

**Speaking Note for Secretary for Food and Health
at the Special Meeting of the Finance Committee
for Examination of the 2008-09 Draft Estimates
on 3 April 2008**

Health

Chairman and Honorable Members,

Recurrent government expenditure on health in 2008-09 is \$32.6 billion, amounting to 15% of the total recurrent government expenditure. I shall highlight our initiatives in the new financial year with regard to three main areas, namely, medical services, health services as well as healthcare reform.

Medical Services

2. In 2008-09, the Government's appropriation to the Hospital Authority (HA) is estimated at \$30.5 billion, an increase of more than \$780 million or 2.6% compared with that of last year. The increase includes an allocation of new recurrent funds of over \$670 million, and a one-off additional allocation of \$54 million mainly for procurement of medical equipment and information technology systems while the rest is earmarked for establishment of Chinese medicine clinics. Besides, a one-off grant of \$1 billion will also be injected to the Samaritan Fund.

3. Besides, it is worth mentioning that Government's allocation to the HA for the procurement of medical equipment and information technology systems amounts to \$699 million in 2008-09 and \$678 million in 2007-08, representing a substantial increase over the allocation of \$290 million in 2006-07.

4. To enhance the overall service quality, plans have been put in place by the HA to use the additional allocation for launching new initiatives and strengthening its existing services. The major initiatives include:

- (1) further enhancing the health care services in the New Territories West and Kowloon East Clusters;
- (2) enhancing neonatal intensive care services;
- (3) improving treatments for life-threatening diseases; and
- (4) strengthening psychiatric medical services and community support.

5. With additional funding from the Government in recent years and efficient deployment of its resources, the HA has achieved a balanced budget in 2007-08. I expect that the HA will remain fiscally sound in 2008-09 and at the same time further improve and enhance its services.

Health Services

6. In 2008-09, the Department of Health (DH) will have an allocation of over \$2,500 million, which represents an increase of \$170 million or 7.2% compared with that of last year, to carry out the initiatives under the health policy area.

7. In the new financial year, our major tasks in respect of health services include:

- (1) introducing legislation to enhance port health measures;

- (2) strengthening the work of the Centre for Health Protection to enhance our surge capacity in dealing with infectious diseases and other public health emergencies;
- (3) aiming to complete the legislative process for the legislation to introduce a fixed penalty system for smoking offences;
- (4) developing a comprehensive strategy to prevent and control non-communicable diseases;
- (5) developing a long-term statutory regulatory framework for medical devices; and
- (6) closely monitoring the implementation of the Chinese medicine trader licensing system.

Healthcare Reform

8. Chairman, I would now turn to the healthcare reform. Since the commencement of the public consultation exercise three weeks ago, the subject has generated a lot of animated discussions among the public. It is encouraging to see that many of the views are supported by detailed and reasonable analyses. I wish, however, to clarify several misunderstandings that we find in some of the comments.

9. First of all, the issue of healthcare financing cannot be addressed by simply enhancing the cost-effectiveness of the HA's operation. There are comments that the HA's administrative cost is too high. I would like to point out here that for a large organisation to maintain its operation, it will incur a certain amount of operational cost. The HA incurs an expenditure of about \$30 billion in catering for more than 90% of the inpatient needs of the local population in addition to providing other types of health care services. Out of this sum of expenditure, the HA's administrative cost

only accounts for 1.9%, which is relatively smaller in comparison with other advanced economies. As a matter of fact, the HA has implemented a range of efficiency-enhancement measures in recent years.

10. Some have commented that with a large number of Consultants in its establishment, the HA has allegedly cut down the number of its frontline staff for expansion of its upper echelon. I must make it clear that this allegation is unfounded. At present, the number of Consultants in the HA is 525, accounting for 11%, a relatively small proportion, of the total number of doctors in the HA. Consultants themselves are also frontline doctors and not executives. Charged with the important tasks of providing medical treatment for rare and complicated illnesses and training doctors of the next generation, they are the mainstay in maintaining the superiority of our health care system.

11. I must also stress that the supplementary financing options are not meant to “target” at the middle-income group. On the contrary, the various financing options put forward in the consultation document are meant to promote the interests of the middle-income group. As we all know, a large portion of our tax income comes from the middle-income group but they are often unable to benefit from the public health care services. They usually seek medical consultation from private doctors and hospitals and some take out medical insurance on their own. However, the coverage of the insurance products currently available may not always be comprehensive. Usually, elders and frail persons cannot get or stay insured. Even if they are able to do so, their premiums will be very high.

12. Our healthcare financing reform aims specifically to provide a solution to this problem. It is hoped that by pooling the medical resources being contributed individually by the middle-income group, we can devise a health plan for them which is more cost-effective and offers better value for money, better protection and more

choices. For those in the middle-income group who have yet to plan for their future health care protection, they can make use of the opportunity afforded by healthcare financing reform to get better health care protection.

13. I earnestly hope that all sectors of the community will continue to discuss the proposals set out in the consultation document in an open and rational manner so as to build up a consensus.

14. Chairman, my colleagues and I will be happy to answer questions from Members.