

COP/ADM/150/802C

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31 July 2007

Mrs Vivian KAM
Clerk to House Committee
Legislative Council House Committee
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Mrs Kam,

**Report on Elderly in Poverty by the
Subcommittee to Study the Subject of Combating Poverty**

I refer to the letter of 8 June 2007 from the Chairman of the Legislative Council House Committee to the Financial Secretary, enclosing the Report on Elderly in Poverty (the Report) by the Subcommittee to Study the Subject of Combating Poverty (the Subcommittee) established under the House Committee. The Report has been referred to the Labour and Welfare Bureau for co-ordinating a response to the recommendations therein.

The Administration is committed to providing support to the elderly in need. The Administration has put in place measures to address their financial, medical, housing needs as well as needs for care and social support. The relevant bureaux and departments have been working closely with the Subcommittee and discussed with Members in detail the recommendations in the Report at its meetings on 14 May, 28 May and 18 June 2007. The former Secretary for Health, Welfare and Food also responded to some of the key recommendations in the Report at a motion debate on 27 June 2007.

In consultation with the relevant bureaux and departments, I enclose herewith the Administration's response, in both Chinese and English, for Members' reference. The Administration will continue to explore how to further improve our care and support for the elderly who are in need of assistance in our community.

Yours sincerely,

(Edna Wong)
for Secretary for Labour and Welfare

Encl.

c.c.

Secretary for Food and Health

Secretary for Transport and Housing

Secretary for Financial Services and the Treasury

Clerk to Subcommittee to Study the Subject of Combating Poverty of the
House Committee of the Legislative Council

**Administration's Response to
The Report on Elderly in Poverty by the
Subcommittee to Study the Subject of Combating Poverty
Established under the House Committee of the Legislative Council**

This paper sets out the Administration's response to the Report on Elderly in Poverty (the Report) prepared by the Subcommittee to Study the Subject of Combating Poverty established under the House Committee of the Legislative Council (LegCo).

Financial assistance for the elderly

Recommendation (a): Conduct a comprehensive review of the adequacy of monthly allowances payable under the Comprehensive Social Security Assistance (CSSA) and the Social Security Allowance (SSA) Schemes to ensure that they meet the basic living requirements of the elderly recipients

2. The standard payment rates of CSSA and SSA Schemes are reviewed annually to take into account price changes in accordance with the movement of the Social Security Assistance Index of Prices (SSAIP). This mechanism is effective in ensuring that CSSA/SSA standard payment rates are adjusted regularly to maintain their purchasing power.

3. The standard payment rates for the CSSA elders are higher than other categories of recipients. They are also entitled to a wide range of special grants and supplements, such as glasses, dentures, removal expenses, transport fares to hospital/clinic, medically recommended diets and appliances, long-term supplement and burial grant. With the provision of higher standard rates, special grants and supplements for the CSSA elders, the current CSSA payment is sufficient to meet their basic and special needs. In accordance with CSSA rates revised from February 2007, the estimated average monthly CSSA payment for a single elderly is \$3,740.

4. As at end-May 2007, 187 075 elders aged 60 or above were on CSSA. The government expenditure on CSSA old age cases in 2006-07 was \$8.3 billion.

Recommendation (b): Review the eligibility criteria for Old Age Allowance (OAA) under the SSA Scheme including extending the permissible annual absence limit and raising the asset limit

Absence Limit

5. The residence requirement of OAA is to ensure that a non-contributory benefit is paid to Hong Kong residents with strong connection in Hong Kong.

6. We have already relaxed the annual permissible limit of absence from Hong Kong under the SSA Scheme from 180 days to 240 days since 1 October 2005. The measure allows the recipients to spend more time to travel or visit their relatives and friends outside Hong Kong or take up short-term residence, while on the other hand ensures that public funds are spent on Hong Kong residents who regard Hong Kong as a place of permanent residence.

Asset Limit

7. Under the SSA Scheme, only the Normal OAA, which is paid to elders aged between 65-69, is subject to means-test. The current asset limits of Normal OAA are \$169,000 for singleton and \$254,000 for married couple. As OAA is a non-contributory scheme and is entirely funded by general revenue, we have to ensure that public funds are spent on those most in need.

Recommendation (c): Extend the Portable CSSA (PCSSA) Scheme to all places outside Hong Kong

8. At present, the PCSSA Scheme covers Guangdong Province and Fujian Province for the reason that they are the places of origin of the vast majority of elderly CSSA recipients, accounting for about 95% of the total number of CSSA elders. We believe that the existing Scheme has addressed the needs of the vast majority of elderly CSSA recipients.

9. Given the practical difficulties in administering a worldwide PCSSA Scheme, especially in monitoring the continuous eligibility of the recipients overseas and the significant financial implications involved, we cannot support the suggestion to make the Scheme fully portable to all places outside Hong Kong.

Recommendation (d): Review and relax the requirement for elders to apply for CSSA on a household basis

10. Under the CSSA Scheme, any persons, including the elders, if living with family members, should apply for CSSA on a household basis. The total income and assets of all family members in the same household are taken into account in determining the family's eligibility for assistance. To require persons, who are living with family members, to apply for CSSA on a household basis is in line with the policy objective of CSSA that financial assistance funded by general revenue should be provided to those most in need. It also encourages family members to support each other and prevents the avoidance of the duty of care to the elders by resorting to CSSA.

11. For exceptional cases meriting special consideration, exemptions from the one-household requirement are allowed where justified.

Medical services for the elderly

Recommendation (e): Streamline the application procedures for medical fee waiver, and extend the waiver to Chinese medicine consultation and medication charges

12. Elderly persons are one of the major beneficiary groups of the medical fee waiver mechanism. In the first ten months in 2006-07, elderly patients accounted for \$186.6 million of waived fees, or 45.6% of the total amount waived in that period. To make the medical fee waiver mechanism more accessible to elderly patients, we have already made a number of improvements to the fee waiver mechanism in the past few years, which include an extension of the maximum validity period of waivers from six months to 12 months for non-CSSA elderly patients who require frequent use of medical services.

13. Public Chinese medicine clinics have adopted a tripartite model where the Hospital Authority collaborates with a non-governmental organisation (NGO) and a local university in each of the clinic. The NGOs are responsible for running the clinics and are required to provide fee waiver for CSSA recipients. As for non-CSSA low income elders, we encourage the NGOs to provide assistance for them. There are also a considerable number of NGOs running other Chinese medicine clinics offering Chinese medicine services free of charge or at low fees.

Recommendation (f): Consider providing medical treatment at public hospitals and clinics to all elderly at half-price

14. Public healthcare is heavily subsidised by the Government to the tune of over 95% and the present level of medical fees is low. CSSA recipients are also exempted from the payment of any medical fees at public hospitals and clinics. Those who have the means irrespective of their age should, therefore, bear an affordable share of their medical expenses. In addition, lowering the medical fees further would not be conducive to improving service quality. To ensure that limited public resources are used more effectively, we should adopt a more targeted approach providing the necessary assistance to those patients with financial difficulties. For this reason, we have no intention of providing a 50% fee concession for all elderly at this stage. However, we will examine how to provide further relief for medical fee payments for patients and the elderly in need.

Recommendation (g): Expedite the setting up of public Chinese Medicine Clinics (CMCs) and dental clinics in all 18 districts in Hong Kong, particularly in those districts with a high proportion of elderly population; and

Recommendation (h): Consider providing subsidies for elderly for receiving treatment from registered private Chinese medicine practitioners and dentists, prior to setting up CMCs and dental clinics in all 18 districts in Hong Kong

15. Since late 2003, we have set up a total of nine Chinese medicine clinics (CMCs) in Kwun Tong, Kwai Tsing, Yuen Long, Tuen Mun, Sai Kung, Tsuen Wan, Central and Western, Tai Po and Wan Chai districts. We are actively planning to set up another five CMCs and the funding proposal was approved by the Finance Committee of the Legislative Council on 22 June 2007. It is expected that three of the CMCs will be set up by mid-2008 while the remaining two by early 2009. The new clinics are located in districts with a relatively high proportion of elderly population, namely, Eastern, Shatin, Sham Shui Po, Wong Tai Sin, and North districts. As for the remaining four CMCs, we shall continue to search for suitable sites taking into account the needs of the population including the elderly.

16. The Government's policy is to improve the oral health of the population by promoting oral hygiene and oral health awareness in the community. Curative dental services for the public are mainly provided by the private sector and non-governmental organizations.

17. Emergency dental services are provided free of charge at 11 government dental clinics. Besides, specialized oral health care service for in-patients and special needs group are provided at the Hospital Dental Units of seven public hospitals. At present, the average utilization rate of the emergency dental services at the 11 government dental clinics is around 85%. The government has no plan to expand public dental service.

18. For the elderly who are on CSSA, they can apply for dental grant to cover actual expenses for dental treatment, subject to a ceiling. In 2005-06, the dental grant approved amounted to about \$15 million.

Recommendation (i): Review the public healthcare services (including the provision of a manually operated telephone booking system and the allocation of a number of consultation slots for walk-in elderly patients in addition to the implementation of an automated phone booking system) to ensure that elderly patients can receive timely treatment

19. The general out-patient clinics (GOPCs) under the Hospital Authority (HA) serve primarily the low-income and vulnerable groups including chronic patients and poor and frail elderly. Improving access to GOPC services by needy patients especially elderly is thus part of the on-going initiative of HA to improve GOPC services. Since October 2006, HA has introduced an automated telephone booking system for its GOPCs with a view to improving the crowded queuing and waiting conditions in GOPCs. It has also enhanced the consultation scheduling arrangement for chronic patients, many of whom are elders. In this connection, HA has promoted the use of the telephone booking service to elderly patients, and enhanced the booking system to make it more user-friendly for elders. For elderly patients with special needs or genuine difficulty in using the telephone booking service, help desks have been set up in clinics and staff designated to render appropriate assistance in individual cases.

20. As possible improvements, HA has considered the suggestions of adding a manually-operated telephone booking service, and re-opening queues for walk-in elderly patients. Practically, these suggestions would lengthen the time required for each telephone booking and make it even more difficult for users to dial into the system. Adding manually-operated telephone booking service would also require substantial changes to the existing system and would have significant resources and manpower implications for GOPCs. Similarly, re-opening queuing as an alternative to telephone booking will cause long waiting queues outside clinics to re-appear. Shared quotas between telephone booking and queuing would also make it much more difficult for needy patients to get an appointment with GOPCs. To further improve access by elderly

patients to GOPC services, HA is planning to establish on a trial basis in selected clinics dedicated booking hotline for the elderly with reserved telephone booking quota.

Care and support services for the elderly

Recommendation (j): Formulate a comprehensive long-term care policy, establish a mechanism for the planning of long-term care services for the elderly and review the Standardised Care Need Assessment Mechanism for Elderly Services

21. “Active ageing”, “ageing in the community”, “continuum of care” and “targeting resources at elders most in need” are the underlying principles of our elderly policy. To enhance the quality of life of elders, we promote active ageing. For elders in need, we provide both non-contributory financial assistance through social security and a range of highly subsidised services. To assist elders to age in the community, we provide them with subsidised home-based and centre-based community care services. For those who have long-term care (LTC) needs and cannot be adequately taken care of at home, we provide them with subsidised residential care services.

22. To ensure that public resources are targeted at those elders most in need and to enhance consistency and transparency, we have introduced the Standardised Care Needs Assessment Mechanism. The mechanism has been designed on the basis of an internationally-recognised assessment tool known as Minimum Data Set-Home Care to assess the LTC needs of elders who wish to apply for subsidised LTC services and was introduced after thorough consultation with stakeholders. The mechanism has proved to be effective in assessing the frailty level and LTC needs of elders.

Recommendation (k): Develop community-based healthcare services for the elderly at district level

23. The Community Geriatric Assessment Teams and the Community Nurses of the Hospital Authority, the Elderly Health Centres and the Visiting Health Teams of the Department of Health, and the Government-subsidised home-based community care services and day care places for the elderly operated by the non-governmental organizations, are part and parcel of our community-based care services for elders. Private medical practitioners are also key providers of primary health care for elders in the community.

Recommendation (l): Provide more tax incentives to families for taking care of elderly family members

24. As an incentive for families to take care of their parents and grandparents, a taxpayer will get an allowance of \$30,000 for maintaining each dependent parent/grandparent aged 60 or above, or aged below 60 but is disabled. A taxpayer residing with the dependant will be entitled to an additional allowance of \$30,000. If the dependant lives in a residential care home, the taxpayer can make a deduction claim on the residential care expenses up to \$60,000 (but the taxpayer cannot claim the above-mentioned dependent parent/grandparent allowance for that dependant). A taxpayer maintaining a dependent parent/grandparent aged between 55 and 59 is entitled to an allowance of \$15,000, and an additional allowance of \$15,000 if the taxpayer resides with the dependant.

25. We believe that the above tax relief measures could help enhance families' support for the elderly, and relieve taxpayers' financial burden in taking care of their parents and grandparents. The Administration will review these measures from time to time taking into account social needs.

Recommendation (m): Strengthen the provision of day care support services for the elderly and provide direct subsidies to the elderly; and

Recommendation (n): Expedite the provision of subsidised RCHE places to shorten the waiting time to less than one year and increase the amount of subsidy for private RCHE places, pending the completion of the review of the Standardised Care Need Assessment Mechanism for Elderly Services

26. The Government has invested heavily in elderly services in the past ten years or so. The number of subsidised residential care places has increased by 60% from 1997 (16 000) to now (26 000). In the next two years, we will provide an additional 800 subsidised residential care places. Also, we have been upgrading subsidised residential care places to provide continuum of care, and will continue to enhance the quality of residential care homes for the elderly. Community-based care and support services have also been enhanced.

27. In 2007-08, the Government's estimated expenditure on elderly services, excluding public housing and public health services, will amount to \$3.25 billion, representing a 5.5% increase over 2006-07. It is noteworthy that the Government has allocated an additional \$150 million for 2007-08 to strengthen elderly care and support services, which include enhancing the efforts to outreach singleton and hidden elders (\$38 million), enhancing the support for elderly hospital discharges (\$96 million) and increasing the number of subsidised residential care places in new purpose-built premises (\$16 million).

Nevertheless, we will continue to monitor the need for various elderly services and seek to further enhance such services, if necessary.

Residential care services for the elderly

Recommendation (o): Provide direct subsidies to the elderly and allow them to choose the types of residential institutions which best suit their needs

28. In face of an ageing population, any support system for the elderly has to be financially sustainable in the long term. Increasing continuously the supply of subsidised community care and residential care services alone will not be sufficient to meet the range of their needs which vary according to their background. We will continue to promote shared responsibility of individuals, their families and the society in meeting the needs of elders, and encourage a balanced mix of public and private elderly care services to widen the choices for quality self-financing and private residential care places providing differential services. In consultation with the Elderly Commission, we will continue to explore ways of responding to the challenges of an ageing population effectively, including considering how to further target resources at elders most in need, how to increase the choices for quality residential care places, and how to put in place a sustainable LTC financing, cost-sharing and subsidy allocation model, taking into account the development and outcome of the study on health care financing.

Housing needs of the elderly

Recommendation (p): Provide public housing units for victims of elder abuse cases according to their needs

29. The Hong Kong Housing Authority (HA) is sympathetic with the elderly facing family problems and has all along been providing them with the necessary housing assistance in a flexible and prompt manner to meet their housing needs.

30. For elderly tenants in public rental housing (PRH), if it is proven that serious and entrenched discord exists among family members, or there are other reasons deserving compassionate consideration, the Housing Department (HD) will, upon recommendation from the Social Welfare Department (SWD), arrange household splitting. They will be offered an additional PRH flat to live separately if both the main and the splinter households separately pass the Comprehensive Means Test (CMT) and Domestic Property Test (DPT).

31. In elderly abuse cases, the HD would allocate public housing flats to those with genuine and urgent housing needs (whether they live in public or private housing) upon recommendation from the SWD under the Compassionate Rehousing policy. In general, the persons concerned have to satisfy the eligibility criteria applicable to Waiting List applicants, including passing the CMT and DPT and meeting the requirement of seven years' residence in Hong Kong. However, the SWD may recommend waiving part or all of the eligibility criteria on the merits of individual cases. The SWD would make recommendations on the basis of the needs of individual cases. The HD will allocate suitable flats on the basis of the recommendations. Allocation could be completed as soon as within ten days depending on the needs of individual cases.

Recommendation (q): Review the housing allocation arrangement under the Special Scheme for Families with Elderly Persons and accord priority to families with elderly members

32. To encourage younger families to take care of their elderly parents or relatives, the HA introduced the Families with Elderly Persons Priority Scheme (FEP) and the Special Scheme for Families with Elderly Persons (NFEP) in 1982 and 1990 respectively, under which eligible applicants may enjoy advance housing allocation for up to three and two years respectively, as well as preferential treatment in the choice of districts and flat offers. Applicants under FEP may choose flats in any districts (including the Urban District), while those under NFEP may be allocated two flats in the same estate in the New Territories.

33. The HA decided in May 2007 to enhance the above two schemes by shortening the minimum waiting time under both schemes from two years to 18 months. The restriction on the applicants' choice of districts under the NFEP will be relaxed such that applicants may choose flats in any districts other than the Urban District, instead of only the New Territories as in the past. The HA will continue to keep in view the housing needs of the elderly and review the allocation arrangements as appropriate.

Recommendation (r): Construct more public housing units specifically for the needy elderly

34. Since 2001, all new PRH units built by the HA are self-contained. The HA will closely monitor the flat mix in new PRH estates to meet the demand of small flats for the elderly. In the five-year period between 2007/08 and 2011/12, the HA will construct about 77 500 PRH flats, of which 17 230 (22%) are small flats suitable for allocation to one or two person households.

Moreover, since 2001, the HA has been gradually converting one-person flats with shared kitchen and toilet facilities to normal self-contained units. Starting from 2006, the HA has been converting Housing for Senior Citizens of relatively high vacancy rate (mostly units with shared kitchens/toilets) to self-contained units.

35. To implement the concept of “Ageing in Place”, the HA has since 2002 adopted a barrier-free Universal Design in new public housing blocks. It will carefully consider housing estate design, flat interior layout, building services, estate facilities and other design factors to ensure that aged or disabled residents can continue to stay safely and conveniently in their existing flats and an environment with which they are familiar. In public housing construction, the HA would refine the design of small flats to maximize the utilization of space and provide better lighting and clothes drying facilities for the convenience of the elderly tenants.

Recommendation (s): Offer incentives to private developers to build residential estates for the elderly

36. Under the repositioned housing policy, the Government's role is to provide subsidized rental housing for families (including the elderly) which cannot afford private rental housing. The Government should withdraw from other housing assistance programmes to minimize intervention in the market. As such, from the housing policy angle, we have no plan to offer incentives to private developers to build residential estates for the elderly. In fact, various schemes are already in place to help the elderly in need to obtain prompt public rental housing assistance.

Retirement protection for the elderly

Recommendation (t): Review the arrangement for offsetting the long service payment or severance payment by the accrued benefits derived from the contribution of the employers made to his/her employees in the MPF Schemes

37. Before the MPF system was put into operation, the law already allowed employers to offset the accrued benefits derived from their contribution to registered retirement schemes against severance payment or long service payment. It was only after extensive consultations and with the concerted efforts of all parties concerned that this long-established offsetting arrangement should continue for the MPF Schemes. Removal of the offsetting arrangement would have far-reaching implications on employers in view of the significant cost impact on them (in particular those small and medium sized enterprises

which constitute over 98% of all commercial establishments in Hong Kong). To review the offsetting arrangement under the MPF system is a complex issue requiring the support of both employers and employees which is not evident. The Administration thus has no plan to review such arrangement.

Financial security for the elderly

Recommendation (u): Consider providing a universal retirement protection for the elderly

38. In Hong Kong, the retirement protection for the elderly is based on three pillars, namely the CSSA Scheme and OAA, the Mandatory Provident Fund (MPF) Scheme and voluntary private savings. The Government has also built up a vast safety net, providing special care and heavily subsidized services to the elderly in medical and housing policies. The elderly also enjoy various transport concessions.

39. The Government has launched a study on “Sustainability of the Three Pillars of Retirement Protection in Hong Kong”, which is expected to be completed in 2007. The Government will consider the findings of the study in deciding the future course of action.

Recommendation (v): Draw up measures to promote financial security in old age, including relaxing the eligibility for elderly owner-occupiers of old buildings for applying for public housing and studying the viability of “reverse mortgage”
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40. Under the prevailing policy, all Waiting List applicants and their family members must not own or co-own any domestic property from the time of application up to the time when the tenancy agreement is signed upon allocation of a PRH flat. However, to address the living problems of some elderly property owners, the HA has exercised flexibility and introduced an ex-gratia arrangement to allow needy elderly property owners to move into Housing for Senior Citizens (HSC) or self-contained PRH units on a temporary licence basis upon recommendations from the SWD for compassionate rehousing. The elderly property owners may live temporarily in PRH under this arrangement provided that they have passed the CMT, that they have lived in their private dilapidated buildings without lifts for 10 years or more and that all the family members living with them are aged 60 or above.

41. The above ex-gratia arrangement allows elderly property owners access to public housing assistance when they face genuine living problems, while upholding the principle of rational allocation of public housing resources.

42. In general, there should be market demand for reverse mortgage products in a society with an ageing population. In the case of Hong Kong, residential properties owned by elderly people who may be interested in reverse mortgage are generally very aged, and the market values of which are relatively low. In addition, the expected average life expectancy of Hong Kong people has reached 80 years. Assuming that a borrower joins a reverse mortgage scheme at the age of 60, the reverse mortgage term is still rather long and will result in limited monthly payments. As such, a commercially viable reverse mortgage product is unlikely to be attractive to elderly people in Hong Kong.

Promoting positive ageing in the community

Recommendation (w): Step up public education on the concept of “ageing in the community” and life-long education

43. In consultation with the Elderly Commission, the Government has been stepping up the promotion of the concept of “ageing in the community”. In November 2006, we organised a seminar with the participation of overseas and local experts to exchange views on how to further promote “ageing in the community”. Frontline medical social workers in public hospitals and staff of the elderly service agencies will also continue to promote the concept of “ageing in the community” to elders and their carers. The carer support services provided by the elderly centres and the home-based community care teams are also conducive to promoting and facilitating “ageing in the community”.

Recommendation (x): Provide transport subsidy for the needy elders to encourage them to participate in activities in the community

44. The Government has been encouraging public transport operators to provide fare concessions to the elders. The major public transport operators are providing half fare concessions or discounts at similar rate to the elders at present. They are also implementing other forms of elderly concessions. The Government will continue to encourage the public transport operators to review their elderly fare concession initiatives, having regard to their operating conditions as well as the social situation.

Recommendation (y): Draw up specific measures to enhance the capability of the elderly to integrate into the community and to address the technical difficulties faced by the elderly in using information technology including making the operation of automatic teller machines more user-friendly

45. In 2007-08, an additional \$38 million has been earmarked to enhance the manpower provision of the existing elderly centres to strengthen their outreach and support services to singleton and hidden elders. After locating the singleton and hidden elders, the elderly centres will establish contact with them, bring them out of isolation, identify their needs and provide them with the necessary support and services. In view of the ageing population, the Administration will keep in view the needs of the elderly in daily living, and take these into account in order to encourage their participation in the community.