

## **ITEM FOR FINANCE COMMITTEE**

**HEAD 140 – GOVERNMENT SECRETARIAT :  
FOOD AND HEALTH BUREAU (HEALTH BRANCH)  
Subhead 700 General non-recurrent  
New Item “Grant to the Samaritan Fund”**

Members are invited to approve a commitment of \$1 billion for a 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 Food and Health proposes to make a grant of \$1 billion to the Fund.

### **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.

4. The Fund, currently managed by the Hospital Authority (HA), was established without an endowment. It has always been operating on a rolling account basis and relied largely on fresh income received each year to meet its expenditure. As demand for assistance from the Fund has been rising steadily while income of the Fund fluctuates widely, it is necessary from time to time<sup>1</sup> for the Government to inject one-off grants to the Fund to meet the expenditure requirement of the Fund, with the approval of the Finance Committee of the Legislative Council as necessary. The Government last made an injection of \$350 million in 2006-07, to help the Fund meet its projected funding requirements up to 2008-09. The total income of the Fund in the last five years and projected income in 2008-09 on cash basis are as follows –

<b>Year</b> <b>Source of Funding</b>	<b>2003-04</b> <b>(\$ M)</b>	<b>2004-05</b> <b>(\$ M)</b>	<b>2005-06</b> <b>(\$ M)</b>	<b>2006-07</b> <b>(\$ M)</b>	<b>2007-08</b> <b>(\$ M)</b>	<b>Projected</b> <b>2008-09</b> <b>(\$ M)</b>
Donation from charitable organisations	14.0	16.0	12.9	14.7	21.6	15.6
Reimbursement from Government for privately purchased medical items for CSSA recipients	26.3	31.8	34.5	43.6	37.7	42.4
One-off funding from Government <sup>2</sup>	-	-	160.0	350.0	-	-
Designated donation from Government	2.0	2.0	2.0	2.0	-	-
Other income	0.1	0.02	11.6	11.8	17.9	5.9
<b>Total</b>	<b>42.4</b>	<b>49.8</b>	<b>221.0</b>	<b>422.1</b>	<b>77.2</b>	<b>63.9</b>

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<sup>1</sup> Funding support provided by the Government to the Fund since 1995-96 included a grant of \$20 million endowment for the designated donation fund in 1995-96 from which \$2 million can be withdrawn each year, \$4.7 million in 1997-98, \$8 million in 2000-01, \$9 million in 2002-03, \$160 million in 2005-06 and \$350 million in 2006-07, totalling \$551.7 million.

<sup>2</sup> Exclude the proposed grant of \$1 billion.

5. Due to technology advancement and rising demand for assistance from the ageing population, cancer and other chronic disease patients, expenditure for the Fund has surged sharply by 185% from \$47.3 million in 2003-04 to \$134.8 million in 2007-08. The number of applications supported by the Fund has increased by 51% from 2 857 in 2003-04 to 4 317 in 2007-08. The number of approved applications and the expenditure for the past five years and the projected expenditure for 2008-09 are given in the table below –

	2003-04	2004-05	2005-06	2006-07	2007-08	Projected 2008-09
Number of approved applications	2 857	3 551	3 838	3 978	4 317	5 170
<b>Total expenditure (\$ M)</b>	<b>47.3</b>	<b>86.6</b>	<b>113.9</b>	<b>122.8</b>	<b>134.8</b>	<b>179.1</b>

6. From the above two tables, we can see that, disregarding any one-off funding from the Government, the annual income of the Fund could not cover the annual expenditure. Injection from the Government to the Fund from time to time is necessary.

7. Four major factors contributed to the substantial funding gap –

- (a) due to rapid advancement in medical technologies, more advanced medical items are available for treating patients and such items are often costly and increasing in unit cost with the advances. 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 \$48,000 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 from \$138,000 to \$158,000. The high cost of advanced medical items exerts immense financial pressure on the Fund. Apart from new patients, patients who have received the treatment will need replacement pacemakers or require another angioplastic intervention. The expenditure on these three types of items (i.e. PTCA, pacemaker and AICD) has increased from \$38.8 million in 2003-04 to \$70.7 million in 2007-08, representing an increase of 82% in five years;

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- (b) 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 2007-08, the number of patients receiving assistance on PTCA, pacemakers and AICD implantations surged to 1 941. It is anticipated that more and more elderly and chronic patients will seek assistance from the Fund in the future;
- (c) the inclusion of more drugs into the safety net provided by the Fund. At present, patients will be asked to pay for drugs which are self financed items (SFIs) outside the standard provision of the HA. To ensure equitable and rational use of public resources, patients who can afford to pay for drugs which have proven to be of significant benefits but extremely expensive should pay for these drugs. For poor and needy patients who require such drugs, the Fund acts as a safety net to provide assistance to these patients. The Fund currently covers eight SFIs with safety net. The expenditure on these drugs has increased substantially from \$17.3 million in 2004-05 to \$55.5 million in 2007-08. Cancer drug Imatinib (Glivec) alone accounted for \$35.9 million of the Fund's expenditure in 2007-08. Two new oncology drugs and two new rheumatology drugs were introduced into the Fund in 2007-08. In 2008-09, one more oncology drug was introduced into the Fund and coverage of Imatinib and Infliximab was extended further to cover acute lymphoblastic leukaemia and a chronic inflammatory disease of the gastrointestinal tract respectively. Having regard to the need to provide safety net for more new drugs especially cancer drugs, additional funding is required to enable the Fund to introduce additional new drugs in the coming years; and
- (d) the financial assessment criteria have been relaxed since January 2008 with re-definition on the calculation of disposable income and allowable deductions to take into account factors such as patients' loss of income in case of unemployment, school fees of children at secondary level or below, etc. The relaxed financial assessment criteria have resulted in more patients being covered by the safety net.

8. The Financial Secretary has proposed in the 2008-09 Budget an injection of \$1 billion into the Fund. Following this announcement, the HA has made a projection on the income and expenditure of the Fund for the five years from 2008-09 to 2012-13 in the table below. The assumptions taken in the projection are as follows –

**On the income side**

- (a) the amount of private donations in the next five years will remain similar or lower than the level of 2007-08; and
- (b) Government's reimbursement for expenditure made by the Fund for CSSA recipients will increase by an average of 11% a year in the next five years.

**On the expenditure side**

- (c) expenditure of non-drug items is estimated on the basis of past trends;
- (d) pricing adjustments were made to mainly account for the likelihood of escalation in cost as a result of advances in medical technologies; and
- (e) additional new drugs will be introduced in the coming years, with additional drug costs progressing from \$30 million in 2008-09 to \$55 million annually for the three years from 2009-10 to 2011-12, using 2007-08's price. For new drugs introduced in a particular year, it will be price adjusted based on the previous year's actual drug expenditure.

	<b>2008-09</b> (\$ M)	<b>2009-10</b> (\$ M)	<b>2010-11</b> (\$ M)	<b>2011-12</b> (\$ M)	<b>2012-13</b> (\$ M)
Estimated Income	63.9	95.0	108.0	105.3	95.9
Estimated Expenditure	179.1	277.9	373.8	476.0	512.4
Estimated Deficit for the Year	(115.2)	(182.9)	(265.8)	(370.7)	(416.5)
Deferred Income					
At start of year	337.6	1,222.4	1,039.5	773.7	403.0
Government Injection (Note)	1,000.0	-	-	-	-
<b>At end of year</b>	<b>1,222.4</b>	<b>1,039.5</b>	<b>773.7</b>	<b>403.0</b>	<b>(13.5)</b>

Note – Proposed injection of \$1 billion into the Fund subject to approval from the Finance Committee of the Legislative Council.

9. As indicated in paragraph 8 above, the funding requirement of the Fund will outstrip its income by a significant amount in the foreseeable future especially in the light of increasing demand to introduce more items into the safety net and the current economic environment which may result in further increase in utilisation of the Fund. The proposed one-off grant of \$1 billion will enable the Fund to meet projected funding requirements up to 2012, taking into account the addition of more new drugs to be covered by the Fund. The Administration recognises that the major reasons for the rapid increase in expenditure of the Fund are technological advancement and ageing population. The Administration will examine the long term funding arrangement for the Fund in the context of health care financing and funding arrangement for the HA.

### **FINANCIAL IMPLICATIONS**

10. We propose to make a one-off grant to the Fund in the amount of \$1 billion. The proposal has no recurrent financial implications.

### **PUBLIC CONSULTATION**

11. We consulted the Panel on Health Services on the proposal to make a one-off grant of \$1 billion to the Fund at its meeting on 10 November 2008. The Panel supported the proposal.

12. At the meeting, a number of Members asked the Administration to expedite finding a sustainable funding arrangement of the Fund. In response, the Administration advised that the issue would be further examined in the context of health care financing and funding arrangement for the HA.

13. Some Members enquired about how the Administration could ensure that drugs with significant benefits and cost-effectiveness were suitably incorporated into the standard charges at public hospitals/clinics for provision to all patients regardless of their ability to pay, rather than just covering these drugs by the Fund and requiring patients with sufficient means to pay. In response, the Administration explained the prevailing mechanism for considering the inclusion of drugs under the HA's standard provisions or the subsidy list of the Fund. This involves close examination by relevant committees which comprise clinical experts and pharmacologists from the HA and universities, having regard to all relevant considerations and factors.

Encl. 1

14. As requested by members, we have attached at Enclosure 1 a list of medical items that had been supported by the Fund and subsequently incorporated under the standard subsidised public services over the years.

## BACKGROUND

15. At present, hospital maintenance fees or outpatient consultation fees in public hospitals/clinics are highly subsidised by the 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 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, these items are either implanted to individual patients or used only once on a patient or with significant cost burden for the HA to provide as part of its standard service without opportunity costs to other public patients. The high costs involved therefore make it impossible for hospitals to stock these items as part of the normal inventory within the hospital's baseline budget.

Encl. 2

16. The Fund was established as a trust in 1950 by resolution of the Legislative Council 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. All items supported by the Fund are subject to close scrutiny before these are covered by the Fund. To ensure that the Fund is put to appropriate use, the HA adopts a prioritisation mechanism to vet and evaluate items of new technologies to make the best use of public resources. New items supported by the Fund will need to be endorsed by the Medical Services Development Committee (MSDC) of the HA Board. Factors taken into account in the evaluation process include efficacy, effectiveness and cost-effectiveness; fair and just use of public resources targeting subsidies to effective interventions 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.

17. For drug items, the Drug Utilisation Review Committee (DURC) of HA which is responsible for the periodic review on the existing drugs included in the HA Drug Formulary and drugs categorised as SFI will advise the Fund at the beginning of each year on the potential list of SFI to be supported by the Fund. The DURC recommendations will be considered by the Samaritan Fund Management Committee (SFMC) which in turn will make recommendations to the MSDC. The SFMC is co-chaired by both the Chief Executive of HA and

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representative from the Food and Health Bureau. In evaluating the priority for including drug items under the scope of the Fund, consideration will be given to the safety, efficacy, effectiveness, cost effectiveness and health impact of the new drugs, and other factors, such as equity and patients' choice, societal values and ethical factors, the overall priorities for the planning and development of hospital services and the financial constraints of the HA.

18. 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. In considering the consumption characteristic (one off versus recurrent) and price of items (range from a few hundred to over a hundred thousand dollars per item), two sets of financial guidelines have been developed for non-drug and drug items. The financial assessment and patient contribution criteria of both sets of guidelines are based on targeted subsidy principle.

19. For non-drug items, MSWs will determine the level of subsidy granted based on the patient's household income, household total savings and assets 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 at public hospitals/clinics, etc.) and disposable capital (i.e. savings, investment, properties, etc. Residential property resided by the patient and tools/implementation of the patient's trade are excluded). Apart from the above criteria, consideration will also be given to any special or social financial factors/circumstances faced by the patients.

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<b>Items Repositioned from the Fund to Standard Provision of HA</b>	
<b>Items</b>	<b>Effective date of Reposition</b>
Artificial heart valve	July 1996
Erythropoietin	July 1996
Liposomal Amphotericin B for treating fungal infection for cancer patient	October 2005
Paclitaxel for metastatic breast cancer	April 2007

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**List of Medical Items Currently Supported under the Samaritan Fund**

- (a) Privately purchased medical items
  - i. Percutaneous Transluminal Coronary Angioplasty and other consumables for interventional cardiology
  - ii. Cardiac Pacemakers
  - iii. Intraocular Lens
  - iv. Myoelectric Prosthesis
  - v. Custom-made Prosthesis
  - vi. Appliances for prosthetic and orthotic services, physiotherapy and occupational therapy services
  - vii. Home use equipment, appliances and consumables
  - viii. Positron Emission Tomography service
  - ix. Gamma knife surgery
  - x. Harvesting of marrow in a foreign country for marrow transplant

The Fund will only support the most basic model which can meet the essential medical needs of the patients.

- (b) Self-financed drugs supported by the Fund (newly added coverage in October 2008 shown in *Italic*)
  - i. Etanercept for rheumatoid arthritis / ankylosing spondylitis / juvenile idiopathic arthritis
  - ii. Infliximab for rheumatoid arthritis, ankylosing spondylitis / juvenile idiopathic arthritis / *Crohn's Disease*
  - iii. Imatinib for chronic myeloid leukaemia / gastrointestinal stromal tumour / *acute lymphoblastic leukaemia*
  - iv. Irinotecan for advanced colorectal cancer
  - v. Trastuzumab for HER 2 overexpressed metastatic breast cancer
  - vi. Growth Hormone
  - vii. Interferon
  - viii. *Rituximab for malignant lymphoma*

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