For discussion
on 1 June 2012

FCR(2012-13)32

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 $10 billion for a grant to support the Samaritan Fund.

PROBLEM

The Samaritan Fund (SF) will not have sufficient funds to sustain its operation to cope with the rising demand from needy patients.

PROPOSAL

2. The Secretary for Food and Health proposes to make a grant of $10 billion to the Hospital Authority (HA) for supporting the continued operation of SF.

JUSTIFICATION

3. SF is managed by the HA. It relies largely on funding support by the Government and other income such as donation to meet the rising demand for assistance. The Finance Committee of the Legislative Council last approved in December 2008 a grant of $1 billion to SF[Note].

/Increase …..

[Note] 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included a grant of $20 million endowment for the designated donation fund in 1995-96 from which $2 million could be withdrawn each year, $4.7 million in 1997-98, $8 million in 2000-01, $9 million in 2002-03, $160 million in 2005-06 and $350 million in 2006-07.

Increase in funding requirement

4. During the past five financial years from 2007-08, the annual expenditure incurred by SF has almost doubled from $119.6 million to around $240 million. The number of SF applications approved during the same period has also increased by 22% from 4 317 to 5 281.

5. The increase in expenditure and number of approved applications are mainly due to advancement in medical and healthcare technology leading to higher costs, as well as rising demand for medical services from the ageing population, cancer and other chronic diseases. Looking ahead, we expect that the expenditure of SF would continue to increase owing to the following major factors:

(a) The ratio of elderly persons aged over 65 in Hong Kong's total population is projected to increase from one in eight in 2007 to one in four by 2033. The aging population has given rise to greater need for healthcare and medical services. This is evidenced by the increasing number of patients suffering from cancer, stroke, heart diseases and other chronic illnesses. Moreover, a person aged 65 or above uses, on average, six times more in-patient care (in terms of bed-days) than a person aged below 65.

(b) Our public healthcare system needs to keep up with international developments in healthcare technology. The development and application of new medical technology, such as molecular biology and genomic, to the pharmaceutical industry has led to a significant breakthrough in drug treatment. We foresee that more interventional, diagnostic modalities and medical devices will be developed, bringing major impact to treatment outcomes. These medical technologies are normally very expensive in the initial years of adoption, thereby boosting the healthcare cost.

(c) With the rapid advancement in medical technology and the continuous development of international medical research on new drugs and medical items, the list of proven drugs and other medical items falling under the SF safety net may expand progressively. The increase in new patients eligible for the SF subsidies each year in addition to the existing cases, the on-going drug treatment for an increased number of patients, and the repeated use of medical interventions or devices for the chronically-ill patients have led to an increase in the expenditure of SF.

6. To benefit more needy patients, HA proposes to relax the financial assessment criteria for drug subsidies under SF. Specifically, HA proposes to introduce a deductible allowance from the disposable capital of the applicants' households, ranging from $203,000 to $670,000 (depending on the family size of the patients), before calculating a patient's maximum contribution for the self-financed drug expenses. HA also proposes to simplify the tiers of patients' contribution ratio from the present 12 bandings to seven bandings. It is estimated that the relaxed financial assessment criteria will benefit about 2 300 patients per year using the 17 drugs currently covered by SF. They include patients who are receiving partial subsidy and will become fully subsidised or contribute a smaller amount of the drug cost, as well as new patients who will become eligible for the SF subsidy.

7. Taking into account the above factors, we project that SF will have a significant deficit in the order of $380 million in 2014-15. The income and expenditure of SF from 2007-08 to 2011-12, and the projections from 2012-13 to 2014-15 on accrual basis are at Enclosure 1. The number of approved applications from 2007-08 to 2011-12 is at Enclosure 2. We propose to provide a grant of $10 billion to HA for sustaining the operation of SF for the next 10 years or so. As a management agent of SF, HA will continue to manage SF in accordance with the guiding principles of capital preservation. HA will also invest approved funds from this grant which are not immediately required in low-risk investments to achieve the highest prudent return for SF, while ensuring the provision of adequate liquid funds to SF for meeting the latter's operational requirements.

Encl. 1
Encl. 2

FINANCIAL IMPLICATIONS

8. The proposed grant of $10 billion to support SF has no recurrent financial implications.

PUBLIC CONSULTATION

9. We consulted the Legislative Council Panel on Health Services on the proposal to make a one-off grant of $10 billion to support SF at its meeting on 16 April 2012. At the meeting, Members supported the proposed grant, whilst making the following comments –

(a) measures should be implemented to ensure that drugs with proven benefits and effectiveness are included in the Drug Formulary;

(b) efforts should be made to enhance the transparency of SF and to establish a consultation mechanism with the patient groups to gauge their views on changes to SF; and

(c) consideration should be given to conduct a comprehensive review of SF.

We have addressed these comments and concerns in the written reply to the Panel dated 17 May 2012 (LC Paper No. CB(2)2087/11-12(01)).

BACKGROUND

10. SF was established in 1950. The objective of SF is to provide financial assistance to needy patients to meet expenses of designated Privately Purchased Medical Items (including drugs), or new technologies in the course of medical treatment which are not covered in hospital maintenance fees or outpatient consultation fees in public hospitals/clinics. The list of items currently supported by SF is at Enclosure 3.

Encl. 3

11. To ensure that SF will be used to benefit the most needy patients, every application which has fulfilled the clinical indications will be assessed carefully by Medical Social Workers. Two sets of financial tests have been developed for drug and non-drug items respectively based on targeted subsidy principle. Apart from the criteria set out in the financial tests, consideration will also be given to any special factors, social and financial circumstances faced by the patients.

12. As for the monitoring mechanism, HA is responsible for the preparation of financial statements to be audited by the Director of Audit. The Report of the Director of Audit and the audited financial statements are tabled together with Report on SF to the Legislative Council annually.

Food and Health Bureau
May 2012

Enclosure 1 to FCR(2012-13)32

Income and Expenditure of the Samaritan Fund (in $ million)

	Actual 2007-08	Actual 2008-09	Actual 2009-10	Actual 2010-11	Actual (to be audited) 2011-12	Projected 2012-13	Projected 2013-14	Projected 2014-15
	(Note 1)	(Note 1)	(Note 1)	(Note 1)				
Income								
Donations from charitable organisations	21.6	17.5	20.1	17.1	8.4	11.1	9.4	9.4
Reimbursement from Social Welfare Department for privately purchased medical items for CSSA recipients	37.7	39.7	41.2	43.9	41.1	51.5	56.9	62.9
Other income	17.9	7.5	15.0	11.4	16.0	14.3	9.5	2.7
Total	**77.2**	**64.7**	**76.3**	**72.4**	**65.5**	**76.9**	**75.8**	**75.0**
Expenditures								
Drugs	42.9	48.3	56.3	143.6	154.7	256.4	366.4	522.3
Non drugs	76.7	80.7	85.3	83.8	82.1	103.8	114.6	126.9
Total	**119.6**	**129.0**	**141.6**	**227.4**	**236.8**	**360.2**	**481.0**	**649.2**
Deficit for the year	**(42.4)**	**(64.3)**	**(65.3)**	**(155.0)**	**(171.3)**	**(283.3)**	**(405.2)**	**(574.2)**
Deferred income at beginning of year	380.0	337.6	1,273.3	1,208.0	1,053.0	881.7	598.4	193.2
Government Grant received (Note 2)	-	1,000.0	-	-	-	-	-	-
Balance at end of year	**337.6**	**1,273.3**	**1,208.0**	**1,053.0**	**881.7**	**598.4**	**193.2**	**(381.0)**

Notes:
1. Per SF 2007-08 to 2010-11 audited financial statements
2. The proposed injection of $10 billion has not yet been taken into account. For the government grant received in 2008-09, the amount is recognised as income in the SF audited financial statements to match with the related expenditure incurred in the financial year.

Enclosure 2 to FCR(2012-13)32

Number of approved applications from 2007-08 to 2011-12

	Actual 2007-08	**Actual 2008-09**	**Actual 2009-10**	**Actual 2010-11**	**Actual 2011-12**
Non-drugs	3 627	3 623	3 641	3 967	3 765
Drugs	690	803	1 095	1 354	1 516
Total	**4 317**	**4 426**	**4 736**	**5 321**	**5 281**

Enclosure 3 to FCR(2012-13)32

Self-financed items covered by the Samaritan Fund

At present, the following 17 Self-financed drugs are covered by SF –

1. Adalimumab for rheumatoid arthritis / ankylosing spondylitis / psoriatic arthritis (introduced in June 2010)/ Crohn's Disease (introduced in July 2011)
2. Bortezomib for multiple myeloma (introduced in June 2010)
3. Cetuximab for initial treatment of locally advanced squamous cell carcinoma of head and neck (introduced in December 2009)
4. Dasatinib for Imatinib-resistent chronic myeloid leukaemia (introduced in June 2010)
5. Etanercept for rheumatoid arthritis / ankylosing spondylitis / juvenile idiopathic arthritis (introduced in April 2007) / psoriatic arthritis (introduced in December 2009)
6. Infiximab for rheumatoid arthritis / ankylosing spondylitis (introduced in April 2007) / psoriatic arthritis (introduced in December 2009) / Crohn's Disease (introduced in October 2008)
7. Imatinib for chronic myeloid leukaemia / gastrointestinal stromal tumour (introduced in January 2005) / acute lymphoblastic leukaemia (introduced in October 2008)
8. Nilotinib for Imatinib-resistent chronic myeloid leukaemia (introduced in June 2010)
9. Oxaliplatin for adjuvant resected colon cancer (introduced in December 2009)
10. Pemetrexed for malignant pleural mesothelioma (introduced in June 2010)
11. Trastuzumab for HER 2 over-expressed metastatic breast cancer (introduced in April 2007) / HER 2 positive early breast cancer (introduced in December 2009)
12. Rituximab for malignant lymphoma (introduced in October 2008) /maintenance therapy for relapsed follicular lymphoma (introduced in June 2010) / refractory rheumatoid arthritis (introduced in December 2009)
13. Erlotinib for EGFR mutation-positive non-small cell lung cancer (second line) (introduced in July 2011)
14. Gefitinib for EGFR mutation-positive non-small cell lung cancer (second line) (introduced in July 2011)

15. Temozolomide for Glioblastoma Multiforme (used together with radiotherapy) (introduced in July 2011)
16. Growth Hormone
17. Interferon

At present, the following privately purchased medical items are covered by SF –

1. Percutaneous Transluminal Coronary Angioplasty (PTCA) and other consumables for interventional cardiology
2. Cardiac Pacemakers
3. Intraocular Lens
4. Myoelectric Prosthesis
5. Custom-made Prosthesis
6. Appliances for prosthetic and orthotic services, physiotherapy and occupational therapy services
7. Home use equipment, appliances and consumables
8. Gamma knife surgery
9. Harvesting of marrow in a foreign country for marrow transplant

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