For discussion **FCR(2005-06)5**
on 6 May 2005

ITEM FOR FINANCE COMMITTEE

HEAD 149 – GOVERNMENT SECRETARIAT :
HEALTH, WELFARE AND FOOD BUREAU
Subhead 700 General non-recurrent
New Item "Grant to the Samaritan Fund"

Members are invited to approve a commitment of $200 million for a grant to the Samaritan Fund.

PROBLEM

The Samaritan Fund (the Fund) has inadequate funds to provide financial assistance to needy patients.

PROPOSAL

2. The Secretary for Health, Welfare and Food proposes to make a grant of $200 million to the Fund.

JUSTIFICATION

3. The objective of the Fund is to provide financial assistance to needy patients who require medical items or new technologies in the course of medical treatment which are not covered by hospital maintenance fees or outpatient consultation fees in public hospitals/clinics. These items include expensive drugs, surgical implants/prostheses and consumables, items purchased by patients for home use, such as wheelchairs and home use ventilators, as well as costly medical treatment not provided for in public hospitals, such as gamma knife treatment and harvesting of bone marrow outside Hong Kong. The cost of these items can be very high, e.g. as much as $158,000 for an Automatic Implantable Cardioverter Defibrillator (AICD).

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4. The Fund was started without the benefit of an endowment. Since its establishment in 1950, the Fund has always operated on a rolling account basis, relying largely on fresh income received each year to meet its expenditure. Private donations have always been a significant source of funding for the Fund. For recipients of Comprehensive Social Security Assistance (CSSA) applying for assistance under the Fund, Government reimburses the Fund for its actual expenditure on them. However, there were fluctuations in the amounts of private donations that the Hospital Authority (HA) was able to solicit, and the Fund has to rely on funding support from the Government from time to time[Note] to meet its expenditure. The amounts of income received by the Fund from the above sources over the past five years are as follows –

Source of Funding	**2000-01 ($ M)**	**2001-02 ($ M)**	**2002-03 ($ M)**	**2003-04 ($ M)**	**2004-05 ($ M)**
Donations from charitable organisations	18.6	12.7	20.8	14.0	16.0
Reimbursement from Government for PPMI for CSSA recipients	21.2	23.1	26.9	26.3	34.5
One-off funding from Government	8.0	-	9.0	-	-
Designated donation from Government	-	2.0	-	2.0	2.0
Total	**47.8**	**37.8**	**56.7**	**42.3**	**52.5**

5. As a result of technology advancement and ageing population, the demand for the Fund is increasing. The number of patients benefiting from the Fund and the expenditure incurred has increased from 617 patients with a total expenditure of $10.7 million in 1995-96 to 3 686 patients with a total expenditure of $ 99.2 million in 2004-05. The relevant figures for the past five years are given in the table below –

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[Note] Funding support provided by the Government to the Fund since 1995-96 include a $20 million endowment for the designated donation fund in 1995-96 from which $2 million can be withdrawn each year, and one-off grants in 1997-98, 2000-01 and 2002-03 totalling $21.7 million.

	2000-01	2001-02	2002-03	2003-04	2004-05
Number of approved applications	2 161	2 754	3 065	2 913	3 686
Total expenditure ($ M)	**34.9**	**41.7**	**47.9**	**48.7**	**99.2**

6. It can be seen from the above tables that the income and expenditure of the Fund were largely in line with each other, until 2004-05 where the expenditure surged to $99.2 million. With a cash balance of $8.5 million at the beginning of 2004-05, the Fund has, with its income of the year, an accumulated deficit of around $38.3 million as at 31 March 2005. A breakdown of the major expenditure items of the Fund in 2004-05 is at Enclosure 1.

Encl. 1

7. Three major factors contributed to the substantial increase in the expenditure of the Fund, which include –

(a) A decrease in funding support from private donations and other charitable sources helping patients in need. The most notable change in 2004-05 is the cessation of a five-year programme by a major charitable organisation in July 2004. Since 1999, the programme has helped shoulder part of the burden on the Fund with an annual grant of up to $25 million, providing patients with financial difficulties who are in need of newly introduced medical items with an alternative channel for assistance. The cessation of the programme has significantly increased the demand for funding support under the Fund.

(b) Rapid advancement in medical technologies and an ageing population. As a result of the rapid advancement in medical technologies, more advanced medical items are being used for treating patients and such items are often costly. The high cost of advanced medical items exerts immense financial pressure on the Fund. The ageing population, on the other hand, has increased the number of patients suffering from stroke, heart diseases, disabilities and other chronic conditions. It is anticipated that more and more elderly patients will seek assistance from the Fund in the future. The effect of these two factors on the Fund can been seen from the three heart disease related privately purchased medical items, namely Percutaneous Transluminal Coronary Angioplasty (PTCA),

pacemakers and AICD. At present, the cost of PTCA is $10,000 to $48,000 per case; the unit cost of pacemaker ranges from $10,000 to $36,000, and the unit cost of AICD is between $138,000 and $158,000. In 1996-97, 708 patients received subsidies on expenditure on PTCA and pacemakers implantations. In 2003-04, a total of 1 882 patients received assistance under the Fund and the programme mentioned in (a) above on PTCA, pacemakers and AICD implantations. That number surged to 2 268 in 2004-05. In 2004-05, the expenditure by the Fund and the programme mentioned in (a) above on these three privately purchased medical items amounted to $71.4 million, accounting for 71% of the total expenditure. The corresponding expenditure on the same three items in 2003-04 was $55.6 million, representing an increase of 28% in one year.

(c) Substantial increase in the expenditure on drugs in 2004-05. The drug Imatinib (Glivec) alone added an additional $20 million to the Fund's expenditure. Expenses on other drugs for which assistance are available under the Fund also tripled from $2.3 million to $7.2 million. As rapid advances in pharmaceutical science continue, there is cause to believe the Fund's expenditure on drugs would continue to rise at a significant rate.

8. The HA has made a projection on the income and expenditure of the Fund for the next three years from 2005-06 to 2007-08. The projected income is based on the assumptions that the amounts of private donations would stay at the level of 2004-05, with a projected increase in Government reimbursement for expenditure made by the Fund for CSSA recipients of around 20% a year. The projected expenditure is based on the assumption that expenditure on drugs would increase by around $30 million per year, while the remaining items are projected on the basis of past trends. These projected figures, together with the estimated deficits, of the Fund from 2005-06 to 2007-08 are as follows –

	2005-06 ($ M)	**2006-07 ($ M)**	**2007-08 ($ M)**
Estimated Income	**60.2**	**69.0**	**77.2**
Estimated Expenditure	**126.4**	**167.8**	**214.7**
Surplus / Deficit for Year	**(66.2)**	**(98.8)**	**(137.5)**

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9. It is clear from the above paragraphs that the funding requirements of the Fund will outstrip its income by a significant amount in the foreseeable future and the gap will only continue to grow. The Administration is acutely aware of the need to review the funding arrangement for the Fund to ensure its sustainability. We also recognise that the main drivers for the rapid increase in the funding requirement of the Fund are technological advances and the ageing population, both of which have much wider implications to our public health care system. It is therefore the Administration's intention to study the long-term funding arrangement for the Fund in the context of our on-going planning and discussion on health care financing and funding arrangement for the HA. To allow sufficient time for the community as a whole to reach consensus on those issues, we propose to make a one-off grant to the Fund to meet its projected funding requirements at least up to 2006-07. In the meantime, we would explore with the HA new possibilities of private donations for the Fund.

FINANCIAL IMPLICATIONS

10. We propose to make a one-off grant to the Fund in the amount of $200 million. The proposal has no recurrent financial implications.

BACKGROUND INFORMATION

11. Hospital maintenance fees or out-patient consultation fees in public hospitals/clinics are highly subsidised by Government and cover a wide range of medical services, procedures and consultations. However, patients are required to purchase certain medical items, which are not stocked by the hospitals and are not included in the hospital maintenance fees. These privately purchased medical items include expensive drugs, surgical implants/prostheses and consumables, items purchased by patients for home use, such as wheelchairs and home use ventilators, as well as costly medical treatment not provided for in public hospitals, such as gamma knife treatment and harvesting of bone marrow outside Hong Kong. Unlike expensive capital equipment which can benefit a relatively large number of patients, the majority of privately purchased medical items are either implanted to individual patients or used only once on a patient. The high costs involved make it impossible for hospitals to stock these items as part of the normal inventory within the hospital's baseline budget.

12. The Fund was established as a trust in 1950 by resolution of the Legislative Council to provide financial assistance to needy patients to meet expenses on privately purchased medical items. The HA took over management of the Fund from the former Hospital Services Department on 1 December 1991. All items supported by the Fund are subject to close scrutiny before these are covered

by the Fund. To ensure that the Fund is put to appropriate use, the HA adopts a prioritisation mechanism to vet and evaluate items of new technologies to make the best use of public resources. Factors taken into account in the evaluation process include efficacy, effectiveness and cost-effectiveness; fair and just use of public resources targeting subsidies to effective interventions to areas of greatest need; and societal values and views of professionals and patients. The list of items that are currently supported by the Fund is at Enclosure 2.

Encl. 2

13. Individual applications for assistance under the Fund are assessed by Medical Social Workers on the basis of the following criteria –

(a) the patient's family income;

(b) the patient's total family savings;

(c) reference of (a) to the Median Monthly Domestic Household Income;and

(d) reference of (a) and (b) to the actual cost of the medical item.

Apart from the above criteria, consideration will also be given to any special social financial factors/circumstances faced by the patients.

14. We consulted the Panel on Health Services on the proposal to make an one-off grant of $200 million to the Fund at its meeting on 18 April 2005. All Members at the meeting supported the proposal. A majority of the Members expressed concern over the long-term sustainability of the Fund. They urged the Administration to expedite its work on health care financing and the HA to explore new possibilities of private donations for the Fund. Members also took note of HA's intention to revise the assessment criteria for cases involving expensive drugs, so as to provide patients with greater assurance and to ensure consistency in the handling of these cases by Medical Social Workers. The Administration undertook to consult the Panel on the revised criteria in due course.

15. One of the Members of the Panel was of the view that the HA should include all drugs within the standard charges at public hospitals and clinics regardless how expensive the drug was, rather than asking patients with sufficient means to pay and providing financial assistance to needy patients under the Fund. The Administration has considered the matter very carefully and remained convinced that as our resources are limited, public subsidy should be targeted at the needy. We need to recognise that the opportunity cost for treating a single patient

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with highly expensive drugs will mean forgoing treatment for a much larger number of patients with other effective means. In order to maximise the health benefits for the public as a whole, we believe it is reasonable that patients who can afford to do so should contribute to the charges for these highly expensive drugs. However needy patients will continue to be provided with the necessary financial assistance through the Fund. We have already issued a paper to the Panel to explain our position to the Member concerned.

Health, Welfare and Food Bureau
April 2005

Number of Approved Applications and Expenditure of the Samaritan Fund in 2004-05

Items	**No. of cases**	**Amount ($ million)**
Cardiac Pacemakers	416	14.1
Percutaneous Transluminal Coronary Angioplasty (PTCA) and other consumables for interventional cardiology	1 772	50.5
Intraocular Lens	874	1.4
Home use equipment, appliances and consumables	118	1.2
Drugs (other than Imatinib)	166	7.2
Imatinib (or Glivec)	117	20.0
Gamma Knife surgeries in private hospital	37	2.3
Cost for harvesting bone marrow in foreign countries	8	1.0
Myoelectric prosthesis / custom-made prothesis / appliances for prosthetic and orthotic services, physiotherapy and occupational therapy services	178	1.5
Total no. of cases and related expenditure	**3 686**	**99.2**

List of Medical Items Currently Supported under the Samaritan Fund

Privately purchased medical items

i. Percutaneous Transluminial Coronary Angioplasty (PTCA) & other consumables for interventional cardiology

ii. Cardiac Pacemaker

iii. Intraocular Lens

iv. Myoelectric Prosthesis

v. Custom-made Prosthesis

vi. Appliances for prosthetic and orthotic services, physiotherapy and occupational therapist services

vii. Growth Hormone and Interferon

viii. Home use equipment and consumables

ix. Gamma knife surgery in private hospital

x. Harvesting of marrow in a foreign country for marrow transplant

Drugs that are proved to be of significant benefits but extremely expensive for the HA to provide as part of its subsidised service

i. Paclitaxel for woman with cancer

ii. Liposomal Amphotericin B (new anti-fungal therapy) for patients suffering from haematological cancer

iii. Imatinib for patients with chronic myeloid leukaemia and gastrointestinal stromal tumour

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