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Panel on Health Services

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 12 December 2011**

Monitoring of charging policy of private hospitals for obstetric services

Purpose

This paper provides background information on the obstetric services provided by private hospitals and highlights concerns raised by members of the Panel on Health Services ("the Panel") on issues relating to the monitoring of the charging policy of private hospitals.

Background

2. Private hospitals are subject to regulation by the Department of Health ("DH") under the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165) ("the Ordinance") on matters of accommodation, staffing or equipment. To ensure the provision of quality healthcare services to patients, DH has formulated a "Code of Practice for Private Hospitals, Nursing Homes and Maternity Homes" ("the Code") in which the standards of good practices are set out for adoption by private hospitals. As the registration authority, DH conducts routine or unannounced hospital inspections from time to time to monitor compliance of private hospitals with the Ordinance and the Code.

3. At present, there are 12 private hospitals registered in accordance with the Ordinance in Hong Kong. Among them, 10 private hospitals offer obstetric services. As at December 2009, there were about 3 800 beds in private hospitals, including 550 beds in the specialty of obstetrics and gynaecology. The overall bed occupancy rates from 2006 to 2009 were 66%, 67%, 65% and 64% respectively. According to the Administration, a total of some 700 additional hospital beds were opened in private hospitals between 2006 and 2009 in various specialties, including obstetrics and gynaecology and paediatrics, and around 250 additional hospital beds were planned to be provided by private hospitals in 2013-2014.

4. The demand for local obstetric services, in particular, from Mainland women, has continued to increase in recent years, causing tremendous pressure on the healthcare staff. To maintain the professional standards of local obstetric services and ensure that local pregnant women are given priority to use obstetric services, the public and private medical sectors have agreed to reduce bookings from non-local pregnant women. The number set for deliveries by non-local pregnant women in private hospitals in 2012 will be around 31 000, representing a decrease of about 7% as compared with 33 000 in 2011.

5. Apart from limiting the number of deliveries by non-local pregnant women, other measures put in place to address the increasing use of local obstetric services include requiring non-local pregnant women to undergo antenatal checkups by obstetricians in Hong Kong to determine if they are suitable to give birth in Hong Kong, and authorizing DH to unify all the antenatal and delivery bookings.

Deliberations of the Panel

Regulation of private hospitals

6. Members noted that compliance with the requirements under the Code was a condition for the registration of private hospitals. Under the Ordinance, DH might at any time cancel the registration of a private hospital in the event of a contravention of the specified conditions relating to the accommodation, staffing or equipment but no revocation had been made so far.

7. Members expressed grave concern that DH had no statutory power to impose penalty on private hospitals for non-compliance with the Code. They considered the existing regulatory mechanism ineffective and that the cause of the problem lay in the deficiencies of the Ordinance which lacked deterrent effect. They urged the Administration to formulate a comprehensive policy and review the Ordinance in order to regulate private hospitals effectively, particularly in the areas of the standards of healthcare services, mechanism for handling medical incidents, transparency of medical charges and penalty for non-compliance.

Enhancing price transparency through the development of new private hospitals and the implementation of the Health Protection Scheme

8. Members noted from the Administration's briefing in relation to the private hospital development at the four reserved sites in Wong Chuk Hang, Tseung Kwan O, Tai Po and Lantau that price transparency was one of the special requirements for development in the reserved sites. New private hospitals were required to provide a comprehensive range of charging information covering room charges, maintenance fees, charges for operating theatres, laboratory tests, X-ray tests and drugs, etc. In support of the

implementation of the Health Protection Scheme ("HPS"), a prescribed percentage of available bed days of the hospital would also be made available to provide services at packaged charges for all types of services/procedures.

9. Noting that packaged charging would be introduced in the proposed HPS to enhance transparency and certainty of medical charges of private healthcare services, some members cast doubt over the ability of the Government to ensure an adequate supply of private healthcare services based on packaged charging as well as its ability to regulate medical charges by the private healthcare service providers.

10. In the Administration's view, as healthcare services based on packaged charging had been widely adopted in many advanced economies, it could work equally well in Hong Kong. Measures underpinned by legislation would be developed to require the participating private healthcare service providers to provide transparency when setting and adjusting medical charges.

Relevant questions raised by Members at Council meetings

11. At the Council meetings of 11 November 2009 and 27 January 2010, Members sought information on the provision of low-charge beds as stipulated in the conditions of grant of the land for developing private hospitals.

12. According to the Administration, under the conditions of grant for the expansion of the St Theresa's Hospital ("STH"), STH was required to provide not less than 20% of low-charge beds in its new wing. There were 425 beds in the new wings of STH and 100 beds were low-charge beds. It was also provided in the conditions of grant of the Tsuen Wan Adventist Hospital ("TWAH") that TWAH should provide free or low-charge beds. Among the 130 beds provided in TWAH, the daily fees of 107 beds was around \$500 to some \$600, which were lower than the costs of its ward services. Members were subsequently advised that the low-charge requirement only applied to room charges, not other medical fees.

13. Members also expressed grave concern about the penalty on private hospitals for non-compliance with the conditions of grant. The Administration advised that DH would conduct annual inspections to examine whether the standard of service of the low-charge beds provided by the private hospitals met the requirements laid down in the Ordinance and the relevant conditions of grant of their land. Requests for improvement would be made by DH to the private hospitals if non-compliance with the relevant requirements in the Ordinance were found. For non-compliance with the relevant lease conditions, the Government could take back the possession of the land from the grantee.

14. At the Council meeting of 9 November 2011, a Member raised an oral question about the regulation of private hospitals, enquiring, among others, how the Administration would monitor the use of funds of non-profit-making private hospitals and ensure that private hospitals would not set any threshold for low-charging beds such as rejecting patients who underwent major operations or covered by medical insurance from using the low-charging beds; and whether the Administration would immediately study the feasibility of introducing legislative amendments to regulate private hospitals.

15. Pointing out that there were no provisions in the Ordinance regulating the financial return or service scope in private hospitals, the Administration admitted that private hospitals could decide on their own matters relating to the use of resources and development. However, as the non-profit-making private hospitals were also subject to regulation under the Inland Revenue Ordinance ("IRO"), they could only use their income (including profits derived from their operations) and properties for attainment of their stated objects and any distribution of their incomes and properties among their members was strictly prohibited under IRO.

16. The Administration further pointed out that private hospitals were obliged to explain their admission policy and arrangements clearly to their patients. According to the Code, private hospitals were required to prepare respective schedules of charges for different categories of hospitals beds, including low-charge beds stipulated in the conditions of grant of their land, for information and reference by the public.

17. Some Members expressed dissatisfaction with the lack of statutory regulation in the charging and operation of the non-profit-making private hospitals. They requested a review on the Ordinance in order to tighten the regulation of private hospitals. The Administration agreed to conduct a review on the Ordinance with a view to enhancing transparency in service standards and medical charges of private hospitals.

Relevant papers

18. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

**Relevant papers on
Monitoring of charging policy of private hospitals for obstetric services**

Committee	Date of meeting	Paper
Legislative Council	11.11.2009	Official Record of Proceeding (Question 14)
Panel on Health Services	14.12.2009 (Item IV)	Agenda Minutes
Legislative Council	27.1.2010	Official Record of Proceeding (Question 20)
Panel on Health Services	6.10.2010 (Item I)	Agenda
Panel on Health Services	11.12.2010 (Item I)	Agenda Minutes
Panel on Health Services	13.12.2010 (Item IV)	Agenda Minutes
Panel on Health Services	11.7.2011 (Item II)	Agenda Minutes
Panel on Health Services	8.8.2011 (Item II)	Agenda Minutes
Legislative Council	9.11.2011	Question 1