearly the existing system of allocating subsidized RCHE services is not using limited public resources in an equitable way. Indeed, the Director of Audit has recommended in the above-mentioned Report No. 38 that the Administration should conduct a comprehensive review on the arrangements for providing subsidized residential care services for elders addressing, inter alia, the desirability of introducing a means-test system so that those who can afford to pay would make some contributions towards the provision of such services.

Anomalies of CSSA meeting long term care needs

13. The CSSA scheme aims at bringing the income of needy individuals and families up to a level to meet their basic needs. CSSA is administered on a household basis and when assessing a family's eligibility for CSSA, we take into account the resources and the needs of the whole family. When elders are admitted into RCHEs, the family members could easily shift the full responsibility of supporting the elders onto the Government by declaring that they are unable to provide financial support for the elders. An earlier study reveals that many elders fell onto CSSA only upon admission into subsidized places. On the other hand, it is a known fact that some private home operators encourage elders to apply for CSSA if they are not already in receipt of it to ensure a regular and stable income. Some private homes even publicize assistance to obtain CSSA as an additional appeal to elders.

14. As at end December 2002, there were 39 900 elderly CSSA recipients residing in RCHEs, comprising 21 600 in non-subsidized places in private homes and 18 300 in subsidized places in NGO homes and BPS/EBPS places. Taken together, this means that Government is not only providing 26 200³ subsidized RCHE places, but also paying in full the fees payable by 70%⁴ of those elders occupying subsidized places and subsidizing another

³ 20 000 subvented places provided by NGOs, plus 220 subsidized places provided by contract homes, 157 subsidized places provided by the Government and 5 800 subsidized places under BPS/EBPS.

⁴ $(18\,300/26\,200) \times 100\% = 70\%$

21 600 elders in private homes.

15. A further analysis of the above situation reveals two other problems, namely –

- (a) Government is, through one form or another, subsidizing a total of about 47 800⁵ RCHE places. It is estimated that this is costing the Government a total of \$4.4 billion under the elderly programme and the social security programme. However, in terms of service matching and regulation of service standards, SWD has control over only the 26 200 places admitted to subsidized places through REDS; and
- (b) the Government subsidy to elders under the two situations varies significantly. For example, for CSSA elders in subvented C&A homes of NGOs, Government is paying for the subvention cost of \$8,474 and through CSSA, the fees charged at \$1,605 or \$1,813 and “pocket money” ranging from \$1,279 to \$1,611, adding up to a total cost to Government of over \$11,000 a month. On the other hand, the average CSSA benefits paid to elders in private homes are only \$5,800 a month.

It is thus questionable whether the current dual system of meeting frail elders’ residential care need is value for money.

Inefficiency and wastage in allocating subsidized places

16. Allocation of subsidized RCHE places is currently done through REDS. As allocation is based on first-come-first served and the care needs assessment is done upon offer of service rather than upon admission onto the waiting list, it is quite common for elders to reject admission when offered a place. Over the last year, the rejection rates for subvented NGO C&A places and BPS/EBPS places are 36% and 37% respectively. Also, despite the fact that elders are asked to indicate their preference in the registration form, they may change their mind upon offer of a place, for example, in order to live in a home closer to their relative to facilitate visiting. All these rejections and

⁵ 26 200 subsidized RCHE places plus 21 600 elders in private homes on CSSA.

mis-matching have resulted in considerable wastage in the system. Take for instance, a total of 1 359 additional EBPS places were purchased in February and March of 2002 but it has taken almost a full year to fill up these places, with some EBPS places in some districts such as Southern and Yuen Long, still being left vacant.

ALTERNATIVE ARRANGEMENT – A FEE ASSISTANCE SCHEME

17. As mentioned in the 2003 Policy Agenda, we aim to develop a FAS for residential care services for frail elders. FAS is conceptually simple: Government will subsidize eligible elders who have care and financial needs direct, say in the form of a “voucher”, to enable them to receive residential care services at homes of their own choice. In layman terms, FAS is “money following the user” as opposed to the conventional mode of providing Government-subsidized services by funding the service providers and then operating a system to match users into those services. In principle, with FAS in place, all elders with care and financial needs will be assisted through the Scheme; they will no longer be eligible for CSSA. The FAS is not a new concept in welfare services. Subsidized child-care to parents in need is currently provided through a Child Care Centres Fee Assistance Scheme. Under the Scheme, parents with social needs and subject to means-testing are eligible for subsidies reflecting their ability to bear the cost. They may then place their child in any NGO or private day care centre of their choice. Furthermore, since March 2002, we have piloted a “voucher” scheme in providing subsidized After School Care Programme (ASCP) to support single parent CSSA recipients to work. Eligible single parents are given an ASCP coupon and they may choose to obtain this service free of charge from any of the over 130 children and youth centres participating in the scheme.

18. However, practically, FAS for elderly residential care services would need to overcome several problems. The main ones are –

- (a) **The difficulties of assessing the financial needs of elders.** For example, should the assets and income of the elders’ children be assessed? While owner-occupied properties are generally excluded from means-testing of elders for CSSA, should these be

included in the FAS on grounds that the elders' residential needs would have been met upon admission into homes?

- (b) **The eligibility of RCHEs to participate in the FAS.** Given one of the objectives of the Scheme is to help ensure quality care, we should impose more stringent standards on those homes that wish to participate in the FAS, rather than opening it up for all licensed homes in Hong Kong. The accreditation pilot now under way will play a useful role in improving the service quality of RCHEs in Hong Kong.
- (c) **Education of elders and information on homes to help elders or their carers to select the suitable homes.** For elders who have little or no family support, we may need some form of guardianship arrangements in place to help the elders exercise consumer rights under a FAS.
- (d) **The pitching of fee assistance levels that would be fair to home operators in the NGO and private sectors given their different operating environment.** The most significant factor is that NGO homes are normally operating in purpose-built premises at no cost while private homes operating from leased commercial premises would have to pay on average 20% to 30% of operating cost on rent and related expenses.
- (e) **The issue of co-payment.** Should we allow elders in receipt of FAS to go for higher quality home or greater privacy in bed accommodation by topping up with their own resources?
- (f) **The change in subsidy mode for existing subvented homes.** Any FAS could not operate in its desired mode unless the existing subvented homes are also brought under the scheme. This means that instead of relying on subventions, these NGO homes would have to compete for elders in the market, with or without fee assistance. When the Child Care Centres Fee Assistance Scheme was introduced, subvention was withdrawn from all day care centres with the retention of a 5% subsidy to cater for

fluctuations in enrolment. However, in light of current high unemployment, any measure that would impact on jobs of NGO staff would be sensitive and controversial and need to be considered very carefully.

WAY FORWARD

19. We consulted EC in April 2003 on our initial ideas. We also plan to organize sharing sessions on these ideas with operators of RCHEs from both NGOs and the private sector shortly.

ADVICE SOUGHT

20. Members are invited to give their in-principle support for the FAS and offer their initial views on the issues raised in this paper.

Health, Welfare and Food Bureau/
Social Welfare Department
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