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Panel on Welfare Services

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 9 February 2015**

**Feasibility study on the Pilot Scheme
on Residential Care Service Voucher for the Elderly**

Purpose

This paper gives an account of past discussions at meetings of the Council and relevant committees on the feasibility study on the Pilot Scheme on Residential Care Service Voucher for the Elderly ("the Feasibility Study").

Background

2. According to the Administration, in view of an ageing population and increasing longevity, there will be a pressing need for the Government to devise a viable financing model for long-term care ("LTC") services with due emphasis on residential care services ("RCS") and community care services ("CCS"). This includes, among others, a voucher that enables senior citizens and their families to exercise greater choice and control of their utilization of LTC services, which will also have the effect of incentivizing improvements to both RCS and CCS, as part of a longer-term strategy for providing elderly services in a sustainable manner.

3. The subject of an RCS voucher scheme was considered in the Consultancy Study on RCS for the Elderly commissioned by the Elderly Commission ("EC") in 2009, followed by EC's Consultancy Study on CCS for the Elderly released in 2011. Having taken on board EC's recommendation, the Administration implemented the four-year Pilot Scheme on CCS Voucher for the Elderly ("the Pilot Scheme on CCS Voucher") in September 2013. It aimed to experiment a new funding mode whereby the Government provided subsidy directly to service users instead of service providers so that money followed the users. The Administration considers that as the Pilot Scheme

on CCS Voucher has been implemented, it will be opportune to explore the feasibility of introducing the Pilot Scheme on RCS Voucher for the Elderly ("the Pilot Scheme on RCS Voucher"), leveraging on the experience of designing the Pilot Scheme on CCS Voucher.

4. As announced by the Chief Executive ("CE") in his 2014 Policy Address, EC will conduct the Feasibility Study and report to the Government in a year's time. The Feasibility Study will be conducted mainly by EC's existing Working Group on Long-term Care Model. EC has also planned to commission consultants to conduct a study to assess the feasibility, and engage the stakeholders and concerned groups as appropriate. If it is considered feasible to run the Pilot Scheme on RCS Voucher, EC will design the features of the scheme based on the recommendations of the aforesaid consultancy study, taking into account the further findings to be obtained from in-depth briefings, consultation sessions and discussions with relevant stakeholders conducted by EC/the consultants/the Government.

Deliberations by Members

The Feasibility Study

5. Members had all along urged the Administration to enhance RCS for elderly persons. Nevertheless, they had divergent views on the Feasibility Study. Some Members raised no objection to the exploration of an RCS voucher scheme. They, however, considered it necessary to have a clear policy direction for RCS, including the weighting of vouchers in RCS and the ratio of self-financing places and subsidized places in residential care homes for the elderly ("RCHEs"). In addition, services provided under an RCS voucher scheme should be comparable to services provided by subsidized RCHEs. Moreover, a voucher scheme should cover both elderly persons and persons with disabilities who were in need of institutional care. In any event, the Administration should allow more time for discussion of an RCS voucher scheme before consulting Members on any proposals. Some other Members expressed strong reservations about the Feasibility Study and wondered why the Administration had to explore the feasibility of an RCS voucher scheme when the first phase of the Pilot Scheme on CCS Voucher, which had a low participation rate, was still under review. They pointed out that the results of EC's Consultancy Study on RCS for the Elderly conducted in 2009 did not recommend the introduction of an RCS voucher scheme as it might encourage some elderly persons who had no pressing need for institutional care to use RCS. These Members therefore did not support the Feasibility Study.

6. The Administration advised that according to the 2014 Policy Address, apart from carrying out the Feasibility Study in a year's time, EC was also

tasked to draw up the Elderly Services Programme Plan ("the Programme Plan") within two years. EC would take forward the aforesaid two tasks concurrently so that the Programme Plan would provide a wider context for an RCS voucher scheme while an RCS voucher scheme would serve as an input to the Programme Plan. Besides, the feasibility exploration of an RCS voucher scheme would leverage on the experience in designing the Pilot Scheme on CCS Voucher. The Administration stressed that the introduction of the Pilot Scheme on RCS Voucher would be subject to the outcome of the Feasibility Study and EC's recommendation. At this stage, it had no plan to launch an RCS voucher scheme.

7. Regarding EC members' views on the Pilot Scheme on RCS Voucher, the Administration advised that whilst holding different views on RCS voucher, EC members agreed that a study should be conducted to explore the feasibility of introducing an RCS voucher scheme. Should EC's study recommend a Pilot Scheme on RCS Voucher, the Administration would consult the Panel on Welfare Services ("the Panel") on the scheme before seeking the necessary funding approval from the Finance Committee ("FC") of the Legislative Council ("LegCo").

Enhancement of RCS for elderly persons

8. According to the Administration, as at April 2014, there were some 30 000 elderly applicants on the Central Waiting List for Subsidized LTC Services for the Elderly ("the Waiting List"), and the waiting time was about 20 to 30 months in general. In the past five years, an average of about 5 000 elderly persons on the Waiting List passed away each year before service places were allocated to them. Members noted with grave concern about the gross inadequacy of RCS for elderly persons. They enquired about how the Administration would improve the provision of LTC services for elderly persons, particularly in enhancing RCS and reducing the waiting time. Some Members were dissatisfied that the Administration only carried out studies without taking concrete measures to address the problems promptly.

9. The Administration advised that it was aware of the pressing need for RCS for elderly persons and would implement a number of measures to address the demand. For example, it had already earmarked sites in 11 development projects for the construction of new contract RCHEs and would continue to identify sites for the purpose. In the coming three years, more than 1 500 additional residential care places for elderly persons would be provided. In the medium and longer-term, another 7 000 such places were expected to be provided under the Special Scheme on Privately Owned Sites for Welfare Uses ("the Special Scheme") should all projects proceed as proposed. The Special Scheme encouraged social welfare organizations to put their land to better use through in-situ expansion or redevelopment and to

provide more diversified services and self-financing facilities. In addition, the Administration would increase the number of places through bought place schemes. If an RCS voucher scheme was implemented, it was envisaged that some 5 000 additional subsidized residential care places would be made available under the current term of the Government. At the same time, relevant support services/schemes like day care services, home-based care services and the Pilot Scheme on Living Allowance for Carers of the Elderly Persons from Low Income Families would also be provided/implemented to assist elderly persons to age in the community.

10. Some Members pointed out that although there was a long waiting list for subsidized RCHEs, the occupancy rate of private RCHEs was only around 70% to 80% as the quality of private RCHEs varied greatly. It would be a total failure to make use of the private market to address the shortfall of subsidized residential care places for elderly persons. They said that some non-governmental organizations ("NGOs") had lowered their tender price in order to obtain the Administration's contracts for RCHEs. As a result, the salary level of their staff had been suppressed and the service quality of these RCHEs was adversely affected. They urged the Administration to provide subsidized RCHEs direct or through subvented organizations. The Administration stressed that it had no intention to change its role in the provision of subsidized RCS. The Special Scheme would provide a basis for longer-term planning for premises and manpower for elderly services.

Motion passed by the Council

11. At its meeting on 11 June 2014, the Council passed a motion urging the Administration to, inter alia, make stronger efforts to implement projects on redeveloping RCHEs and constructing new ones, and reserve lands in more public and private development projects for building RCHEs, so as to shorten elderly persons' waiting time for RCHEs and reduce the number of elderly persons who had yet to be allocated a place in RCHEs when they passed away.

12. The Administration advised that apart from the measures as mentioned in paragraph 9 above for increasing the supply of residential care places, the Social Welfare Department would continue to work closely with relevant government departments (such as the Lands Department, Planning Department, Housing Department and Government Property Agency) to explore the feasibility of providing elderly facilities such as contract RCHEs, contract RCHEs cum day care units for the elderly and day care centres for the elderly in new development projects or redevelopment projects in public housing estates or Urban Renewal Authority projects, or converting vacant premises into elderly facilities. Moreover, the Administration had tasked EC to explore, within one year, the introduction of a voucher scheme on RCS,

with a view to studying the feasibility of adopting the "money-following-the-user" approach in RCS, in addition to conventional modes. While the introduction of a voucher scheme on RCS would depend on the results of EC's study, the Administration had earmarked a funding of \$800 million. If EC considered it feasible to run such a scheme on a pilot basis, the Administration would be able to issue a total of 3 000 RCS vouchers in three phases from 2015-2016 to 2017-2018.

Latest development

13. In his 2015 Policy Address, CE pointed out that EC was actively studying the feasibility of introducing an RCS voucher scheme and a report was expected to be submitted in mid-2015. The Panel will be briefed on the progress of the Feasibility Study at its meeting on 9 February 2015.

Relevant papers

14. A list of the relevant papers on the LegCo website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
4 February 2015

Appendix

Relevant papers on the feasibility study on the Pilot Scheme on Residential Care Service Voucher for the Elderly

Committee	Date of meeting	Paper
Panel on Welfare Services	23 January 2014 (Item II)	Agenda Minutes
	10 March 2014 (Item IV)	Agenda Minutes
Establishment Subcommittee of the Finance Committee	30 April 2014 (Item 3)	Agenda Minutes
Legislative Council	11 June 2014	Official Record of Proceedings Pages 6-76 Progress Report
Panel on Welfare Services	10 November 2014 (Item IV)	Agenda

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