

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 42nd meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 17 April 2015, at 3:00 pm

Members present:

Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)
Hon CHAN Kin-por, BBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, BBS, MH
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Hak-kan, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon CHEUNG Kwok-che

Hon WONG Kwok-kin, SBS
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yea, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan
Hon Tony TSE Wai-chuen, BBS

Members absent:

Dr Hon LAU Wong-fat, GBM, GBS, JP

Dr Hon LEUNG Ka-lau
Hon Frankie YICK Chi-ming
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon Kenneth LEUNG
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Public officers attending:

Ms Elizabeth TSE Man-ye, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Miss Amy YUEN Wai-Yin	Assistant Director of Environmental Protection (Water Policy)
Mr Daniel CHUNG Kum-wah, JP	Director of Drainage Services
Mr TAI Wai-man	Chief Engineer (Project Management), Drainage Services Department
Dr KO Wing-man, BBS, JP	Secretary for Food and Health
Mr Richard YUEN, JP	Permanent Secretary for Food and Health (Health)
Prof FOK Tai-fai, SBS, JP	Pro-Vice-Chancellor, The Chinese University of Hong Kong
Dr FUNG Hong, JP	Executive Director, CUHK Medical Centre

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5
Miss Yannes HO	Legislative Assistant (1)6

Action

Item No. 1 – FCR(2015-16)1

**RECOMMENDATIONS OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 11 MARCH 2015**

The Chairman advised that the paper invited the Committee's approval of the recommendations of the Establishment Subcommittee made on 11 March 2015. There being no question from members, the Chairman put the item to vote. The Chairman declared that the Committee approved the item.

Item No. 2 – FCR(2015-16)2

**RECOMMENDATIONS OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 11 AND 18 MARCH 2015**

2. The Chairman advised that the paper invited the Committee's approval of the recommendations of the Public Works Subcommittee made on 11 and 18 March 2015. There being no question from members, the Chairman put the item to vote. The Chairman declared that the Committee approved the item.

Item No. 3 – FCR(2014-15)59

**RECOMMENDATIONS OF THE
PUBLIC WORKS SUBCOMMITTEE MADE
ON 14, 30 JANUARY AND 28 FEBRUARY 2015**

3. The Committee continued the deliberation on the proposal related to Tuen Mun sewerage – Castle Peak Road trunk sewer and Tuen Mun village sewerage, which was carried over from the meeting held on 20 March 2015.

4. Mr Albert CHAN declared that he was living in a village house and the Administration was conducting consultation with his village on the sewerage works.

5. Mr Albert CHAN said that he had no objection in principle to the proposed sewerage works. However, in many of the sewerage works implemented in the past, the reception points of the main public sewers were located at quite a distance from some of the village houses. Many owners of these village houses were not motivated to connect their houses to the public sewers because the cost was too high to them. As a result, they would continue to discharge sewage into nearby streams, causing pollution. Mr CHAN considered that the Administration should subsidize the connection

Action

cost, or otherwise the proposed sewage works could not maximize the intended improvement it could bring to the environment.

6. To illustrate his argument, Mr Albert CHAN asked the Administration to provide information on the proportion of village houses of each village where the connection to the centralized sewage treatment system had been completed in the past 10 years.

7. Assistant Director for Environmental Protection (Water Policy) ("ADEP(WP)") said that as at December 2014, more than 8 600 village houses in the territory had been connected to public sewers, representing an overall connection rate of 82%. ADEP(WP) clarified that for sewerage catchments where village sewerage was completed earlier, the connection rates were usually higher. For areas where the construction of public sewers had just been completed and sewer connection of village houses was still on-going, the connection rates would vary. Some village sewerage schemes had also reserved sewer connection points for future connection to the public sewerage system. However, the Administration did not have the connection rates of individual villages ready at hand. ADEP(WP) undertook to provide the information after the meeting.

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8. Mr TAM Yiu-chung supported the proposal as he considered that the laying of public sewers would benefit the environment regardless of the percentage of village houses that had made the connection. Mr TAM appreciated the difficulties the Administration might face in connecting village houses with the public sewers because part of the associated works might have to pass through private land. He said that some village house owners were reluctant to pay for the connection works because some of the village houses were vacant while some might want to avoid paying sewage charges.

9. There being no further question from members, the Chairman put the item FCR(2014-15)59 to vote. The Chairman declared that the Committee approved the item.

Item No. 4 – FCR(2015-16)3

LOAN FUND

NEW HEAD – "PRIVATE HOSPITAL DEVELOPMENT"

New Subhead – "Loan for the CUHK Medical Centre Development Project"

10. The Chairman advised that the item invited the Committee's approval of a commitment of \$4,033 million for provision of a loan to the Chinese

University of Hong Kong ("CUHK") Medical Centre Limited for development of a non-profit making private teaching hospital, to be named the CUHK Medical Centre.

11. The Chairman declared that he was one of the Members elected from among Members of the Legislative Council to be represented in the Council of CUHK.

Report by Panel Chairman

12. At the invitation of the Chairman, Prof Joseph LEE, Chairman of the Panel on Health Services ("the Panel"), reported the Panel's discussion on the proposal. Prof LEE said that Panel members did not object to the Administration's putting the proposal to the Finance Committee ("FC") for funding approval as they considered that the development of a private hospital by CUHK would help enhance the overall healthcare service. However, Panel members had expressed concern that, as a teaching hospital, the proposed CUHK Medical Centre might drain the teaching resources of CUHK Faculty of Medicine. Moreover, access to services for existing patients at the Prince of Wales Hospital ("PWH") would suffer as CUHK might divert resources to the operation of the CUHK Medical Centre.

13. Prof Joseph LEE said that the Administration had explained to the Panel that doctors and staff operating the private hospital would be employed by the CUHK Medical Centre and not by CUHK. These staff would contribute towards the teaching and research activities of CUHK, and would therefore help strengthen the teaching capability of CUHK Faculty of Medicine as a whole.

14. Prof Joseph LEE also reported that some Panel members had requested the Administration to explain the criteria, scope of services and the monitoring mechanism of the CUHK Medical Centre in accepting referrals of specialist outpatient ("SOP") and day procedure cases from the Hospital Authority ("HA"). The Administration told the Panel that CUHK and HA would continue to maintain close discussion in formulating the detailed arrangements.

Resources for public healthcare services

15. Dr KWOK Ka-ki said that the Administration should commit more resources to improve the public healthcare services rather than spending \$4 billion on the development of a private hospital.

16. Secretary for Food and Health ("SFH") responded that the Administration adopted a multidimensional approach in the implementation of healthcare policies, and would continue to improve the public healthcare services. The development of Voluntary Health Insurance Scheme ("VHIS") and private hospitals would help relieve the pressure on public healthcare services.

17. Ms Emily LAU commented that the development of private hospitals would only benefit a small sector of the population who were relatively well off. The relevant resources could be more gainfully deployed for improving public healthcare facilities and hence benefit the public at large. Mr LEE Cheuk-yan queried the justification for promoting the development of private hospitals when resources were needed to improve public healthcare services.

18. SFH said that the Administration would promote balanced development of both public and private healthcare services, and would continue to commit resources to meet long-term development of public healthcare needs. As an illustration, SFH said that the number of hospital beds in public hospitals would increase by 6 000 to 9 000, and more than \$81 billion had been earmarked in 2015-2016 for redevelopment or new hospitals projects.

19. In response to Mr LEE Cheuk-yan, SFH explained that the provision for HA in 2015-2016 was lower than the previous years because HA could fund part of its existing operating expenditure from its reserve.

Justifications for developing private hospital

20. Mr LEUNG Kwok-hung expressed opposition to the Administration's provision of loan for the development of a private hospital. He said that the public healthcare services needed an overhaul as reflected by the numerous complaints from the community. Mr LEUNG commented that the current shortage of private healthcare services was a result of a defective policy of allowing Mainlanders to give births in Hong Kong. He said that the mistake should not be remedied by the provision of a new private hospital with Government support. Mr LEUNG also criticized the positioning of CUHK Medical Centre as a healthcare facility for the middle-class, from which the low-income community could not benefit.

21. SFH responded that problems arising from Mainland mothers giving births in Hong Kong had already been redressed by the Government. He added that the public sector healthcare system was open to every Hong Kong citizen and the level of public subsidy per person using public services was high.

If the situation continued, the system might become unsustainable in the long term.

22. SFH added that the development of private hospitals would not affect the quality of public sector healthcare services. The current supply of private hospitals was inadequate to meet the demand of middle-class patients, some of whom wanted to receive and were willing to pay for private healthcare services. However, the complicated fee structure commonly adopted in private hospitals had made it difficult for these patients to estimate their medical expenses accurately. If the Administration could encourage the provision of more private healthcare services through a relatively small input of resources, private hospitals could absorb some of the middle-class patients, thereby reducing the pressure on the public healthcare sector.

Impact on medical professionals and resources for the public sector

23. Dr KWOK Ka-ki queried whether, with the operation of the CUHK Medical Centre, academic members of the CUHK's Faculty of Medicine would become more inclined to take up private cases in the CUHK Medical Centre at the expense of PWH patients. He commented that the operation of the CHUK Medical Centre would exacerbate the service gap between wealthy and poor patients. Dr KWOK asked if the income from private services should be credited to the CUHK Faculty of Medicine for research and academic purposes. Mr LEE Cheuk-yan expressed a similar concern that the development of the private hospital would drain medical professionals from the public sector and would, as a result, affect the quality of the public healthcare services.

24. Pro-Vice-Chancellor, CUHK ("PVC, CUHK") said that under CUHK's existing regulations, CUHK's clinical professors were permitted to conduct private clinical practices subject to the time spent not exceeding the equivalent of two half-day sessions or eight hours of work. He added that, when the CUHK Medical Centre was in operation, CUHK's clinical professors might conduct private practice there as well, subject to the same limit of two half-day sessions per week.

25. PVC, CUHK supplemented that CUHK had established guidelines which require clinical professors to document their time and place of private practice. It would be easier to monitor their private practice if clinical professors were to conduct such activities at the CUHK Medical Centre.

26. Ms Emily LAU criticized that the shortage in the supply of medical practitioners in Hong Kong was somehow attributable to the stringent restrictions imposed by the Hong Kong Medical Council in admitting overseas

trained doctors for practising in Hong Kong. SFH responded that efforts had been made to increase the number or places in the medical faculties of local universities, and to step up training of local healthcare professionals. The Hong Kong Medical Council had also increased the frequencies of the Licensing Examination for overseas medical practitioners or non-local medical graduates who wished to practise in Hong Kong; the passing rates of candidates in these examinations had also improved.

27. SFH added that efforts were also made to shorten the internship training period for candidates who had passed the Licensing Examination. SFH said that the supply of medical professionals should continue to improve in step with the implementation of VHIS, and should be sufficient to meet service needs in around in 2020.

28. SFH reiterated that the movement of medical practitioners and healthcare personnel between the public and the private sectors was normal. PVC, CUHK supplemented that many academic staff chose to remain in the CUHK despite being frequently scouted by the private sector, because the University offered an environment conducive to research and provided opportunities which were not available in private hospitals. PVC, CUHK said that the development of the CUHK Medical Centre would not intensify the competition for medical professionals in the academic sector. On the other hand, the addition of new medical team in the CUHK Medical Centre would contribute positively to the research efforts of CUHK.

29. Miss Alice MAK asked if the CUHK Medical Centre was confident that it would be able to recruit a sufficient number of qualified medical and healthcare personnel when the Medical Centre commenced operation. PVC, CUHK said that some medical practitioners in HA might be interested to serve in the proposed Medical Centre because they might be contemplating a change in work environment, but were not ready to move to the private sector. Retired medical practitioners from HA and retired medical professors were also potential recruits.

30. Mr TANG Ka-piu expressed concern that the waiting time for accident and emergency ("A&E") services in the New Territories East ("NTE") hospital cluster was long due to the shortage of medical personnel. He was worried that the CUHK Medical Centre would drain these doctors away and aggravate the A&E service problem.

31. SFH said that as the population in NTE was growing fast, the demand for healthcare services increased sharply and had intensified the workload pressure on the hospitals in the cluster. To meet the service demand,

the Administration had initiated the next stage of hospital extension projects almost immediately after the completion of the current programmes.

32. Dr Fernando CHEUNG expressed concern that when the proposed CUHK Medical Centre was in operation, the experienced medical academic members of PWH, with their professional skills and experience as well as advanced equipment and technologies, would be diverted to the Medical Centre. As a result, only those middle-class patients who could afford the services could enjoy the medical resources of the Medical Centre.

33. Dr Fernando CHEUNG noted that the proposed Medical Centre would use packaged prices for its services. However, he was also aware that for patients with complicated cases and requiring to stay in hospital for a long period might still be advised to seek treatment from public hospitals. This would result in a "creaming" effect where better-off patients would receive better services.

34. SFH explained that many middle-class patients could afford, and were willing to pay for private healthcare services. However, at present, their choices were limited. If a loan from the Government could foster the development of the CUHK Medical Centre, many patients could be diverted from the public healthcare, helping to release more public resources for healthcare services for the general public in need.

35. PVC, CUHK responded that the CUHK Medical Centre could not support independent research functions on its own resources. The medical research and the associated facilities would have to reside in the Faculty of Medicine and PWH patients would still benefit from the research efforts and the advanced technologies developed by CUHK. PVC, CUHK supplemented that the CUHK Medical Centre, on the other hand, would be more flexible in adopting latest medical procedure and treatment methods developed by overseas medical institutions. Executive Director, CUHK Medical Centre ("ED, CUHKMC") added that the proposed CUHK Medical Centre and public hospitals had different positioning. Public hospitals were more capable of handling complicated cases involving cross-discipline diagnosis and treatment than smaller private hospitals like the Medical Centre.

Development mode for private hospitals

36. Dr Helena WONG noted that the current proposal was unprecedented, where a new commitment was specifically created under the Loan Fund for the development of a private-cum-teaching hospital. She asked whether the case would set a precedent for future private hospital developments. Ms Emily

LAU expressed a similar concern, and she queried why CUHK should not raise funds from the private sector.

37. SFH advised that the proposal from CUHK for development of the CUHK Medical Centre was in line with the Administration's overall healthcare reform objectives together with the implementation of VHIS and the development of private healthcare services. He reiterated that the development of private hospitals would enable diversion of better-off patients from the public hospital stream, and would, as a result, reduce the pressure on public healthcare services.

38. SFH added that CUHK was a non-profit-making organization and had experience in operating a hospital. The Administration was confident that the University should have the capability of implementing the proposed Medical Centre project successfully. He said that, if the Administration received similar requests for financial assistance for developing private hospitals, it would examine the proposals critically against an array of factors, such as the demand for private hospital services and the capability of the applicants in operating a private hospital, before deciding whether to support the funding request.

39. As regards raising funds from the private sector, PVC, CUHK said that CUHK found the option infeasible since CUHK's objectives in the Medical Centre project were to provide a non-profit-making service that would be affordable to the middle-class population, and with a transparent fee structure which would enable patients to budget their medical expenses. Such objectives would be difficult to achieve if private consortia were involved. Besides, CUHK had no asset that could be used as collateral for the loan.

Conjoint consultation service in the proposed CUHK Medical Centre

40. Mr WONG Kwok-hing supported the funding proposal. He noted that CUHK was planning to offer conjoint Chinese medicine and Western medicine consultations. He asked about details including the number of Chinese and Western medicine practitioners to be deployed and the number of in-patient beds and out-patient places to be provided in the CUHK Medical Centre.

41. PVC, CUHK responded that CUHK accorded importance in conjoint consultation service involving Chinese medicine and Western medicine consultations. Such service was being provided in PWH and would equally be provided in the proposed CUHK Medical Centre. PVC, CUHK said that there was no definite staffing plan for the CUHK Medical Centre yet, but CUHK

would recruit experienced Chinese medicine practitioners to provide the service. ED, CUHKMC supplemented that no designated in-patient beds were designated for Chinese medicine patients. The proposed CUHK Medical Centre would make available facilities to meet the needs of service as appropriate.

Dual role of CUHK Medical Centre as private and teaching hospital

42. Prof Joseph LEE noted that the proposed CUHK Medical Centre would serve a dual role as a private hospital and a teaching hospital and members of CUHK's Faculty of Medicine would teach in the Medical Centre. He asked whether members of the Faculty of Medicine of the University of Hong Kong taught in private hospitals under similar arrangement.

43. SFH explained that under the current arrangement, medical students might be placed in public hospitals (other than Queen Mary Hospital and Queen Elizabeth Hospital) where they received training instructions. There were also co-operation between the Faculty of Medicine of the University of Hong Kong and the Hong Kong Sanatorium and Hospital in the provision of training for medical students.

44. PVC, CUHK supplemented that the CUHK's Faculty of Medicine and the proposed Medical Centre were financially separated distinctly. There was clear understanding with the University Grants Committee that public funding for the operation of the Faculty of Medicine could not be used to subsidize the proposed Medical Centre. However, there would be close co-operation in terms of academic research and teaching activities. PVC, CUHK explained that all full-time medical practitioners employed in the CUHK Medical Centre would be required to perform teaching duties for the Faculty of Medicine; it was also more convenient for new medical procedure and technologies developed in the CUHK Faculty of Medicine to be applied in the proposed Medical Centre.

Handling referrals from the Hospital Authority

45. Prof Joseph LEE noted that the proposed CUHK Medical Centre would accept referrals from HA. He asked how the arrangement would reduce the workload in public hospitals. Prof LEE also asked whether a patient could choose to remain to receive treatment in a public hospital when he was advised to be transferred to the CUHK Medical Centre and he could not afford the service.

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46. Permanent Secretary for Food and Health (Health) ("PS(H)") said that arrangement had been worked out with CUHK that the CUHK Medical Centre would receive up to 17 600 new SOP and 6 600 new day surgery cases from HA each year on an on-going and long-term basis starting from the fifth year of the Medical Centre's operation. Patients referred to the CUHK Medical Centre would continue to be charged HA fees. PS(H) said that the partnership arrangement would help shorten waiting time for public services while ensuring a comprehensive and diverse case mix for the CUHK Medical Centre and maintain the quality of training.

47. Miss Alice MAK asked when the CUHK Medical Centre could start to receive referrals of SOP and day surgery cases. While noting that beginning from the fifth year, the CUHK Medical Centre would receive up to 17 600 new SOP cases and 6 600 new day surgery cases each year from HA, Dr Helena WONG asked if the Medical Centre would receive any referrals from HA during the first four years of operation.

48. ED, CUHKMC said that it was the intention that SOP and new day surgery cases would be received from HA once the proposed CUHK Medical Centre commenced operation. PS(H) advised that CUHK undertook that the Medical Centre would attend to a minimum of 3 520 new SOP cases and 1 320 new day surgery cases in the first year of operation, and the number of cases would increase progressively. In response to the Chairman, ED, CUHKMC confirmed that the Medical Centre would continue to attend to referrals from HA on a long-term basis even after having paid up the loan to the Government.

Terms of the loan to the Chinese University of Hong Kong

49. Mr Tony TSE noted that the proposed loan was interest-free for the first five years from the first drawdown in 2016-2017 and as a result, the interest forgone by the Government was estimated to be \$533 million (at 2014 prices). The forgone revenue would, however, be more than offset by the cost saving of \$1,058 million in total or \$51 million in a full year in the allocations to HA arising from the transfer of some 17 600 SOP cases and 6 600 new day surgery cases to the CUHK Medical Centre each year from the fifth year of hospital operation. Mr TSE asked how the various estimates were worked out.

50. Mr Tony TSE noted that the proposed CUHK Medical Centre was located on Government land which was leased to CUHK. He asked whether CUHK would need to pay land premium for the modification of land lease.

51. SFH explained that the terms of the loan arose from the negotiation between CUHK and the Government taking into account the current situation in PWH. SFH added that the land for the development of the proposed CUHK Medical Centre was now being held by CUHK for long-term campus expansion. As the University had no immediate need for the land, and that the proposed provision of the CUHK Medical Centre was in line with the Government's policy objectives, the Administration offered the modification of the Conditions of Grant (Land Lease) at a nominal premium of \$1,000 to allow the site to be used for development of a private hospital, subject to CUHK satisfying certain requirements in the operation of the proposed Medical Centre.

52. PS(H) supplemented that the amount of interest income forgone was estimated using the floating interest rate equivalent to the interest rate of the Government's fiscal reserves placed with the Exchange Fund from 2021 onwards. The Administration agreed to waive the interest payment for the first five years of the operation of the proposed CUHK Medical Centre because the Administration was aware that the patronage of the proposed Medical Centre would take time to build up, and it might have difficulties in terms of cash flow to undertake the interest payment at the initial period of the hospital's operation.

53. Mr Tony TSE said that as the Administration had provided land grant to CUHK for development of the CUHK Medical Centre, the Administration had the responsibility to monitor the implementation of the Medical Centre. SFH replied that the Administration could enforce the terms of the land grant and had the ultimate authority of re-entering the site if the conditions were not met.

Fee levels of services provided at the CUHK Medical Centre

54. Mr LEE Cheuk-yan enquired how the fee levels of the CUHK Medical Centre would be set so that the services would be affordable and which income groups of the population would find the services affordable.

55. In response to the Chairman, ED, CUHKMC said that middle-class patients who had insurance cover should be able to meet the cost of services provided by the Medical Centre. Unlike other private hospitals, the CUHK Medical Centre would use package prices extensively for its services to enhance price transparency, and this arrangement would provide patients with a reasonable level of certainty on the total costs of hospital services they would incur. The Medical Centre would make reference to the market situation and pitch the fees at a lower level so that more people could access its services.

56. Miss Alice MAK said that during the consultation on VHIS, there was feedback in the community that the development of VHIS should proceed in tandem with private sector healthcare services. Proper regulation of healthcare service fees should also be introduced to ensure effectiveness of VHIS. Miss MAK said that the proposed CUHK Medical Centre would contribute positively to the development if it could provide services at package prices when other private hospitals were reluctant to do so.

57. Miss Alice MAK noted that the proposed CUHK Medical Centre would initially provide 50% of its services at packaged prices, and the percentage would rise progressively up to 70%. She asked when the objective would be met, and whether the percentage could be further increased. ED, CUHKMC said that the timing was flexible and would depend on the actual operation of the Medical Centre and the community's response to the services provided. However, he expected that the scope for increasing the percentage of services to be provided at package prices above 70% would be very limited. SFH commented that there were many unforeseen and complicated factors that might arise in a medical situation, and there was bound to be cases for which package prices were not suitable.

58. Mr James TO noted that, from CUHK's financial projection, the proposed CUHK Medical Centre should be able to generate quite healthy operating surplus after having paid up the loan from the Government and with 70% of services being offered at package prices. Mr TO asked if the Medical Centre could offer a higher proportion of services to be charged package prices.

59. SFH said that the CUHK Medical Centre would operate on a self-financing basis, so that all expenditure related to maintenance and repair of its equipment, facilities or, buildings would have to be met from the Medical Centre's own resources, most of which would come from operating surplus. SFH and PS(H) said that it would be specified in the service deed, which would form part of the conditions for modification of existing land lease held by CUHK, that any surplus generated from the operation of the Medical Centre would have to be used on matters related to its services. The use of the surplus would have to be subject to agreement by the Government. PVC, CUHK echoed SFH's explanation and added that the CUHK Medical Centre's account would be submitted to the Government.

Expected breakeven period

60. Mr TANG Ka-piu enquired how the CUHK Medical Centre could achieve its objective to break even in five years' time. ED, CUHKMC said that the five-year breakeven period was estimated based on an analysis of the

prevailing market situation, and having regard to the development of the health insurance market. With the aging population and the fact that many senior citizens were economically well off, the demand for private sector healthcare services was expected to increase in the coming years, especially hospital services that were offered at packaged prices. However, ED, CUHKMC added that suitable cost control measures were important to ensure that the operation of the Medical Centre could break even.

61. The Chairman directed that members' speaking time for the second round of questions, including the Administration's reply, should be limited to three minutes each.

Use of surplus generated by the Medical Centre

62. Dr Helena WONG expressed concern about how the surplus from the CUHK Medical Centre would be handled and enquired, whether it could be transferred to CUHK for other purposes unrelated to the services of the Medical Centre. SFH confirmed that any surplus from the operation of the Medical Centre could not be transferred to CUHK for unrelated purposes.

Service deed between the Government and the Chinese University of Hong Kong

63. Dr Helena WONG asked that the full text of the service deed between the Government and CUHK be made public. Ms Cyd HO commented that while the CUHK Medical Centre purported to be operated on a non-profit basis and would not channel its operating surplus away, some private healthcare institutions which claimed to be charitable did in fact transfer operating surplus for improving staff salaries. Ms HO said that to address members' concern in that respect, the Administration should present members the draft text of the service deed to be signed between the Government and CUHK.

64. SFH advised that the Government would sign a service deed with CUHK after FC had approved the funding proposal. The drafting of the deed had not been completed at this stage, but its terms would reflect CUHK's undertakings as highlighted in Enclosure 2 of the paper FCR(2015-16)3 and the Administration's response to the views and concerns expressed by FC members at the meeting. SFH also agreed that the text of the deed could be made available to the public and members for reference after it had been signed.

65. Citing the complaint of an old age patient about the long time required for cataract inspection, Ms Emily LAU expressed concern about some

of the problems with the existing healthcare system that needed urgent attention. Ms LAU asked what sanctions would be imposed on CUHK if it breached the terms of the service deed.

66. SFH said that due to the aging of population, the service demand for cataract operations had increased. The case that Ms Emily LAU referred to highlighted the need to develop private healthcare services so as to reduce the pressure on the public healthcare sector.

67. PS(H) said that the key terms of the service deed to be concluded between CUHK and the Government would reflect the clauses set out in Enclosure 4 to FCR(2015-16)3. As the service deed formed part of the modified Land Lease, the Government might re-enter and take possession of the Medical Centre site if CUHK failed to comply with the terms of the service deed.

68. The Chairman declared that the meeting be adjourned and the Committee would continue discussion on the item at the following meeting.

69. The meeting was adjourned at 5:02 pm.

Legislative Council Secretariat
14 August 2015