

## **LEGISLATIVE COUNCIL BRIEF**

### **REVIEW OF QUALIFYING CONDITION FOR ELDERLY IN RECEIPT OF COMPREHENSIVE SOCIAL SECURITY ASSISTANCE TO LIVE OUTSIDE HONG KONG AND ABSENCE LIMIT FOR SOCIAL SECURITY ALLOWANCE, AND**

### **PROVISION OF A MONTHLY SUPPLEMENT TO COMPREHENSIVE SOCIAL SECURITY ASSISTANCE RECIPIENTS WHO ARE 100% DISABLED, OR WHO REQUIRE CONSTANT ATTENDANCE AND ARE NOT LIVING IN INSTITUTIONS**

#### **INTRODUCTION**

At the meeting of the Executive Council on 22 February 2005, the Council took note of the details of the measures announced in the 2005 Policy Address to enhance the coverage of and eligibility criteria for the Portable Comprehensive Social Security Assistance (PCSSA) Scheme for the elderly, and the absence limit for the Old Age Allowance (OAA) and Disability Allowance (DA) under the Social Security Allowance (SSA) Scheme, in view of our ageing population and increased cross-boundary movements. The Council also noted the measure to strengthen support for severely disabled Comprehensive Social Security Assistance (CSSA) recipients living in the community.

2. The measures comprise changes to certain elements of the CSSA and SSA Schemes as follows -

#### **PCSSA**

- (a) extend the PCSSA Scheme to Fujian Province to provide elderly CSSA recipients with an option to continue to receive their monthly CSSA standard rates and annual long-term supplement if they choose to leave Hong Kong to take up permanent residence in Fujian,
- (b) relax one of the eligibility criteria for PCSSA that applicants have to continue to have received CSSA for at least three years to at least one year immediately before the date of application,

### **OAA and DA**

- (c) 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 without affecting the payment of the allowance, subject to the recipient having resided in Hong Kong for at least 90 days in the year, and

### **Monthly Supplement for Severely Disabled CSSA Recipients**

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

## **JUSTIFICATIONS**

### **(A) Extension of the PCSSA Scheme to Fujian**

3. The CSSA Scheme, which is means-tested, provides a safety net of last resort to meet the basic needs of those who cannot support themselves financially. 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. There are currently about 3 000 CSSA elders on the Scheme.

4. In extending the Scheme to cover other parts of the Mainland, we have considered the demand/wishes of the elderly, the feasibility of relevant monitoring measures and the cost-effectiveness of administering such measures.

#### **(a) Demand**

5. There is an increasing interflow of people across the boundary over the years. According to an estimate by the Planning Department, about 53 000 Hong Kong permanent residents aged 65 and above usually live in the Mainland in mid-2003\*.

6. According to a survey conducted by the Social Welfare Department (SWD) in 2003, next to Guangdong (about 90%), Fujian is the native land of the second largest group of elderly CSSA recipients, i.e. about 5% of the total (or about 6 800 persons) have close links with

\* **Note** Paper on 2003 Review of Estimation of the Number of Hong Kong Permanent Residents Usually Living in the Mainland by the Planning Department.

Fujian. Based on the existing take-up rate for the Guangdong PCSSA Scheme, it is estimated that about 160 elderly CSSA recipients may opt for retiring to Fujian with portable financial support from CSSA, if the Scheme is extended to Fujian. It should be pointed out that once having opted for the Scheme, an elderly CSSA recipient is free to reside in Guangdong or Fujian regardless of his/her actual native land.

**(b) Feasibility and cost effectiveness of monitoring measures**

7. The proximity of Fujian to Hong Kong and the number of elderly CSSA recipients with personal links with Fujian makes it feasible and relatively more cost effective to have an agent on the ground to undertake the necessary case reviews, and provide assistance to the elderly as necessary.

**(B) Relaxation of the “Three-year-on-CSSA” Rule for PCSSA Applicants**

8. The rationale behind the “three-year-on-CSSA” rule before elderly CSSA recipients can become eligible for PCSSA was to ensure that PCSSA is paid only to long-term CSSA recipients whose long-term dependence on CSSA has been well established, and to discourage elderly Hong Kong residents who have already settled elsewhere from returning to Hong Kong in order to get the portable benefit.

9. With the implementation of the new residence requirements for CSSA since 1 January 2004, former Hong Kong residents returning to Hong Kong cannot have immediate access to CSSA as they must have resided in Hong Kong continuously for at least one year before the date of application. Given such a requirement, it is unlikely that those who have settled elsewhere would return to Hong Kong simply to get the portable benefit. There is a case for relaxing the three-year rule but total relaxation is undesirable because, as mentioned in paragraph 8 above, we need to ensure that PCSSA is paid to CSSA recipients whose long-term needs are established.

10. On the basis of the existing take-up rate for the Guangdong PCSSA, it is estimated that there would be 900 more PCSSA beneficiaries from Guangdong and 50 more from Fujian, in addition to the estimated 160 mentioned in paragraph 6 above when we relax the “three-year-on-CSSA” rule to one year.

**(C) Relaxation of the “absence limit” for OAA and DA**

11. OAA is different from CSSA in that it aims to provide a largely non-means-tested monthly allowance to elderly Hong Kong residents aged 65 or above in the light of old age. Similarly, DA is to provide a non-means-tested allowance to those who are severely disabled.

12. 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 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.

13. 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. 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 are much more than those on CSSA (457,000 vs 180,000). Furthermore, unlike the 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. 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 additional financial implications to the SSA Scheme. For reference, if all the elderly aged 70 and above who are not currently claiming OAA/DA or CSSA (7.7% of the population age group) now apply for OAA, the additional annual expenditure would be \$360 million.

14. 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, constitutes a right balance.

### **Implications of relaxing the absence limit to 240 days**

A 15. As shown in Annex A, at present elderly are entitled to 270 days of OAA payments if they reside in Hong Kong for 90 days. When the absence limit is raised to 240 days, their entitlement will be increased to 330 days.

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

### **(D) Monthly Supplement for CSSA Recipients Who are 100% Disabled, or Who Require Constant Attendance and are not Living in Institutions**

17. 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. For those who need to be supported by CSSA, 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 (eg. wheel-chair, hearing-aid, disposable diapers), and costs of glasses and dental treatment.

18. In recognition that the severely disabled may have to shoulder heavier financial expenditure from living in the community, we have proposed to provide those CSSA recipients suffering from 100% disability or requiring constant attendance and are not living in institutions with additional financial assistance of a monthly supplement of \$100 to support them to live in the community.

### **(E) Implementation Timetable**

19. As the CSSA and SSA Schemes are administrative schemes, no legislative amendment is necessary. A submission will be made to the

Finance Committee (FC) of the Legislative Council (LegCo) to seek approval of the necessary financial implications.

20. Subject to FC's approval of the necessary financial implications, we aim to implement the PCSSA measure by August 2005, the SSA measure by October 2005, and the measure regarding the severely disabled CSSA recipients by November 2005.

21. To implement the measures, SWD needs to modify its major computer system through contract variation with the existing system maintenance contractor. The system modification will involve complicated computer programming as well as extensive user acceptance tests to ensure correct payment to the affected social security recipients. Some lead time before implementation is therefore required to ensure that the computer system is fully adjusted to support smooth implementation of the measures.

## **IMPLICATIONS OF THE MEASURES**

B 22. The measures have financial implications as set out at Annex B. They are in conformity with the Basic Law, including the provisions concerning human rights. They have no civil service, economic or environmental implications. As far as sustainability implications are concerned, amendments to the PCSSA Scheme enable a more efficient use of the public resources on welfare. In general, the measures respond to the growing demand for more flexibility and support in the Schemes concerned.

## **PUBLIC CONSULTATION**

23. We have received regular calls from the community, including academics in the field, political parties, LegCo Members, non-Government organizations and elderly groups for providing needy elders with the option and flexibility to continue receiving welfare payments if they choose to live in the Mainland. There have also been calls to provide additional support to the severely disabled to live in the community. Since the announcement in the Policy Address, we have briefed the LegCo Panel on Welfare Services, and kept relevant advisory committees such as the Elderly Commission, Social Welfare Advisory Committee and Rehabilitation Advisory Committee informed.

## **BACKGROUND**

### **PCSSA**

24. The objective of PCSSA is to enable elderly CSSA recipients who meet the prescribed criteria to continue to receive cash assistance under the CSSA Scheme if they choose to retire permanently in Guangdong (the current coverage). The current criteria are - being Hong Kong permanent resident and have lived in Hong Kong for at least seven years; be aged 60 or above; and have received CSSA continuously for three years immediately before the application for PCSSA. PCSSA recipients are entitled to the monthly standard rate and the annual long-term supplement. No special grants or other payments, such as rent allowance and special diet allowance will be payable. A burial grant to meet the burial and related expenses can be made to a deceased PCSSA recipient's relative or friend. Moreover, PCSSA recipients may choose to return to Hong Kong at any time to take up permanent residence and receive CSSA in Hong Kong.

25. Currently about 180 000 elderly recipients aged 60 and above are receiving elderly payment under the CSSA Scheme, with an annual expenditure of about \$7.8 billion.

### **OAA and DA**

26. There are now about 457 000 elders on OAA, i.e. about 56% of the total elderly population aged 65 and over in Hong Kong. The annual expenditure on OAA is about \$3.6 billion. The aim of the OAA Scheme is to help Hong Kong residents aged 65 or above to meet needs arising from old age. Applicants aged between 65 and 69 applying for Normal Old Age Allowance have to declare that their income and assets do not exceed the prescribed levels. Persons aged 70 or above applying for Higher Old Age Allowance are not subject to means test. Other current criteria of OAA include - having been a Hong Kong resident for at least seven years and having resided in Hong Kong continuously for at least one year immediately before the date of application.

27. There are now about 110 000 DA recipients and the annual expenditure on DA is about \$1.6 billion. The objective of the DA Scheme is to provide monthly allowance to the severely disabled to meet special needs arising from disability. Individuals who are certified by the Director of Health or the Chief Executive, Hospital Authority to be severely disabled, and the disabling condition will persist for at least six months are entitled to the Normal Disability Allowance. For individuals who meet the eligibility criteria for Normal Disability Allowance and are certified by

the Director of Health or the Chief Executive, Hospital Authority to be in need of constant attendance from others in daily life as well as not receiving care in a Government or subvented residential institution or a medical residential institution under the Hospital Authority can apply for the Higher Disability Allowance. Other criteria of DA include - having been a Hong Kong resident for at least seven years and having resided in Hong Kong continuously for at least one year immediately before the date of application.

### **CSSA Recipients Who are 100% Disabled, or Who Require Constant Attendance**

28. As at December 2004, there were 88 000 CSSA recipients who were 100% disabled or required constant attendance. Among them, about 50 000 were living in the community. The rest live in institutions.

29. 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. 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.

### **SUBJECT OFFICER**

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**February 2005**



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**Annexes**

Annex A - The Social Security Allowance Scheme: Examples of  
Absence Limit

Annex B - Financial Implications

## Annex A

### The 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 (new 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

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

## FINANCIAL IMPLICATIONS

### (a) PCSSA

Based on the existing take-up rate of PCSSA in Guangdong, it is estimated that (i) 160 existing elderly CSSA claimants may opt for receiving the portable CSSA if the PCSSA Scheme is extended to Fujian, and (ii) there would be 900 more PCSSA beneficiaries from Guangdong and 50 more from Fujian if the “three-year-on-CSSA” rule is relaxed to one year. Since PCSSA recipients are only entitled to the standard rate and annual long-term supplement but not special grants, it is estimated that the two measures combined could generate a notional saving of about \$14.6 million annually against the CSSA outlay for **existing** CSSA recipients. The measure may attract **new** CSSA recipients who qualify for CSSA but have not bothered applying given their plans to retire in the Mainland even without the relaxed rules. The additional expenditure so arising may offset the potential savings, although it is not possible to make an informed guess of the net financial implications.

### (b) SSA

The measure to relax the absence limit for OAA and DA from 180 days to 240 days, as illustrated in Annex A, implies that OAA payments will 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. 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 7.7% of the elderly population aged 70 or above who are not currently claiming OAA or CSSA now choose to apply for OAA, the estimated additional expenditure per year is \$360 million, bearing in mind that elderly aged 65 to 69 can also apply for OAA subject to a means and income test.

### (c) Monthly Supplement for CSSA Recipients Who Are 100% Disabled, Or Who Require Constant Attendance, And Are Not Living In Institutions

It is estimated 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.

### (d) Administrative Overheads

To implement the PCSSA extension, relaxation of eligibility criteria for

PCSSA and SSA and the monthly supplement for the severely disabled CSSA recipients, SWD would need to enhance its computer system at a one-off cost of \$3.2 million and annual recurrent cost of \$340,000. SWD will also need to commission an implementation agent for running the PCSSA scheme in Fujian and enhance the services of its Guangdong agent at an annual cost of about \$640,000. HWFB/SWD will absorb the expenditure from within their existing allocation.