

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 37 – DEPARTMENT OF HEALTH Subhead 000 – Operational expenses**

Members are invited to approve a supplementary provision of \$380.7 million under Head 37 Department of Health Subhead 000 Operational expenses to meet the estimated expenditure for the Elderly Health Care Voucher Scheme in 2015-16.

### **PROBLEM**

The approved provision for Department of Health (DH) in 2015-16 is insufficient for meeting the estimated expenditure for the Elderly Health Care Voucher (EHV) Scheme.

### **PROPOSAL**

2. The Director of Health, with the support of the Secretary for Food and Health, proposes to seek a supplementary provision of \$380.7 million under Head 37 DH Subhead 000 Operational expenses for meeting the estimated expenditure of the EHV Scheme in 2015-16.

### **JUSTIFICATION**

#### **The Scheme**

3. The EHV Scheme was launched on a pilot basis in 2009 to subsidise Hong Kong elders aged 70 or above to use primary care services provided by the private sector. As at end-October 2015, over 5 200 healthcare service providers,

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including about 1 900 medical practitioners, 1 800 Chinese medicine practitioners and 600 dentists, have enrolled in the EHV Scheme. About 592 000 elders (or about 78% of the eligible elders) have made use of the vouchers and the cumulative expenditure is about \$1,930.1 million. Details of the take-up rate are at Enclosure 1. The pilot project was converted into a regular programme in 2014.

### **Need for Supplementary Provision in 2015-16**

4. A provision of \$811 million was set aside under Subhead 000 of Head 37 DH in the 2015-16 approved estimates to meet the expenditure for the EHV Scheme. This represents an increase of 16% over the provision of \$700 million in the 2014-15 Revised Estimates. However, the utilisation of the vouchers has increased at a higher-than-expected pace in the first seven months of 2015-16. From April to October 2015, the actual voucher expenditure was \$479.2 million, accounting for 59% of the approved annual provision, as compared with 39% of the approved annual provision during the same period in 2014-15. The utilisation of the vouchers is anticipated to further accelerate in the remaining months of 2015-16 for reasons set out in paragraphs 5 to 8.

#### *(a) Utilisation of vouchers by end-2015*

5. The EHV Scheme allows any unspent amount of the vouchers to be carried forward. There is no restriction on the number of years that an elder may carry forward the unspent voucher amount, subject to a financial cap on the cumulative amount of vouchers in the account. This is intended primarily to encourage elders to make more frequent use of the vouchers for primary care services, relating to both curative and preventive care.

6. To allow elders greater room and flexibility in using private primary care services, the annual voucher amount was increased from \$1,000 to \$2,000 in June 2014. The financial cap has been further revised upward from \$3,000 to \$4,000 for each eligible elder since June 2014.

7. As in previous years, we anticipate that the monthly voucher expenditure will be higher in the winter season. We also expect that more elders will make use of their vouchers in the last quarter of 2015 to ensure that the financial cap of \$4,000 will not be exceeded when their unspent vouchers are carried forward to 2016.

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*(b) Other Enhancements*

8. When the pilot scheme was launched in 2009, the face value of each voucher was set at \$50. Elders were hence required to make co-payment for the services received in using the vouchers unless the service charge was a multiple of \$50. The face value of each voucher was changed from \$50 to \$1 starting 1 July 2014 to provide elders with greater flexibility in using the vouchers. To encourage utilisation of the EHV, DH has stepped up efforts in promoting the Scheme via different channels such as television and radio announcements of public interest, and advertisements in the public transport system. These have induced elders to make greater and faster use of the vouchers.

9. Taking into account the above developments, the latest estimated expenditure for the EHV Scheme for 2015-16 is estimated to be \$1,191.7 million. A supplementary provision of \$380.7 million is required to top up the original provision of \$811 million in 2015-16.

**Monitoring and Evaluation**

10. DH has put in place measures and procedures for checking and auditing voucher claims in handling reimbursements under the EHV Scheme to ensure proper disbursement of public monies. These include routine checking, monitoring and investigation of aberrant patterns of transactions and, where necessary, investigation of complaints. Since the Scheme was launched in 2009 and up till October this year, DH has conducted checking of about 210 000 claim transactions which covers 90% of the enrolled healthcare service providers with claims made (representing about 2.5% of all claim transactions made). The checking has identified 121 anomalous cases involving 2 167 claims. After further investigation, these cases were found mostly related to errors in procedures or documentation. Using a risk-based approach, DH targets its checking at enrolled healthcare service providers who have made anomalous claims in the past and those who have unusual patterns of claims identified via alerts generated based on pre-set parameters in the eHealth System. The parameters are fine-tuned from time to time to increase the sensitivity of picking up potential anomalous claims.

11. In response to the comments and recommendations in the Director of Audit's Report No. 63, DH has established a mechanism to regularly compile and analyse statistics on the major and minor errors/omissions identified in consent forms so as to facilitate timely feedback of common problems identified to the enrolled healthcare service providers to help them improve their compliance with

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the Scheme requirements. The inspection strategy and monitoring protocols will be further reviewed in the context of the comprehensive review of the EHV Scheme as set out in paragraph 12 below. It is envisaged that the DH will fine-tune the risk-based approach having regard to the increase in the number of EHV users and service providers as well as the complaints and feedback received.

12. DH is currently conducting a comprehensive review of the EHV Scheme in collaboration with the Chinese University of Hong Kong's Jockey Club School of Public Health and Primary Care. The review will cover the following major areas –

- (a) knowledge and attitudes of elders on EHV;
- (b) views of elders and healthcare professionals about the EHV Scheme;
- (c) impact of vouchers on primary care services for the elderly (e.g. any change in health-seeking behavior of voucher recipients, and the effectiveness of encouraging more frequent use of preventive care in primary care system);
- (d) utilisation pattern of vouchers; and
- (e) operational arrangements for the Scheme, including the monitoring mechanism.

13. The review will also examine the effectiveness of the EHV Scheme in promoting primary care and addressing the primary health care needs of the target group, i.e. elderly people aged 70 and above.

## **FINANCIAL IMPLICATIONS**

14. The expenditure in 2015-16 is estimated to increase from \$811 million by \$380.7 million to \$1,191.7 million. As DH is unable to cover the additional estimated expenditure through re-deployment within its Subhead 000, a supplementary provision of \$380.7 million is required in 2015-16.

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15. The latest estimated voucher expenditure is detailed as follows –

Item	2015-16 (updated)
(A) Requirement for providing annual voucher amount of \$2,000 to each of the eligible elders [i.e. \$2,000 x 760 000 <sup>1</sup> ] (\$ million)	1,520.0
(B) Adjusted requirement for participating voucher users [i.e. (A) x 80% estimated take-up rate <sup>2</sup> ] (\$ million)	1,216.0
(C) Estimated cash flow requirement based on 68% utilization of annual entitlement [i.e. (B) x 68% estimated voucher utilisation rate <sup>3</sup> ] (\$ million)	826.9
(D) Estimated number of elders with voucher usage exceeding the annual entitlement (i.e. using unspent vouchers accumulated in previous years) [i.e. 760 000 x 80% x 30% <sup>4</sup> ]	182 400
(E) Additional funding requirement for elders with voucher usage exceeding the annual entitlement [i.e. (D) x \$2,000 <sup>5</sup> ] (\$ million)	364.8
(F) Total estimated cash flow requirement (taking into account both annual entitlement of elders and their use of unspent vouchers accumulated from previous years) [i.e. (C) + (E)] (\$ million)	1,191.7

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<sup>1</sup> Source: The Hong Kong Population Projections 2015-2064, Census and Statistics Department

<sup>2</sup> The same estimated take-up rate as stated in the FCR(2012-13)58 is adopted.

<sup>3</sup> The median of the voucher utilisation rates from 2009 to end of each year up to 2014 is about 68%.

<sup>4</sup> Estimated percentage of participating elders with voucher usage exceeding the annual entitlement (i.e. using unspent vouchers accumulated in previous years) is 30%. About 21% of elders who had made use of vouchers during the period from 1 January 2015 to 30 September 2015 have used an amount larger than \$2,000 (i.e. using unspent vouchers in previous years) and the full-year effect is estimated to be 30%.

<sup>5</sup> Assuming each of these elders will require an additional \$2,000 [i.e. the difference between the annual entitlement (\$2,000) and accumulation limit (\$4,000)] in a year.

	<b>\$ million</b>
Approved provision for voucher expenditure for 2015-16	811.0
Less:	
Latest estimated voucher expenditure for 2015-16	1,191.7
<b>Estimated shortfall</b>	<b>(380.7)</b>

16. We will monitor the voucher utilisation pattern and include sufficient provision in the Estimates of subsequent years to meet the additional expenditure from 2016-17 onward.

Encl. 2 17. Details of actual expenditure on the EHV Scheme since the 2009 are at Enclosure 2.

## **PUBLIC CONSULTATION**

18. On 16 November 2015, we consulted the Legislative Council (LegCo) Panel on Health Services on the subject. Members supported the submission of the proposal to the Finance Committee of the LegCo for approval.

## **BACKGROUND**

19. The EHV Scheme was launched on a pilot basis in 2009. It subsidizes eligible elders to use services provided by medical practitioners, Chinese medicine practitioners, dentists, nurses, occupational therapists, physiotherapists, radiographers, medical laboratory technologists, chiropractors and optometrists with Part I registration under the Supplementary Medical Professions Ordinance (Cap. 359). To prevent abuse, the vouchers are not allowed to be used solely for the purchase of medical items, for the purchase of drugs at pharmacies, or meeting the fees and charges for public healthcare services. By giving elders a choice to use private healthcare services that best suit their needs, the Scheme also helps supplement the existing public healthcare services (e.g. General Outpatient Clinic services) and promote the concept of family doctor.

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20. On 20 June 2008, Members approved a non-recurrent commitment of \$505.33 million vide FCR(2008-09)33 for launching the Pilot Scheme as a three-year programme, under which Hong Kong elders aged 70 or above would be given annually health care vouchers of \$250. On 24 June 2011, Members approved vide FCR(2011-12)31 an increase in the commitment by \$1,032.6 million for extending the Pilot Scheme for three years up to the end of 2014. The annual voucher amount for an eligible elder was also increased from \$250 to \$500 starting from 1 January 2012. On 7 December 2012, Members approved vide FCR(2012-13)58 an increase in the annual voucher amount from \$500 to \$1,000 per eligible elder with effect from 1 January 2013. Members were also advised that starting from 2014, the voucher expenditure would be included in the Estimates of the relevant years. With the passage of the Appropriation Bill 2014, the annual voucher amount was increased from \$1,000 to \$2,000 starting from 7 June 2014.

21. To help Hong Kong elders who reside regularly in Shenzhen to seek medical out-patient treatments locally without having to travel back to Hong Kong, especially for minor or routine treatments, a pilot scheme was launched on 6 October 2015 with the University of Hong Kong-Shenzhen Hospital (HKU-SZ Hospital) to allow eligible Hong Kong elders to use their EHV to meet the fees for outpatient services (including preventive as well as curative and rehabilitative services) provided by the Hospital. It includes 14 Outpatient Medical Centers/Medical Service Departments at the HKU-SZ Hospital which provide various healthcare services such as family medicine, dental care, Chinese medicine, health assessment and physiotherapy, etc.

22. Health care vouchers are handled electronically through the eHealth System<sup>6</sup> developed for this purpose. To provide greater flexibility for eligible elders to choose the healthcare services that meet their needs, there is no limit on the number of vouchers that an elder may use for each visit to a participating healthcare service provider or on the type of services for which the voucher may be used.

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<sup>6</sup> The eHealth System was purposefully designed for the Pilot Scheme to provide an electronic platform on which participating healthcare service providers can manage the registration of eHealth accounts for the elderly and handle reimbursement of health care vouchers. It has become an efficient platform to facilitate the development of public-private partnership, and has been enhanced and expanded to incorporate the Elderly Vaccination Subsidy Scheme and the Childhood Influenza Vaccination Subsidy Scheme.

23. According to the Hong Kong Population Projections 2015-2064 published by the Census and Statistics Department, the number of Hong Kong elders aged 70 or above is forecast to be about 760 000 in 2015 and increase to 1 507 000 and 2 000 800 by 2030 and 2041 respectively.

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Food and Health Bureau  
Department of Health  
December 2015



**Enclosure 1 to FCR(2015-16)40**

**Take-up Rate of the Elderly Health Care Voucher Scheme**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015 (Jan – Oct)</b>
Number of claim transactions	349 000	504 000	613 000	937 000	1 470 000	2 222 000	2 280 000
Voucher expenditure (in \$ million)	36.0	65.7	87.9	158.6	298.5	554.8	728.6
(a) Number of elders who had made use of vouchers	186 000	286 000	358 000	424 000	488 000	551 000	592 000
(b) Number of eligible elders (aged 70 or above)	671 000	688 000	707 000	714 000	724 000	737 000	760 000
(c) Percentage of eligible elders who had made use of vouchers (i.e. scheme take-up rate) [(c) = (a)/(b) x 100%]	28%	42%	51%	59%	67%	75%	78%
Number of participating service providers	2 539	2 736	3 066	3 627	3 976	4 631	5 235

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**Actual Voucher Expenditure**  
(as at 31 October 2015)

Calendar Year	Actual Expenditure (\$ million)	Financial Year	Actual Expenditure (\$ million)
		2008-09 (Jan-Mar 2009 only)	6.6
2009	36.0	2009-10	49.0
2010	65.7	2010-11	72.0
2011	87.9	2011-12	104.1
2012	158.6	2012-13	196.0
2013	298.5	2013-14	341.0
2014	554.8	2014-15	682.2
2015 (up to 31 Oct 2015)	728.6	2015-16 (up to 31 Oct 2015)	479.2
Total	<b>1,930.1</b>	Total	<b>1,930.1</b>

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