

A. Introduction

The Audit Commission (Audit) conducted a review to examine the economy, efficiency and effectiveness of the Social Welfare Department (SWD) and the Hospital Authority (HA) in managing the medical fee waiver system (Waiver System). The review focused on the following areas:

- processing of waiver applications;
- management control on fee waivers;
- provision of waiver service; and
- staff training and performance management.

2. At the Committee's public hearing, **Mr Shane Solomon, Chief Executive of the HA**, made an opening statement. In summary, he said that:

- the Waiver System was introduced in 1994 and strengthened in April 2003 when the medical fees were increased;
- the Waiver System should support vulnerable groups, including low-income, chronically ill and elderly patients who had little income or assets, to receive the services which carried major financial risks to them. At the same time, the HA supported the Director of Audit's view that the Waiver System should not be abused. Ultimately, the task was to strike a balance between ensuring that vulnerable groups could get access to services while the system was not abused. As such, both the income of the patients involved and the cost of the services to those patients had to be considered. The assessment criteria should be objective, transparent and diligently applied; and
- since the issuance of the Director of Audit's Report (Audit Report), actions had been taken to tighten the Waiver System, including introducing further guidelines and training since October 2006, setting up a post-approval checking team in the first quarter of 2007, enhancing the computer system to allow on-line checking of the validity of patients' Comprehensive Social Security Assistance (CSSA) status, checking high-risk cases by supervisors, and implementing a 1% supervisory checking of approved waiver cases. The first 1% checking had been completed in October 2006.

B. Processing of waiver applications

3. At the Committee's request, **Mr Benjamin TANG, Director of Audit**, provided the following supplementary information in respect of paragraph 2.31 of the Audit Report:

- the amount and percentage of waivers granted on financial and non-financial grounds respectively (in *Appendix 37*); and
- a breakdown of waivers granted on non-financial grounds, referred to in Table 6 of paragraph 2.31, into full waivers and partial waivers (viz. 75%, 50% or 25% waivers) (in *Appendix 38*).

Granting of waivers on financial grounds

4. According to paragraph 2.18 of the Audit Report, patients were required to submit proof of household income and assets to the Medical Social Workers (MSWs) for waiver assessment. However, as revealed in paragraphs 2.19 and 2.20, among the audit sample cases relating to applications from non-CSSA recipients who had declared that they had incomes and assets, 46% did not have copies of their financial documents kept in the case files. There was no document trail of what financial records the MSWs had checked. The practices of the MSWs in the documentation of financial proof were also not standardised. Noting that the SWD and the HA had taken steps to improve the Waiver System by, among others, issuing a revised set of Operational Guidelines in March 2006, the Committee enquired whether:

- the above inadequacies had been addressed since the issuance of the revised Operational Guidelines; and
- there was any monitoring mechanism in place to reinforce compliance with the Operational Guidelines.

5. **Mr SIT Tung, Assistant Director (Rehabilitation and Medical Social Services), SWD**, responded that:

- with a view to standardising the MSWs' practices in documenting financial proof, the Operational Guidelines had specified that the MSWs should document in the Assessment Form for Waiving of Medical Charges (the Assessment Form) the checking of financial documents and specify the types of documents checked. If the financial documents could not be provided for checking, the MSWs should ask the patients to explain the reasons. The MSWs would then exercise their professional judgement to decide whether waivers should be granted. If the application was approved, the MSWs would document the reasons for accepting the patients' self-declaration in lieu of documentary proof. Copies of patients' financial documents would only be kept for cases warranting special attention;

- as regards monitoring, supervisors of the MSWs in the HA and the SWD had been required to check 1% of all waiver cases on a regular basis. The supervisors also periodically reviewed the patients' case files handled by the MSWs to ensure compliance with the Operational Guidelines; and
- further training had been provided to the MSWs to ensure compliance with the Operational Guidelines.

6. The Committee pointed out that if the MSWs only kept copies of patients' financial documents for cases warranting special attention, copies of the financial documents for most other cases would not be available for checking by the MSWs' supervisors. The Committee asked whether this practice should be improved.

7. The **Assistant Director (Rehabilitation and Medical Social Services), SWD**, replied that:

- for normal cases where the copies of financial documents were not kept in the case files, the types of documents checked were recorded in the Assessment Form to facilitate subsequent checking by supervisors. The MSWs also recorded the patients' personal background, financial condition and the peculiarities of the cases in the respective case files, which served as additional information for supervisory checking; and
- for dubious cases, the supervisors, in conducting supervisory checking, might request the MSWs to obtain and keep copies of the relevant documents on file should the patient apply for waiver again.

8. According to paragraphs 2.22 and 2.24 of the Audit Report, audit review of the copies of bank passbooks/statements kept in 106 waiver case files revealed that in five cases, the passbooks showed less than three months' transactions. In another six cases, only the bank statements for the month immediately before the date of application were submitted by the patients. Moreover, large or unusual transactions were detected in four cases, but there was no record indicating that the MSWs concerned had sought clarification from the patients about the transactions. The Committee asked:

- why the MSWs had not paid attention to and conducted checks on those irregularities; and
- whether the problems were caused by a shortage of manpower, lack of skills or negligence on the part of the MSWs in processing waiver applications.

9. In response, **Mr Paul TANG Kwok-wai, Director of Social Welfare**, said that:
- the MSWs had been exercising prudence and due diligence in assessing waiver applications. They were capable of handling waiver applications;
 - the SWD had reviewed the individual cases identified by Audit and considered that they did not involve negligence on the part of the staff. The problems identified mainly concerned omissions or inadequacy in documentation;
 - having regard to the views of some MSWs that the guidelines in this respect were not clear and specific enough, more detailed guidelines had been issued to facilitate waiver processing and avoid recurrence of similar situations. The SWD would continue to remind the MSWs to follow the revised Operational Guidelines and provide on-going training to the MSWs; and
 - as regards manpower, the SWD agreed with the audit recommendation that more clerical support could be provided to the MSWs to assist them in the preparatory work in processing waiver applications.
10. Regarding those cases with unusual transactions, the Committee enquired whether there were guidelines on how such cases should be handled before Audit had identified the problem. It also asked why the MSWs did not seek clarification on the four cases with large or unusual deposits in the patients' bank passbooks which were withdrawn within a short period of time.
11. The **Director of Social Welfare** said that:
- before the issuance of the revised Operational Guidelines, in assessing a patient's financial position, the MSWs had focused on checking whether the patient's latest account balance as shown in the bank passbooks/statements had exceeded the asset limit for waivers;
 - the SWD agreed with Audit's observation that even though a patient's asset had not exceeded the limit, the MSWs should beware of unusual transactions made within a short period of time and ask the patients to explain such transactions; and
 - apart from issuing more specific guidelines, case scenarios had also been incorporated into the Frequently Asked Questions (FAQs) for the MSWs' reference and to facilitate their processing of waivers.

12. **Dr CHEUNG Wai-lun, Director (Cluster Services), HA**, supplemented that:

- continuous improvement was necessary for all systems. Hence, the Operational Guidelines would be reviewed from time to time, having regard to the views of the MSWs, the problems they encountered during daily operation and the changing circumstances;
- a set of FAQs had been issued by the SWD and the HA in August 2006, listing out sample case scenarios to illustrate how to interpret the specific guidelines; and
- more training would be provided to ensure that the MSWs understood the principles and assessment criteria for granting waivers.

13. As mentioned by the Chief Executive of the HA and in paragraph 2.29(b) of the Audit Report, as a measure to safeguard proper handling of waiver applications, supervisors of the MSWs had been required by the revised Operational Guidelines issued in March 2006 to retrieve a minimum of 1% of the waiver records for checking at least every six months, apart from regular review of patients' cases. The Committee asked:

- why supervisory checking of only 1% of the cases was considered adequate for safeguarding proper handling of waiver applications, and whether this would be effective in detecting dubious cases; and
- whether the 1% cases were selected randomly or according to certain criteria.

14. The **Chief Executive of the HA** and the **Director (Cluster Services), HA**, responded that:

- in 2005-2006, a total of 102,725 waiver cases were processed. In view of the large number of cases and the considerable time and efforts required for reviewing the financial records and other documents, it was considered appropriate to select 1% of the cases (i.e. approximately 1,000 cases) for checking by the MSWs' supervisors, who also had to perform other professional duties. From these cases, the supervisors should be able to identify irregularities and problems in the processing of waivers and suggest improvements as appropriate; and
- the cases selected for checking were normally high-risk cases, such as waivers of large amounts or those without sufficient supporting documents.

15. Noting that the first 1% supervisory checking had been completed by October 2006, the Committee enquired about the result of the review.

16. In his letter of 18 December 2006 in *Appendix 39*, the **Chief Executive of the HA** informed the Committee that:

- the first exercise which covered waivers issued during the period from April to September 2006 had been completed. A total of 489 cases from 32 Medical Social Services Units (MSSUs) in both the HA and the SWD had been reviewed. Among these cases, 16 cases required further improvement in documentation, though the assessment and recommendation made by the MSWs in these cases were in order;
- the exercise revealed that some of the MSWs had not provided complete or accurate information in the Assessment Form, e.g. no applicant's signature, no entry of date of previous full assessment conducted, wrongly copying the relative's name as well as inconsistencies between recommendation and the assessment result in the Assessment Form and e-waiver record; and
- the MSWs concerned had been advised to provide complete and accurate information relating to their processing of waiver applications and input accurately the assessment results and recommendations in the e-waiver system. In addition, periodic briefing sessions and training on waiving guidelines would be conducted for the MSWs to enhance their performance in granting waivers.

17. As the 1% supervisory checking, which served as an important monitoring mechanism, was only introduced since March 2006, the Committee asked why it had not been conducted earlier.

18. The **Director of Social Welfare** replied that:

- the SWD and the HA had been monitoring the operation of the Waiver System regularly. The Operational Guidelines had in fact been revised in 2003 and subsequently in 2005 and 2006, in the light of actual operational experience of the frontline workers; and
- it was noted in the latest review that sometimes documentations obtained or checked by the MSWs were not adequate. As such, more specific guidelines had been issued and a supervisory checking was also considered necessary for tightening the control.

Granting of waivers on non-financial grounds

19. The Committee noted from paragraph 2.36 of the Audit Report that 49% of the MSWs who responded to the audit surveys had encountered problems or difficulties in granting waivers on non-financial grounds. They considered that the Operational Guidelines were not clear or specific and many non-financial factors were too broad and non-measurable. In view of the problems reported by the MSWs, the Committee wondered whether there were needy patients who were not granted the appropriate amount of waivers and hence could not pay the medical fees. The Committee therefore asked whether among those cases which had been granted partial waivers, there were any cases with defaulted payment of fees.

20. **Ms Ivis CHUNG, Chief Manager (Allied Health) (Deputising), HA, and the Director (Cluster Services), HA,** said that:

- over 80% of the waiver cases granted on non-financial grounds in 2005-2006 were full waivers and hence the patients concerned already received medical treatment free of charge; and
- as for partial waivers, the MSWs would decide on the percentage of waivers to be granted taking into account the patients' financial situation. If the patients considered the partial waivers granted to them not acceptable, they would further discuss their case with the MSWs. In the end, most of them should be able to pay the partially waived medical fees.

21. The **Chief Executive of the HA** supplemented, in his letter of 18 December 2006, that there were a total of 2,591 partial waivers granted on non-financial grounds for 4,829 cases/attendances in 2005-2006. Among these cases/attendances, there were 73 write-off cases/attendances with a total write-off amount of \$34,468, and 80 outstanding cases/attendances with an outstanding amount of \$105,315.

22. The Committee was aware that some patients had defaulted payment of medical fees instead of applying for waivers. It therefore asked:

- whether the Waiver System was too complicated and inconvenient to applicants, e.g. individual members of a household had to apply for waivers separately; and
- whether the SWD and the HA would consider reviewing the whole system to increase its efficiency and facilitate the patients in applying for waivers.

23. The **Director of Social Welfare** and the **Assistant Director (Rehabilitation and Medical Social Services)**, **SWD**, explained that members of a household were regarded as different applicants and had to apply for waivers separately. However, the MSWs would be able to check with the SWD information on the applicants' family background so that time and efforts in checking such information could be saved. Consideration would be given to streamlining the procedures for granting waivers to members of the same household.

24. The **Director (Cluster Services)**, **HA**, supplemented that the Waiver System aimed at providing public subsidy to the needy people so that they could get prompt medical treatment. While the Waiver System should not be so complicated as to hinder accessibility to services, the responsible officers should conduct waiver assessments rigorously to ensure that public funds were properly disbursed.

Granting of waivers to non-eligible persons (NEPs)

25. Paragraph 2.43 of the Audit Report revealed that, of the 27 audit sample cases relating to granting of waivers to the NEPs, the MSWs could only obtain proof of income or assets in two out of nine cases with reported financial resources outside Hong Kong. For the other 18 cases, the NEPs did not report any financial resources, nor had the MSWs enquired about the existence of such resources.

26. The Committee asked:

- why the MSWs had not ascertained the financial resources of the NEPs, notwithstanding that the MSWs were required under the Operational Guidelines to conduct financial and non-financial assessments for each NEP application, including asking the applicants to provide information on their financial resources outside Hong Kong;
- whether there were practical difficulties in asking the NEPs, who resided in the Mainland or other countries, to provide financial documents and in verifying the authenticity and completeness of the documents; and
- whether the NEPs giving birth in Hong Kong would be granted waivers if they met the criteria.

27. The **Director (Cluster Services)**, **HA**, replied that:

- there could be practical difficulties for the NEPs to provide financial proof in some cases. Under such circumstances, the MSWs might exercise their professional judgement and discretion to grant one-off waivers to them,

usually for the purpose of emergency treatment. For other cases, patients had to provide all the necessary information for financial assessment; and

- according to the Operational Guidelines, non-local pregnant women were not eligible for waivers.

Granting of waivers exceeding \$7,000

28. The Committee noted from paragraphs 2.55 and 2.56 of the Audit Report that the MSWs had been delegated the authority to waive fees not exceeding \$7,000. For fees exceeding \$7,000 but not more than \$250,000, the cases should be submitted to the Director (Finance) of the Hospital Authority Head Office (HAHO) or above for approval after endorsement by the Hospital Chief Executive. The Chief Executive of the HA could approve waivers up to \$1 million in each case. Paragraph 2.57 of the Audit Report revealed that in some cases relating to waiving of fees exceeding \$7,000, the MSWs had granted waivers before obtaining approval from the proper authority. The Committee asked how the HA would improve the control on handling waivers exceeding \$7,000.

29. The **Director (Cluster Services), HA**, responded that:

- the approval process had not been satisfactory. Some MSWs had issued waiver certificates before obtaining approval from a higher authority, or even without obtaining the proper approval. The approval process by the HAHO or above also took a long time;
- to improve the situation, the HA had revised the arrangements to ensure that waiver certificates would no longer be issued to patients for cases with fees exceeding \$7,000 before approval from the HAHO was obtained. Specific timeline for obtaining approval at different levels had been set to speed up the approval process; and
- the HA would also consider if it was necessary to revise the \$7,000 limit in view of the increase of fees in the past few years.

30. The Committee further referred to the problem of MSWs granting several waivers repeatedly, with each waiver covering an amount not exceeding \$7,000, without the approval of a higher authority, as revealed in paragraph 2.59 of the Audit Report. The Committee asked how this could be dealt with.

31. The **Director (Cluster Services), HA**, explained that there had been some confusion regarding the definition of the \$7,000 limit, i.e. whether it referred to one application or one treatment. It was now clarified that the \$7,000 limit referred to a whole

treatment, and this was further illustrated in the FAQs. With such clarification, the situation of granting several waivers each with an amount not exceeding \$7,000 could be avoided.

C. Management control on fee waivers

32. According to paragraphs 3.5 to 3.7 of the Audit Report, many MSWs considered that the Waiver System might be subject to abuse, and additional measures were needed to help minimise such risks. The Committee asked whether the SWD and the HA would consider developing a strategic approach for tackling fraud and abuse.

33. The **Chief Executive of the HA** informed the Committee that a post-approval checking team comprising three persons would be set up in the first quarter of 2007 to check about 1,000 high-risk cases per year, including waivers granted on non-financial grounds and waivers of a 12-month duration, in order to prevent and detect fraud and abuse cases.

34. It appeared to the Committee that if the new monitoring mechanism only focused on checking the documents submitted by patients, it might not be rigorous enough for guarding against cases of potential fraud and abuse. The Committee also asked whether the checking would cover waivers granted to the NEPs and, if so, how the check would be conducted, especially for those NEPs who were not living in or had already left Hong Kong.

35. The **Director (Cluster Services), HA**, explained that:

- the existing Waiver System relied mainly on the honesty of the patients who were required to provide complete and accurate information and documents for assessment by the MSWs. However, under the self-declaration system, patients were required to sign a declaration and undertaking on the Assessment Form, which contained a warning against providing knowingly false information and stressed the legal consequences of doing so;
- there should not be much incentive for patients to provide false or incomplete information as medical services for eligible persons (EPs) were heavily subsidised by the Government and they only had to pay a small amount of medical fees;
- in setting up the post-approval checking team, the HA had drawn on the experience of the special investigation team of the CSSA Scheme of the SWD. It had also made reference to the measures adopted by the SWD for random checking, data-matching and fraud investigation. As such, not only would

records be checked, but home visits would also be conducted by the team. The applicants' consent would be obtained for the team to check their bank records and verify their information against that in other databases to detect possible abuse cases. If substantiated cases of fraud and abuse were found, they would be reported to the Police for further action;

- the post-approval checking would include waivers granted to the NEPs who were not living in or had already left Hong Kong, although the HA envisaged that there might be practical difficulties for the team to follow up those cases; and
- while the setting up of a post-approval checking team would serve as a deterrent to potential fraud and abuse cases, it was more important to maintain a rigorous assessment system to prevent fraud and abuse at the stage of application, during which the MSWs would ask questions, check the necessary documents and request the applicants to provide more detailed information if necessary.

36. As revealed in paragraphs 3.16 to 3.18 of the Audit Report, although the amount of fees waived for CSSA recipients was significant, only a small percentage of the CSSA waiver cases were selected by the HA for the SWD's manual checking of the eligibility status of patients. The Committee noted from paragraphs 3.23 and 3.24 that the SWD and the HA would actively pursue the electronic verification of the validity of the status of patients and upgrade the electronic verification to on-line verification as soon as the system enhancement of both the SWD and the HA was completed. The Committee enquired about the progress made in this respect.

37. The **Chief Executive of the HA** responded in his letter of 31 January 2007, in **Appendix 40**, that the SWD and the HA considered on-line verification of the validity of the CSSA status of patients a better solution as patients' status could be verified on the spot. The SWD and the HA were in the process of upgrading their systems to on-line electronic verification. The system enhancement was targeted for completion by mid-2007.

D. Provision of waiver service

38. The Committee recognised that the MSWs performed a key role in linking up the medical and social services to facilitate patients' recovery and rehabilitation in the community. However, as observed by Audit, the MSWs had spent a substantial amount of time on preparatory work for processing waiver applications. According to paragraph 4.3 of the Audit Report, only 19 of the 41 MSSUs had enlisted the help of clerical staff for preparatory work. The Committee asked whether the SWD and the HA would actively pursue the audit recommendations in paragraph 4.7 of the Audit Report to:

- evaluate the need for and the cost-effectiveness of extending the use of clerical staff in processing waiver applications, so that the MSWs would be able to invest more time in the provision of professional services; and
- review whether, in the long run, a specialised team should be responsible for processing waivers on financial grounds.

39. The **Director of Social Welfare** replied that:

- currently some MSSUs of the SWD were provided with clerical staff by the HA to assist in the preparatory work for waiver processing. The SWD would consider extending the clerical support to other MSSUs of the SWD, taking into account the manpower provision in the MSSUs and other resource implications;
- under the Waiver System, medical fees could be waived on financial and non-financial grounds. For some cases, if waivers could not be granted on financial grounds, the MSWs could exercise their professional judgement to see if waivers could be granted on non-financial grounds. It would be desirable for the MSWs, who had been following up the patients' cases, to assess and process waiver applications on both grounds as they had a better understanding of the patients' circumstances; and
- the SWD would consider whether, in the long run, a specialised team should be set up, having regard to manpower requirements and availability of resources.

40. The **Director (Cluster Services), HA**, responded that:

- the HA agreed in principle with the audit recommendations on providing more clerical assistance to relieve the workload of the MSWs; and
- in conducting waiver assessment for non-CSSA recipients, many applications on financial grounds were inter-mingled with social problems and might require direct professional input or social work intervention. Non-financial factors had to be considered together with financial grounds during the assessment process. Hence, it might not be a desirable arrangement for the patients if the assessment was to be conducted by two different teams. The HA would need to review the work flow and consider the operational experience to see how resources could be better utilised.

41. The Committee noted Audit's observations in paragraphs 4.11 to 4.13 of the Audit Report that the CSSA Medical Waiver Certificate (CSSA Certificate), an A-4 sized document, was inconvenient to carry and could be easily torn or worn off. Many CSSA recipients, when asked to present their Certificates at the Shroff Office of the HA hospitals, were unable to present the Certificates, most often claiming that they forgot to bring them. Given the significant number of waivers granted to these CSSA recipients, the Committee asked whether the SWD would consider exploring other more convenient means to show the CSSA status of patients, such as by using a card in the size of a Hong Kong Identity Card, especially before the on-line enquiry of CSSA status was available.

42. The **Director of Social Welfare** stated that:

- the SWD and the HA were now enhancing the computer system and the on-line enquiry was expected to be ready for use in the first half of 2007. Once the on-line system was in place, the patients would not be required to present their CSSA Certificates. Hence, it was not necessary to consider using another form of CSSA Certificate; and
- the SWD and the HA would step up efforts in implementing the on-line system for verification of the CSSA status of patients.

E. Staff training and performance management

43. As revealed in paragraph 5.4(c) of the Audit Report, 31% of the MSWs who responded to the audit surveys considered that training on processing of waiver applications was inadequate. The Committee asked whether special training had been provided to the MSWs to enhance their sensitivity, knowledge and skills in conducting the waiver assessments, especially those relating to assessment on financial grounds.

44. The **Director of Social Welfare** said that the MSWs had been provided with training to better equip them with the necessary skills and knowledge in processing waiver applications. In particular, training on conducting assessment on financial grounds was provided by holding sharing workshops with the SWD staff handling CSSA applications.

45. The **Chief Manager (Allied Health) (Deputising), HA**, added that:

- training had been provided to the frontline MSWs since the issuance of the March 2006 Operational Guidelines, including training on how to check the applicants' income and assets, as well as the types of documents to be verified; and

- to prepare for the setting up of the post-approval checking team, the HA had made reference to the practices of other departments, such as the SWD, in order to learn more about the techniques in conducting searches from various sources to cross-check the information provided by patients, and in detecting and following up potential fraud or abuse cases.

46. The Committee understood from paragraph 5.12 of the Audit Report that the SWD and the HA adopted different practices in conducting supervisory checking of the MSWs' work. For example, not all MSWs sought the endorsement of their supervisors before granting NEP waivers, or EP waivers on non-financial grounds or of a 12-month duration. The review arrangements, such as the extent of checking, the basis of selection and the timing of checking, also varied. The Committee asked whether standardised supervisory control would be put in place for observation by both the SWD and the HA.

47. The **Chief Manager (Allied Health) (Deputising), HA**, responded that:

- since the introduction of the revised Operational Guidelines in 2006, a series of training sessions had been conducted for the MSWs to ensure standardised practice and to enhance supervisory control over the granting of waivers; and
- according to the above Guidelines, the MSWs should seek prior endorsement from their supervisors before granting NEP waivers and the supervisors should conduct checking on all approved EP waivers either recommended on non-financial grounds or of a 12-month duration.

F. Conclusions and recommendations

48. The Committee:

- notes that:
 - (a) the audit review had identified scope for further improvement in the medical fee waiver system (Waiver System) managed by the Social Welfare Department (SWD) and the Hospital Authority (HA); and
 - (b) the SWD and the HA have taken steps to improve the Waiver System, including the issuance of a revised set of Operational Guidelines in March 2006 and a set of "Frequently Asked Questions" (FAQs) in August 2006;
- notes the assurance given by the Director of Social Welfare and the Chief Executive of the HA to continue reviewing and revising the Operational Guidelines and the FAQs, and improving the Waiver System;

Processing of waiver applications

- expresses concern that:
 - (a) the audit sample examination revealed various inadequacies in the financial assessment of waiver applications conducted by the Medical Social Workers (MSWs), in particular, clarification was not sought from the patients about unusual transactions in their bank passbooks;
 - (b) in the case of waivers granted on non-financial grounds, the audit sample examination revealed inadequacies in the MSWs' non-financial assessment (e.g. no documentation of the justifications for granting waivers to the patients whose financial resources had significantly exceeded the financial limits for granting waivers);
 - (c) audit surveys indicated that some MSWs had encountered problems or difficulties in granting waivers on non-financial grounds;
 - (d) the audit sample examination revealed that, in some waiver cases which were related to waivers granted to non-eligible persons (NEPs), the MSWs had not ascertained the financial resources of the NEPs;
 - (e) the audit sample examination revealed cases with waivers exceeding \$7,000 whereby the MSWs had granted waivers before obtaining approval from the proper authority; and
 - (f) the audit sample examination revealed a few long-stay patient cases whereby waivers were granted repeatedly, with each waiver covering a period of three months, so that the granting of waivers did not require the approval of a higher authority;
- notes that the SWD and the HA:
 - (a) have implemented the audit recommendations mentioned in paragraphs 2.28, 2.39, 2.46, 2.52, 2.61 and 2.65 of the Director of Audit's Report (Audit Report);
 - (b) have completed the 1% supervisory check on waiver cases in October 2006 to detect doubtful cases and check the accuracy of information recorded in the Assessment Forms for Waiving of Medical Charges and of the records in the computer system; and
 - (c) will conduct periodic briefing sessions and training on waiving guidelines for the MSWs;

Management control on fee waivers

- expresses concern that:
 - (a) audit surveys indicated that many MSWs considered that the Waiver System might be subject to different degrees of potential abuse, and additional measures were needed to minimise the risk of fraud and abuse of the System;
 - (b) the SWD and the HA had not developed a strategic approach for tackling fraud and abuse of the Waiver System;
 - (c) despite that the amount of fees waived for Comprehensive Social Security Assistance (CSSA) recipients was significant, only a small percentage of the CSSA waiver cases were selected by the HA for the SWD's manual checking of the eligibility status of patients; and
 - (d) audit surveys indicated that many Medical Social Services Unit (MSSUs) had not been subject to internal audits on the waiving of fees;
- notes that the SWD and the HA:
 - (a) have agreed to implement the audit recommendations mentioned in paragraphs 3.11 and 3.28 of the Audit Report; and
 - (b) are upgrading the SWD's and the HA's systems to on-line electronic verification, so that the validity of the CSSA status of patients can be verified on the spot. The system enhancement is targeted for completion by mid-2007;
- notes that the HA will set up, in the first quarter of 2007, a post-approval checking team which will check about 1,000 high-risk cases each year, in order to prevent and detect fraud and abuse of the Waiver System;

Provision of waiver service

- expresses serious concern that:
 - (a) the time spent by the MSWs on preparatory work constitutes a significant proportion of their time spent on processing a waiver application; and
 - (b) while enlisting the help of clerical staff would enable the MSWs to have more time for carrying out their professional role and would bring about financial savings due to reduced staff cost, only 19 MSSUs had enlisted such help;

- expresses concern that although CSSA recipients are entitled to full waiver of fees upon presentation of their CSSA Medical Waiver Certificates (CSSA Certificates) to hospitals' Shroff Offices, a significant proportion of waiver cases handled by the MSWs were related to CSSA recipients who were unable to present their CSSA Certificates at the time of medical appointment;
- notes that the SWD and the HA have agreed to implement the audit recommendation mentioned in paragraph 4.7 of the Audit Report, including:
 - (a) evaluating the need for and the cost-effectiveness of extending the use of clerical staff in processing waiver applications, taking into account the manpower provision in the MSSUs; and
 - (b) reviewing whether, in the long run, the provision of waiver service, in particular the assessment of a patient's financial condition, could be separated from the major duties of the MSWs and be carried out by a specialised team;
- urges the Director of Social Welfare and the Chief Executive of the HA to:
 - (a) actively consider extending the use of clerical staff to assist the MSWs in processing waiver applications; and
 - (b) expedite the review on the provision of waiver service by a specialised team;

Staff training and performance management

- expresses serious concern that some MSWs in the audit surveys considered that the training on processing of waiver applications provided to them was inadequate;
- expresses concern that:
 - (a) the MSSUs adopted different practices in the supervisory check of waivers granted by the MSWs;
 - (b) in the HA's MSSUs, with the exception of one MSSU, regular management review of patients' cases had not been conducted;
 - (c) although the SWD undertook to monitor the effectiveness of the performance pledge on the granting of waivers and report the progress annually, this had not been done; and

- (d) the HA had not set any performance standards and targets for the provision of the waiver service;
- notes that the SWD and the HA:
 - (a) have agreed to implement the audit recommendations mentioned in paragraphs 5.19 and 5.25 of the Audit Report;
 - (b) have provided on-going training to the MSWs to further equip them with the necessary skills and knowledge in processing waiver applications. In particular, training on conducting assessment on financial grounds was provided by holding sharing workshops with the SWD staff handling CSSA applications; and
 - (c) have held a series of training sessions since the issuance of the revised set of Operation Guidelines in March 2006 to enhance and standardise the supervisory control over the granting of waivers;
- urges the Director of Social Welfare and the Chief Executive of the HA to continue to assess the training needs of the MSWs and provide them with appropriate training; and

Follow-up action

- wishes to be kept informed of progress made in implementing the various audit recommendations.