

For information  
on 17 May 2016

**Legislative Council**  
**Panel on Welfare Services**  
**Subcommittee on Issues Relating to**  
**the Future Development of Elderly Services Schemes**

**Sustainable Financing for Elderly Services**

**Purpose**

This paper briefs Members on the current financing arrangements for long-term care (LTC) services for the elderly.

**Existing Financing Arrangements for Elderly Services**

2. At present, eligibility for subsidised LTC is determined by the care needs of the applicant as assessed under the Standardised Care Need Assessment Mechanism for Elderly Services (SCNAMES) administered by the Social Welfare Department (SWD). Provision of the two types of LTC services, namely community care services (CCS) and residential care services (RCS), adopts a mixed model where both subsidised and non-subsidised services are available. The Government plays a major role in the provision and financing of both CCS and RCS.

*Proportion of service places receiving Government subsidy*

3. In the case of CCS, subsidised services funded by the Government are predominantly provided by non-governmental organisations (NGOs) in the form of home-based CCS<sup>1</sup> and centre-based CCS<sup>2</sup>. Other services such as counselling service, educational and developmental activities, volunteer development, etc. are mainly provided by District Elderly Community Centres (DECCs) and Neighbourhood Elderly Centres (NECs) operated by NGOs with funding from the Government.

4. The provision of RCS is heavily subsidised by the Government. As at 31 March 2016, there were 23 144 subsidised care-and-attention (C&A) places, accounting for about one-third of the C&A places

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<sup>1</sup> This mainly includes the two services of Enhanced Home and Community Care Services (EHCCS) and Integrated Home Care Services (IHCS).

<sup>2</sup> This mainly includes services provided through Day Care Centre/Units for the Elderly (DE/DCUs).

available. For the 45 083 non-subsidised places, which accounted for the remaining two-thirds of the C&A places available, around 25 000 places (i.e. over 50%) were occupied by elderly persons receiving the Government-funded and SWD-administered Comprehensive Social Security Assistance (CSSA)<sup>3</sup>. In other words, the Government currently finances over 60% of the C&A services provided in Hong Kong. As to RCS in nursing homes (NHs), subsidised places (3 609 as at 31 March 2016) accounted for over 70% of the total number of places available (5 078 as at 31 March 2016).

#### *Amount of Government subsidy provided for elderly services*

5. The costs of subsidised CCS and RCS are financed by Government funding and user fees. Overall, Government subsidy accounts for some 90% of the service costs, while user fees<sup>4</sup> only make up 10% of service costs<sup>5</sup>.

6. In general, a slightly higher level of user fees is charged for RCS providing higher care level, and the financial means of the users are not taken into account. The case for CCS is similar. For centre-based CCS, the amount of user fees charged is based only on the service mode; for home-based CCS, while the amount of user fees in CCS may vary with the income level of the service user, the difference in actual amount of fees charged is relatively insignificant given the large percentage of Government subsidy<sup>6</sup>.

7. The Government has been working with the welfare sector in experimenting with other financing models. Premised on the recommendations of the Elderly Commission (EC)'s study on CCS released in 2011, SWD launched, in September 2013, the First Phase of the Pilot Scheme on Community Care Service Voucher for the Elderly (Pilot Scheme on CCS Voucher). The aim of the pilot scheme is to test

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<sup>3</sup> Elderly persons are not required to be assessed under SCNMAES before admission to most of the non-subsidised RCS places or applying for CSSA assistance. This means that of the 25 000 elderly persons mentioned in paragraph 4, some of them may not have RCS needs.

<sup>4</sup> CSSA will pay for the user fee of CSSA recipients for subsidised CCS and RCS, essentially making the services completely subsidised by the Government.

<sup>5</sup> For example, Government subsidy accounts for around 96% of the total cost for home-based CCS such as EHCCS, 90% for centre-based CCS such as DE/DCUs, 83% to 88% for C&A places, and 89% to 92% for NH places.

<sup>6</sup> For example, the cost of a meal under EHCCS is \$12.6 for users with income less than or equal to the standard rate of CSSA, \$15.4 for those with income between 1 to 1.5 times of the CSSA standard rate, and \$18.6 for other users. The difference in meal cost between the highest and lowest tiers of user fees (\$6) is relatively small given that Government subsidies on average account for 96% of the service costs of EHCCS. The fees for subsidised LTC services have not been adjusted since 1997.

the use of the “money-following-the-user” approach in the provision of CCS and allow elderly persons and their family greater freedom in service selection. As far as user fees are concerned, the pilot scheme features a sliding scale of co-payment, under which users with less financial means are provided with a greater amount of Government subsidy.

8. With a rapidly ageing population and an increasing demand for elderly services, the Government has been increasing its expenditure on both subsidised CCS and RCS. From 2012-13 to 2016-17, expenditure on RCS has increased by 53.5%, from \$3,062.8 million to \$4,702.9 million, whereas expenditure on CCS has increased by 43.6%, from \$1,668.8 million to \$2,397.9 million. It is further projected that as the trend of ageing population continues, the annual expenditure for elderly services in 2041-42 will have to increase by 2.6 times as compared to that in 2014-15, assuming no inflation and no service enhancement and a structural deficit could strike in 2029-30 (within 15 years)<sup>7</sup>.

#### *Funding Models for Elderly Services*

9. At present, SWD adopts multiple funding models for elderly services. This includes the lump sum grant subvention system that is adopted in services such as DECCs NECs, DE/DCUs, IHCS, as well as subsidised RCS provided by subvented homes; competitive bidding model that is adopted in the delivery of EHCCS and subsidised RCS provided by contract homes; purchasing of services from operators of non-subsidised services mainly adopted in the Enhanced Bought Place Scheme and the Nursing Home Places Purchase Scheme; and the “money-following-the-user” approach which is being experimented in the Pilot Scheme on CCS Voucher mentioned in paragraph 7 above.

#### **Long-term Service Planning**

10. In view of the ageing population, the Government has tasked the EC to formulate the Elderly Services Programme Plan (ESPP), and a consultant team was engaged to assist EC in the task. Since its commencement in mid-2014, two stages of public engagement were conducted to collect stakeholders’ views on the ESPP, involving 26 focus groups/ public forums and over 1 100 participants. Issues relating to sustainable financing for elderly services were covered in the engagement exercises. EC is considering the views collected during the second public

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<sup>7</sup> Report of the Working Group on Long-term Fiscal Planning (Phase One).

engagement exercise and other relevant information in drawing up the preliminary recommendations of the ESPP and planning for the consultation of the next stage.

### **Advice Sought**

11. Members are invited to note the content of this paper.

**Labour and Welfare Bureau  
Social Welfare Department  
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