

For discussion on
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**Commission on Poverty (CoP)
Ad Hoc Group on the Elderly in Poverty**

Long-term Care and Financial Security During Old Age

PURPOSE

This paper provides brief background on the existing policies and measures relating to long-term care (LTC) for elders and retirement protection, and their relevance to preventing and alleviating poverty among future generations of elders.

BACKGROUND

2. The Ad Hoc Group was established in June 2006 under the CoP to examine the key needs of the elderly in poverty, and to work with the Health, Welfare and Food Bureau (HWFB) and the Elderly Commission (EC) to identify short-term improvements as well as longer term policy direction to better address such needs.

3. In terms of longer term issues relevant to preventing and alleviating poverty among future generations of elders, members noted that health care financing is an important issue which is currently being examined by the Government. Members consider that LTC needs and retirement protection are equally important subjects which the Ad Hoc Group should include in its work programme.

LONG -TERM CARE

Existing policies and measures

4. “Active ageing”, “ageing in the community”, “continuum of care” and “targeting resources at elders most in need” are the underlying principles of Government’s elderly policy. To enhance the quality of life of elders, the Government promotes active ageing. To assist elders who have LTC

needs to age in the community, the Government provides them with subsidised home-based and centre-based community care services. Those who do not have LTC needs but require assistance in daily living may apply for the non-frailty-tested home-based services. For those who have LTC needs and cannot be adequately taken care of at home, the Government provides them with subsidised residential care services.

5. To ensure that public resources are targeted at those elders most in need, the Government has adopted a standardised frailty test to assess the LTC needs of elders who wish to apply for subsidised LTC services.

Care and support services for elders in the community

6. The District Elderly Community Centres (DECCs), the Neighbourhood Elderly Centres (NECs) and the Social Centres for the Elderly (S/Es) form a territory-wide social support network for the elders in the community and their carers. Among other things, the DECCs, the STEs attached to the DECCs and the NECs outreach to singleton elders. The additional allocation of \$38 million in the 2007-08 Budget to these elderly centres will enhance their social worker manpower for planning and mobilising district resources (including volunteers) to strengthen their outreach programmes to locate more singleton elders (in particular “hidden elders”), assist them to develop social life, and provide referral and supporting services to those in need.

7. Subsidised home-based community care services are provided through subvented non-governmental organisations (NGOs) to assist elders, whenever possible, to stay in their own homes. About 3 300 elders are receiving frailty-tested home-based community care services which include case management, personal care, nursing care, rehabilitative care, meal delivery, household cleaning and escort services. Another 16 000 elders are receiving non-frailty-tested home-based services including meal delivery, home making and escort services. While these services are not means-tested, about 64% of the users of the frailty-tested home-based services and 74% of the users of the non-frailty-tested home-based services are recipients of the Comprehensive Social Security Assistance (CSSA) Scheme.

8. The frailty-tested day care services at the Day Care Centres/Units

for the Elderly comprise personal care, rehabilitation training, meal services and social recreational services. There are 51 Day Care Centres/Units which provide 1 975 day care places for the elderly.

9. In addition, there is also support for family carers to facilitate their caring for frail elders at home. The support services include day and residential respite for elders, and provision of information, training and emotional support.

Residential care services

10. When frail elders can no longer be assisted to stay in their homes, care is available in residential care homes for the elderly (RCHEs). Residential care in Hong Kong is provided by both NGOs and the private sector. At present, there are about 73 000 RCHE places, of which 26 000 are subsidised residential care places (in subvented RCHEs, contract homes and private RCHEs participating in the Enhanced Bought Place Scheme). In addition, 23 000 elders are using CSSA payment to stay in the non-subsidised places in private RCHEs. In other words, the Government is directly or indirectly subsidising about 49 000 elders (i.e. over 75% of the 62 600 elders currently living in RCHEs) to receive residential care services.

11. In line with the principle that subsidised residential care places for the elderly should provide LTC and continuum of care, the Social Welfare Department (SWD) has since 2005-06 implemented the programme of converting the self-care hostel places and the home for the aged places which have no LTC element, and some existing care and attention (C&A) places not providing continuum of care, into C&A places providing continuum of care.

Relevant issues

12. In view of an ageing population, the demand for subsidised elderly services will likely keep on increasing. The Government has increased the provision of home-based community care services and subsidised residential care places significantly in the past decade. In 2006-07, about \$2.9 billion was spent on subsidised residential care places, community care services and other support services for the elderly.

13. Making use of the additional recurrent funding of \$20 million secured in 2006-07, SWD has increased the capacity of the non-frailty tested home care services for the elderly provided by the 60 Integrated Home Care Services Teams. The additional capacity has started coming into place since January 2007. SWD projects that about 2 000 additional new cases will be served. Also, SWD has increased the service volume of the frailty-tested home care services for the elderly provided by the Enhanced Home and Community Care Services Teams. SWD will continue to monitor the service demand for the frailty-tested home-based community care services and increase the service volume for districts with higher demand where necessary. In 2007-08, SWD will increase the number of day care places by 80.

14. In terms of subsidised RCHE places, the number has increased from about 16 000 in 1997 to about 26 000 at present, representing an increase of 60%. Within the next two years (2007/08 – 2008/09), the Government aims to provide an additional 812 subsidised residential care places (662 places will be available in 2007-08, of which 450 will be purchased from private RCHEs. Another 150 will be available in 2008-09 making use of the additional \$16 million earmarked in the 2007-08 Budget).

15. As the population ages, the demand for subsidised residential care places will increase. At present, the average waiting time for a subsidised C&A place is 22 months (9 months for a subsidised C&A place in private RCHEs). A very rough estimation shows that the Government may have to deploy three times as much expenditure in the next three decades just to maintain the current waiting time for subsidised RCHE places¹.

16. The solutions to address the increasing demand for RCHEs cannot rest merely with meeting the demand through publicly funded services. The following could be part of the longer-term strategies to tackle the issue -

- (a) encourage healthy ageing, ageing in place, and support by family and community networks;

¹ Speech by Secretary for Health, Welfare and Food, April 2005.
www.info.gov.hk/gia/general/200504/13/04130234.htm

- (b) increase the choices for quality residential care places through encouraging a more robust market comprising quality self-financing and private RCHEs providing differential services, as well as multi-faceted sources of financing from the individuals and their families, which in turn should improve the quality of private residential care homes; and
- (c) consider more vigorous targeting in using public resources to assist elderly most in need of assistance.

17. At the sharing session on elderly in poverty held on 10 April 2006², Members were of the view that subsidised residential care services might not always reach the most needy elderly. However, as a matter of fact, about 70% of the elders currently living in RCHEs are CSSA recipients. Whether there should/could be more vigorous targeting in the allocation of subsidised residential care places is a complicated issue and will have to be considered in the context of whether the elderly population is better prepared to age in place, whether there is a robust market which provides alternative choices of quality residential care services, and whether the elders are financially more prepared to cater for their LTC needs. In this regard, the EC has been focusing on a number of key areas to promote active and healthy ageing and to further support and encourage ageing in the community.

18. Members have previously noted that provision of elderly care services is considered one of the key potential areas for the further development of social enterprises (SE). Some members noted the development in the U.K. in using the voucher system in order to instill greater level of flexibility in the provision of such services, and suggested further consideration of how the existing provision of elderly home care services may encourage further SE development in the future.

FINANCIAL SECURITY

19. Like many other places, an ageing population with longer life expectancy poses many challenges to our society. According to the population projections (2004 - 2033) by the Census and Statistics

² Annex to CoP Paper 11/2006 refers.

Department, it was forecasted that by 2033, the number of elders aged 65 or above will exceed 2 million, accounting for some 27% of the population. The increase would be gradual at first, moving up from 11.7% in 2003 to 14.3% in 2015, and at a much faster pace between 2015 and 2033. The elderly dependency ratio will increase, from 161 per 1000 persons in 2003 to 428 in 2033. Adequate financial planning to cater for the key needs during old age is crucial to ensure financial security and prevent poverty of future generations of elders.

Existing policies and measures

20. The Government has been studying the sustainability of Hong Kong's three pillars retirement financial protection -

- (a) publicly funded CSSA and Old Age Allowance (OAA);
- (b) Mandatory Provident Fund (MPF) schemes; and
- (c) voluntary private savings and investment.

21. Under the First Pillar, the CSSA offers a safety net for those who could not support themselves financially, including the elderly. Elderly recipients receive special care through the provision of higher standard rates, special grants and supplements under the CSSA Scheme. The Director of Social Welfare may also exercise his discretion under the CSSA Scheme to assist elderly in need having regard to the situation of each family.

22. Besides the CSSA Scheme, the OAA also offers cash allowance to eligible elders of 65 or above to meet their special needs arising from old age. Both the CSSA and the OAA are non-contributory and funded by general revenue. While the CSSA is means-tested, the OAA is a largely non-means-tested scheme. As at the end of 2006, 90% of the elderly aged 70 or above (i.e. 565 456 recipients) received public financial assistance either in the form of CSSA, OAA or Disability Allowance.

23. Besides financial assistance, the Public Pillar is complemented by a public support network for the elderly in need. This includes a highly subsidised public healthcare system, public housing programmes, a wide network of elderly centres and centre-based services, as well as subsidised community and residential care services.

24. Under the Second Pillar, the Government has established the MPF in December 2000 which is a privately managed mandatory retirement fund for the working population. As at end March 2007, about 2.34 million people have been enrolled in MPF schemes. Another 0.451 million employees are covered by schemes under the Occupational Retirement Schemes Ordinance (ORSO) which have been in existence before the establishment of MPF.

25. Under the Third Pillar, Hong Kong has a relatively favourable policy environment (no tax on capital gains nor duty on estate) which facilitates voluntary savings and investment. Support from family members continues to remain an important source of income for elders. According to a survey by the Census and Statistics Department in 2003, about 1.68 million people supported their parents financially, amounting to an annual expenditure of around \$60 billion.

Relevant issues

26. The introduction of the MPF ensures that a large proportion of our population has some level of retirement protection. Nevertheless, given the existing contribution level, it would only serve to provide basic retirement protection for retirees. The MPF also does not provide a solution for retirement security for all kinds of people. Some, including low-income earners with monthly income below \$5,000 and non-working population are not covered, and those who were close to retirement age in 2001 may not be able to save enough due to the short contributory period. They have to rely on other sources of financial support from family and public assistance.

27. There have been repeated calls for the Government to establish a universal retirement protection scheme for all³. Any proposal to strengthen the Public Pillar would have to be financially sustainable in the long-term, bearing in mind the existing level of welfare spending and the pressure an ageing population will place on the public support system. In

³ At its meeting on 8 June 2006, the Legislative Council Panel on Welfare Services passed a motion urging the Administration to conduct expeditiously a study on establishing a sustainable old age pension system to provide all elders with immediate payments to meet their basic and special needs arising from old age.

terms of public financial assistance, the expenditure of CSSA and OAA has increased by 77% in 2004-05, compared to 1996-97. It was estimated that in thirty years, the payment of social security for the elderly might increase from \$12.7 billion in 2005 to \$30 billion⁴. Public expenditure to address LTC needs will also increase (paragraphs 12-15 above).

28. The Central Policy Unit is conducting a study to examine the sustainability of the three pillars of retirement protection. The study is expected to complete in 2007 and the Government will take into account the results of the study and explore ways to strengthen the three pillars.

WAY FORWARD

29. With an ageing population and longer life expectancy, providing adequate care for the elderly, in particular those who cannot support themselves or be supported by their families, are becoming increasingly challenging tasks. Any support system for the elderly needs to be financially sustainable in the long term. As discussed previously⁵, support for the elderly should be based on a concept of shared responsibility of the individuals, their family and the society. In achieving this, there is a need to encourage a more robust market comprising quality self-financing and private RCHEs providing differential services, as well as multi-faceted sources of financing from the individuals, their families and the Government.

30. Most of the concerns so far have focused on the greater demands an ageing population will place on our social security, healthcare and elderly services. No doubt these are legitimate concerns and stark challenges, which we as a community need to address. However, we should also note that with the advancement in medical science and greater health awareness, more cohorts of our population will age with better education, better health and better financial means in the future. We would continue to encourage the participation of the elderly in the society, and to tap this valuable pool of resources in order to help those who are needy in the community.

⁴ Legislative Council Paper No. CB(2)1828/04-05(03).

⁵ CoP Paper 11/2006.

Secretariat to the Commission on Poverty
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