

ITEM FOR FINANCE COMMITTEE

**HEAD 149 – GOVERNMENT SECRETARIAT :
HEALTH, WELFARE AND FOOD BUREAU
Subhead 700 General non-recurrent
Item 484 Grant to the Samaritan Fund**

Members are invited to approve a \$300 million increase in the approved commitment for the grant to the Samaritan Fund.

PROBLEM

The Samaritan Fund (the Fund) has insufficient funds to cope with projected requirements from needy patients.

PROPOSAL

2. The Secretary for Health, Welfare and Food proposes to increase the grant to the Fund by \$300 million from \$210 million to \$510 million.

JUSTIFICATION

3. The objective of the Fund is to provide financial assistance to needy patients to meet expenses on privately purchased 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, 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 \$138,000 for an Automatic Implantable Cardioverter Defibrillator.

4. The Fund, currently being managed by the Hospital Authority (HA), was established without an endowment. It has always been operating on a rolling account basis and relies largely on fresh income received each year to meet its expenditure. Private donations and Government's reimbursement for assistance provided to recipients of the Comprehensive Social Security Assistance (CSSA) have been two major sources of income of the Fund. While demand for assistance from the Fund has been rising in recent years, income of the Fund, in particular those from private donations, fluctuated widely. In order to meet the expenditure requirement of the Fund, it is necessary from time to time for the Government to inject one-off grants to the Fund. The Finance Committee of the Legislative Council (LegCo) last approved in 2005 the making of a \$200 million grant to meet the projected funding requirements of the Fund up to 2006-07. In March 2006, the Secretary for Financial Services and the Treasury approved under delegated authority a further provision of \$10 million to the Fund. This brings the approved commitment for the Fund to \$210 million. The total income of the Fund in the last five years and projected income in 2006-07 are as follows –

Source of funding	2001-02 (\$ M)	2002-03 (\$ M)	2003-04 (\$ M)	2004-05 (\$ M)	2005-06 (\$ M)	2006-07 (Projected) (\$ M)
Donations from charitable organisations	12.6	20.8	14.0	16.0	12.9	13.2
Reimbursement from Government for privately purchased medical items for CSSA recipients	23.1	26.9	26.3	31.8	34.5	38.8
One-off funding from Government	-	9.0	-	-	160.0	50.0
Designated donation from Government	2.0	-	2.0	2.0	2.0	2.0
Other income	0.5	0.3	0.11	0.02	11.6	5.2
Total	38.2	57.0	42.4	49.8	221.0	109.2

5. Due to advancement in medical technologies and rising demand for assistance from the ageing population, the number of applications approved and expenditure of the Fund have surged sharply from 2 744 and \$41.7 million in 2001-02, to 3 946 and \$123.2 million in 2005-06 respectively. The relevant figures for the past five years and the projection for 2006-07 are given in the table below –

/2001-02

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (Projected)
Number of approved applications	2 744	3 037	2 863	3 591	3 946	4 327
Total expenditure (\$ M)	41.7	47.8	47.5	87.5	123.2	138.5

6. It can be seen from the above two tables that before 2004-05, the annual income of the Fund could in general cover the expenditure of that year. But the significant increase of expenditure in 2004-05 and 2005-06 has brought about deficit for the Fund, which has resulted in the need for the Government to inject a \$200 million one-off grant to the Fund to cover expenses in 2005-06 and 2006-07. A breakdown of the major expenditure items of the Fund in 2005-06 and projected expenditure for 2006-07 is at Enclosure 1.

Encl. 1

7. There are four major factors behind the substantial increase in expenditure of the Fund, which include –

- (a) a decrease in funding support from private donations and other charitable sources. The decrease was particularly notable when a five-year programme with an annual grant of up to \$25 million supported by a major charitable organisation ceased in 2004-05. Since this programme has helped provide needy patients with an alternative channel of assistance, its cessation has significantly increased the demand for funding support under the Fund;
- (b) the rapid advancement in medical technologies has offered better treatment to patients, through the use of advanced and often costly medical items. Taking the three privately purchased medical items for heart disease as examples, the cost of Percutaneous Transluminal Coronary Angioplasty (PTCA) ranges from \$10,000 to \$84,000 or more per patient; the unit cost of pacemaker ranges from \$10,000 to \$36,000; and the unit cost of Automatic Implantable Cardioverter Defibrillator (AICD) is \$138,000. The high cost of advanced medical items exerts immense financial pressure on the Fund. As a matter of fact, expenditure on these three types of items (i.e. PTCA, pacemaker and AICD) has increased from \$63.2 million in 2004-05 to \$72.7 million in 2005-06, representing a 15% increase in one year;

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- (c) the ageing population has resulted in an increasing number of patients suffering from stroke, heart diseases, disabilities and other chronic conditions. For example, in 1996-97, 708 patients received subsidies on expenditure on PTCA and pacemakers implantations. In 2005-06, the number of patients receiving assistance on PTCA, pacemakers and AICD implantations surged to 2 174; and the number of cases is expected to increase further to 2 307 in 2006-07. It is anticipated that more and more elderly and chronic patients will seek assistance from the Fund in the future; and
- (d) the Fund currently provides assistance to patients who require treatment by drugs that are proved to be of significant benefits but extremely expensive for the HA to provide as part of its subsidised service. The expenditure on drugs has increased substantially from \$17.7 million in 2004-05 to \$41.4 million in 2005-06. The drug Imatinib (Glivec) alone accounted for \$36 million of the Fund's expenditure in 2005-06 and the expenditure on Imatinib is expected to increase to \$41.1 million in 2006-07. As rapid advances in pharmaceutical science continue, the Fund's expenditure on drugs is likely to continue to rise at a significant rate.

8. The HA has made a projection on the income and expenditure of the Fund for the three years from 2006-07 to 2008-09 as shown in the table below. The projected income is based on the assumptions that the amount of private donations in the next three years will remain similar to the level of 2005-06, and that Government's reimbursement for assistance provided to CSSA recipients will increase by about 15% a year. On the other hand, the HA is planning to expand the funding scope of the Fund in 2007 to include new drugs for patients with cancer and rheumatic diseases, and as a result drug expenditure is projected to increase to \$50.2 million in 2006-07 and \$114 million in 2007-08. Expenditure of non-drug items is estimated on the basis of past trends.

	2006-07 (\$ M)	2007-08 (\$ M)	2008-09 (\$ M)
Estimated income	109.2	57.9	64.5
Estimated expenditure	138.5	215.6	249.7
Estimated deficit for the year	(29.3)	(157.7)	(185.2)
Accumulated fund			
At start of year	70.9	41.6	(116.1)
At end of year	41.6	(116.1)	(301.3)

9. As indicated in paragraph 8 above, the projected expenditure of the Fund will outstrip its income from 2006-07 onwards and an accumulative deficit of \$301.3 million is forecast by the end of 2008-09. The major reasons for the rapid increase in expenditure of the Fund are technological advancement and the ageing population, both of which are prime issues being examined in the ongoing study on health care financing and funding arrangement for the HA. The Administration will consider the long term funding arrangement for the Fund in the context of the study on health care financing. We therefore propose to make a one-off grant in the amount of \$300 million to meet the Fund's projected funding requirements up to 2008-09. In the meantime, the Hospital Authority Charitable Foundation will continue to organise fund-raising activities to solicit more private donations for the Fund.

FINANCIAL IMPLICATIONS

10. Based on the projected income and expenditure of the Fund for the next two years, we propose to increase the approved commitment by \$300 million from \$210 million to \$510 million. The grant is one-off in nature and has no recurrent financial implications.

PUBLIC CONSULTATION

11. We consulted the LegCo Panel on Health Services on the proposal to make a one-off grant of \$300 million to the Fund at its meeting on 11 December 2006. The meeting supported the proposal. Members of the Panel also noted that apart from the drug Imatinib (Glivec), the HA was planning to introduce other cancer drugs in 2007 as items supported under the Fund.

12. A number of the Members urged the Administration to expedite its study on health care financing, with a view to finding a sustainable funding arrangement of the Fund. One of the Members suggested that the HA should reduce the expenditure of the Fund as far as possible through bulk purchase of medical items and price negotiation with the manufacturers/providers. In response, the HA advised that some of the drug manufacturers have already been offering concessionary drug prices for needy patients under the Fund. Market competition among manufacturers/providers could also help lower the cost.

/BACKGROUND

BACKGROUND

13. At present, hospital maintenance fees or outpatient consultation fees in public hospitals/clinics are highly subsidised by Government and cover a wide range of medical services, procedures and consultations. Patients are however 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 are mostly products of new medical technology at the time of their introduction. 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.

14. The Fund was established as a trust in 1950 by resolution of the LegCo 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. To ensure that the Fund and the public resources are put to appropriate use, all items supported by the Fund are subject to close scrutiny before these are covered by the Fund. The HA adopts a prioritisation mechanism to vet and evaluate items of new technologies. Factors considered in the evaluation include efficacy, effectiveness and cost-effectiveness; fair and just use of public resources, targeting subsidies 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

15. Every application which has fulfilled the clinical indications will be assessed carefully by Medical Social Workers (MSWs) to ensure that the Fund will be used to benefit the poor and the needy patients. For non-drug items, MSWs will determine the level of subsidy granted based on the patient's household income, household total savings and reference to the actual cost of the medical item. For drug items, the level of subsidy would be assessed on the basis of the patient's household disposable financial resources, which essentially means the amount of their household disposable income (i.e. gross income minus allowable deductions for basic expenditure such as rent, living expenses, provident fund contributions, medical expenses, etc.) and disposable capital (i.e. savings, investment, properties, etc. minus the residential property and tools/implementation of the patient's trade). Apart from the above criteria, consideration will also be given to any special social financial factors/circumstances faced by the patients.

Enclosure 1 to FCR(2006-07)32

**Number of Approved Applications and Expenditure
of the Samaritan Fund in 2005-06 and
Projected expenditure for 2006-07**

Items	2005-06		2006-07 (Projected)	
	No. of cases	Amount (\$ M)	No. of cases	Amount (\$ M)
Cardiac Pacemakers	454	18.6	530	22.1
Percutaneous Transluminal Coronary Angioplasty and other consumables for interventional cardiology	1 720	54.1	1 777	55.9
Intraocular Lens	1 073	1.7	1 178	1.8
Home use equipment, appliances and consumables	128	1.2	128	1.2
Drugs (other than Imatinib)	127	5.4	102	4.3
Imatinib (Glivec)	198	36.0	226	41.1
Gamma Knife surgeries in private hospital	35	2.4	37	2.5
Cost for harvesting bone marrow in foreign countries	17	2.0	24	2.8
Myoelectric prosthesis / custom-made prosthesis / appliances for prosthetic and orthotic services, physiotherapy and occupational therapy services	194	1.8	199	1.8
New drugs	0	0	126	4.8
Grants to needy patients	-	0.1	-	0.2
Total no. of cases and related expenditure	3 946	123.2	4 327	138.5

List of Medical Items Currently Supported under the Samaritan Fund

- (a) Privately purchased medical items
 - i. Percutaneous Transluminal Coronary Angioplasty & 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. Home use equipment and consumables
 - viii. Gamma knife surgery in private hospital
 - ix. Harvesting of marrow in a foreign country for marrow transplant
- (b) Drugs that are proved to be of significant benefits but extremely expensive for the HA to provide as part of its subsidised service. At present, these drugs include –
 - i. Interferon
 - ii. Paclitaxel for woman with cancer
 - iii. Imatinib (Glivec) for patients with chronic myeloid leukaemia and gastrointestinal stromal tumour
 - iv. Growth hormone
