

ITEM FOR FINANCE COMMITTEE

HEAD 170 – SOCIAL WELFARE DEPARTMENT

Subhead 179 Comprehensive social security assistance scheme

Subhead 180 Social security allowance scheme

Members are invited to approve a relaxation of the annual permissible limit of absence from Hong Kong for the Social Security Allowance Scheme from 180 days to 240 days, and the introduction of a monthly supplement of \$100 for those recipients under the Comprehensive Social Security Assistance Scheme who are 100% disabled, or requiring constant attendance and not living in institutions.

PROBLEM

In view of our ageing population and increased cross-boundary movements, we consider it appropriate to reasonably relax the absence limit for the Old Age Allowance (OAA) and Disability Allowance (DA) under the Social Security Allowance (SSA) Scheme. To strengthen support for the daily living of the severely disabled in the community, we propose to enhance the Comprehensive Social Security Assistance (CSSA) payments to severely disabled recipients living in the community.

PROPOSAL

2. As announced in the 2005 Policy Address, we propose to introduce the following changes to the SSA and CSSA Schemes –

- (a) To relax the annual permissible limit of absence from Hong Kong for OAA and DA recipients under the SSA Scheme from 180 days to 240 days, subject to the recipient having resided in Hong Kong for at least 90 days in the year; and

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- (b) To provide a monthly supplement of \$100 for those CSSA recipients who are 100% disabled, or requiring constant attendance and not living in institutions.

JUSTIFICATION

Relaxation of the “absence limit” for OAA and DA

3. At present, OAA and DA recipients can be absent from Hong Kong for not more than 180 days in a year without affecting their entitlement to payment for the year, provided they have resided in Hong Kong for not less than 90 days in the year. The restriction on absence from Hong Kong is to ensure that a non-contributory and largely non means-tested benefit like the OAA and DA, are paid to Hong Kong residents with a genuine connection with Hong Kong. The present 180-day absence limit was approved by the Finance Committee in March 1993 vide FC Paper FCR(92-93)150.

4. There is an increasing interflow of people across the boundary over the years. According to a study conducted by the Planning Department in 2003, about 53 000 Hong Kong permanent residents aged 65 and above usually live in the Mainland. The Task Force on Population Policy noted in its report published in February 2003 that with the faster pace of integration with the Pearl River Delta, many people, particularly the elderly, would prefer to live across the boundary to take advantage of the cheaper cost of living, and more spacious living environment. To take account of the wishes of the elderly to spend more time in the Mainland without affecting their entitlement to the welfare payment, the Administration has considered the scope for relaxing the absence limit of the OAA.

5. Unlike the CSSA Scheme which is means-tested and provides for those in financial needs, the OAA is largely non-means tested and benefits more than the financial needy. The number of elderly on OAA is much more than that on CSSA (457 000 vs 180 000). Furthermore, unlike the Portable Comprehensive Social Security Assistance (PCSSA) Scheme for elderly CSSA recipients which is confined to Guangdong and the newly added Fujian Province, the whereabouts of OAA recipients can be widely dispersed, both in the Mainland and in overseas countries, subject to their fulfilling the 90-day residence requirement. If the restriction on absence limit for OAA were lifted altogether, it would be virtually impossible to put in place an administrative arrangement in the Mainland, or for that matter, in overseas countries, to review the continuous eligibility of recipients. If OAA were to be made fully portable, it is also possible that many elderly residents who are not claiming OAA may apply for OAA, bringing further additional financial implications to the SSA Scheme.

6. Taking into account the above considerations, the Administration considers that while we recognize the wishes of some elderly to spend more time with family/friends outside Hong Kong, we must on the other hand prudently manage the use of public funds for a non-means tested and non-contributory scheme. We consider that while there is limited room to relax the absence limit, a relaxation from the present 180 days to 240 days per year, subject to the continual requirement that recipients have to have resided in Hong Kong for at least 90 days in the year, is an acceptable compromise.

Implications of relaxing the absence limit to 240 days

Encl. 1 7. As shown in Enclosure 1, at present, an elderly is entitled to 270 days of OAA payments if they have resided in Hong Kong for 90 days. When the absence limit is raised to 240 days, their entitlement will be increased to 330 days.

8. As OAA and DA are the two components of the largely non-means tested SSA Scheme and recipients enjoy similar absence limit, we propose that the same relaxation should apply to DA recipients.

Monthly supplement for CSSA recipients who are 100% disabled, or requiring constant attendance and not living in institutions^{Note}

9. The Administration's rehabilitation policy is to encourage and facilitate people with disabilities to live, participate and integrate in the community. To help disabled persons to live in the community, we provide them with the necessary support services, such as day care, holiday care, specialized home-based training and support, integrated home care, and outreach support. Apart from the standard rate, disabled CSSA recipients are also eligible to receive special grants in items such as installation or monthly service charge of emergency alarm system, fares to and from hospital or clinics, special diet allowance, cost of medical, rehabilitation, surgical appliances and hygienic items (e.g. wheel-chair, hearing-aid, disposable diapers), and costs of glasses and dental treatment.

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^{Note} There are about 90 000 CSSA recipients who are 100% disabled or require constant attendance. Among them, about 50 000 are living in the community. The rest live in institutions. A CSSA recipient is regarded as "100% disabled" if he is medically certified by a public medical officer to be in a position broadly equivalent to 100% loss of earning capacity as defined under the Employees' Compensation Ordinance, Cap 282. A recipient is regarded as "being in need of constant attendance" if, in addition to being totally disabled broadly equivalent to a person with a 100% loss of earning capacity, he is also medically certified to be in need of constant attendance from another person.

10. In recognition that the severely disabled may have to shoulder heavier financial expenditure from living in the community, we propose to provide a monthly supplement of \$100 to those CSSA recipients suffering from 100% disability, or requiring constant attendance and not living in institutions.

FINANCIAL IMPLICATIONS

SSA

11. The measure to relax the absence limit for OAA and DA from 180 days to 240 days, as illustrated in Enclosure 1, implies that OAA payments may be made to a recipient for as many as 330 days in a year, provided the recipient has resided in Hong Kong for 90 days during the year. Having regard to the absence pattern of existing recipients under the current policy, we estimate that the measure will give rise to an additional expenditure of \$600,000 annually under the SSA. This is a conservative estimate worked out on the basis of existing absence pattern under the existing policy, and has not taken into account possible increase in take-up rate as a result of the relaxation. Assuming 18% of the elderly population aged 65 or above who are not currently claiming SSA or CSSA now choose to apply for OAA, the estimated additional expenditure per year could be \$1.17 billion. This estimation is based on the elderly population in 2004, and has not taken into account the increase in elderly population expected in the coming years. According to the latest census figures, elderly population aged 65 or above is projected to rise from 1 in 8 in 2004 to 1 in 7 in 2015, 1 in 6 in 2020 and 1 in 5 in 2025.

Monthly supplement for CSSA recipients who are 100% disabled, or requiring constant attendance and not living in institutions

12. It is estimated that about 50 000 CSSA recipients will qualify for this enhancement. There will be an estimated additional expenditure of about \$62 million per year for the CSSA Scheme.

13. We will try to absorb the additional requirements for 2005-06 under the CSSA Scheme and the SSA Scheme from within the \$18.6 billion and \$5.5 billion earmarked respectively for the schemes under Subhead 179 and Subhead 180 of Head 170 Social Welfare Department in the 2005-06 Estimates. If additional funding is required in the year, we will apply for supplementary provision as appropriate.

/BACKGROUND

BACKGROUND INFORMATION

Social Security System

14. The CSSA Scheme and the SSA Scheme are the mainstays of our social security system. Both schemes are funded entirely from General Revenue, and there is no contributory element. Expenditure on the two schemes has grown rapidly over the past decade, from \$6.6 billion in 1994-95 rising to \$22.9 billion in 2004-05. Provision for 2005-06 amounts to \$24.1 billion. An explanatory note on the social security system is at Enclosure 2.

Encl. 2

PCSSA Scheme

15. In 1997, the PCSSA Scheme was introduced to provide an option for elderly people to continue to receive CSSA after they had chosen to move permanently to Guangdong Province. To enable more elderly people with special needs to choose to retire in the Mainland, the Chief Executive has announced in the 2005 Policy Address the decision to relax the eligibility criteria for the PCSSA Scheme. The relaxation will allow those who have received CSSA for no less than one year to join the Scheme (the present requirement is no less than three years). It will also extend the Scheme's coverage to include Fujian Province, which is the native land of the second largest group of elderly CSSA recipients after Guangdong Province.

16. Currently about 180 000 elderly recipients aged 60 and above are receiving elderly payment under the CSSA Scheme, with an annual expenditure of about \$8 billion. Among them, there are about 3 000 elders on the PCSSA Scheme. Based on existing take-up rate for the Guangdong PCSSA, it is estimated that about 1 100 elderly CSSA recipients may opt for the enhanced scheme. As PCSSA recipients only receive the standard rate and annual supplement, but not special grants under the CSSA Scheme, the measure will not result in additional expenditure on the CSSA Scheme.

Implementation of the Proposals

17. The proposals were presented first to the Legislative Council (LegCo) Panel on Welfare Services vide Paper CB(2)659/04-05(01) on 20 January 2005 in the context of the special briefing on the 2005 Policy Address. A LegCo brief on the subject was also issued on 22 February 2005. We consulted the LegCo Panel on Welfare Services again on 20 April 2005. Members in general supported that the proposals were a move in the right direction.

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18. Apart from general support, there have been some requests from some LegCo members and elderly groups that we should make the OAA fully portable. The Administration has responded to these requests by clarifying the purposes of and considerations behind the proposals. To expedite early implementation of the proposals, the Social Welfare Department has also expedited action to modify its major computer system and to conduct extensive user acceptance tests to ensure correct payment to the affected social security recipients. We aim to implement the SSA proposals in October and the monthly supplement for the severely disabled in November 2005.

Health, Welfare and Food Bureau
April 2005

Social Security Allowance Scheme: Examples of Absence Limit

1. No. of days of permissible absence from HK within the payment year	180 (current absence limit)	240 (proposed absence limit)
2. No. of days eligible for SSA	$90^* + 180 = 270$	$90 + 240 = 330$
3. Approximate amount of SSA payable in the payment year		
(a) Higher Old Age Allowance (\$705 p.m.)	$\$705 \times 12 \times 270/365$ = \$6,258	$\$705 \times 12 \times 330/365$ = \$7,649
(b) Normal Old Age Allowance (\$625 p.m.)	$\$625 \times 12 \times 270/365$ = \$5,548	$\$625 \times 12 \times 330/365$ = \$6,781
(c) Higher Disability Allowance (\$2,240 p.m.)	$\$2,240 \times 12 \times 270/365$ = \$19,884	$\$2,240 \times 12 \times 330/365$ = \$24,303
(d) Normal Disability Allowance (\$1,120 p.m.)	$\$1,120 \times 12 \times 270/365$ = \$9,942	$\$1,120 \times 12 \times 330/365$ = \$12,151

* The absence limit of SSA only apply to those fulfilling the minimum 90-day residence requirement.

Social Security System

Introduction

Our social security system provides a safety net for individuals or families who are unable to support themselves financially because of age, disability, illness, low earnings, unemployment or family circumstances. The aim of the Comprehensive Social Security Assistance (CSSA) Scheme is to provide financial assistance to individuals or families in need to meet their basic and essential needs. The aim of the Social Security Allowance (SSA) Scheme is to help the severely disabled and the elders to meet the needs arising from disability or old age. A person can receive either assistance under the CSSA Scheme or one of the allowances under the SSA Scheme.

Eligibility

2. Both schemes are non-contributory. The CSSA Scheme is means-tested. Applicants for SSA are not subject to means test except that persons aged between 65 and 69 applying for the Old Age Allowance have to declare that their income and assets do not exceed the prescribed levels.

3. There are residence requirements for both schemes. In addition, able-bodied CSSA applicants who are unemployed or working part-time but available for full-time work are required to actively seek work and participate in the Support for Self-reliance Scheme as a condition of receiving assistance.

4. Elderly persons who have been in receipt of CSSA continuously for three years may join the Portable CSSA Scheme whereby they are allowed to continue to receive their monthly standard payments and annual long-term supplement should they choose to retire permanently in Guangdong.

Payment

CSSA Scheme

5. The amount of assistance is determined by the monthly income and needs of a family. The difference between the total assessable monthly income of a family and its total monthly needs as recognized under the Scheme in terms of various types of payment will be the amount of assistance payable. When assessing a family's monthly income, earnings from employment and training/re-training allowance can be disregarded up to a prescribed level so as to provide an incentive to work and training/re-training.

6. The Scheme embraces different standard payments to meet the basic and essential needs of broad categories of recipients. In addition, an annual long-term supplement is paid to those who are old, disabled or medically certified to be in ill-health and who have been receiving assistance continuously for more than 12 months for the replacement of household and durable goods. A monthly supplement is also paid to single parents. Apart from these standard payments, non-standard payments in the form of special grants are payable to cover rent, water charge, schooling expenses, childcare centre fees and burial expenses. Recipients who are old, disabled or medically certified to be in ill-health are also entitled to other special grants to meet their special needs such as medically recommended diets and appliances.

SSA Scheme

7. Four allowances are payable under this Scheme as follows –

(a) Normal Disability Allowance

For severely disabled persons who, broadly speaking, suffer from a 100% loss of earning capacity, or who are profoundly deaf.

(b) Higher Disability Allowance

For severely disabled persons who require constant attendance from others in their daily life but are not receiving such care in a government or subvented institution or a medical institution under the Hospital Authority.

(c) Normal Old Age Allowance

For persons aged between 65 and 69 whose income and assets do not exceed the prescribed levels.

(d) Higher Old Age Allowance

For persons aged 70 or above.
