

**立法會**  
***Legislative Council***

LC Paper No. CB(2)1484/15-16(02)

Ref : CB2/PS/3/14

**Subcommittee on Issues Relating to  
the Future Development of Elderly Services Schemes**

**Background brief prepared by the Legislative Council Secretariat for  
the meeting on 17 May 2016**

**Financing for provision of elderly services**

**Purpose**

This paper summarizes the major concerns raised at meetings of the Council and its committees on the various funding modes adopted/to be adopted by the Administration to finance the provision of elderly services, including the lump sum grant subvention system ("LSGSS"), contract bidding for Enhanced Home and Community Care Services ("EHCCS"), as well as "money-following-the-user" (i.e. service vouchers under the Pilot Scheme on Community Care Service Voucher for the Elderly ("CCSV Pilot Scheme") and the Pilot Scheme on Residential Care Service Voucher for the Elderly ("RCSV Pilot Scheme")).

**Background**

2. According to the Administration, the Government upholds the principle of "ageing in the community as the core, institutional care as back-up" in elderly care services. To facilitate elderly persons to age in the community, the Social Welfare Department ("SWD") has commissioned non-governmental organizations ("NGOs") through subvention or contract payment to offer a wide range of CCS for the elderly.

### Lump sum grant subvention system

3. Under LSGSS which was put in place in January 2001, the benchmark for each NGO would be determined on the basis of mid-point salaries of the pay scales of its recognized establishment as at 1 April 2000, plus the sector-wide average Provident Fund employer's contribution of 6.8%. The Administration appointed the LSG Independent Review Committee ("LSGIRC") in January 2008 to assess the overall effectiveness of LSGSS and identify areas and scope for improvement. In its review report, LSGIRC has recommended, inter alia, that the welfare sector should develop a Best Practice Manual ("BPM") for NGOs receiving LSG subvention on various management issues, including financial management and corporate governance, and consider setting out in BPM two levels of guidelines. Level One guidelines are those that NGOs will be expected to follow unless there are strong justifications not to do so; Level Two guidelines are those that NGOs are encouraged to adopt. LSGIRC has also suggested that the LSG Steering Committee ("LSGSC") should work with the welfare sector in drawing up BPM.

4. A Project Steering Committee was set up under LSGSC to oversee the consultancy study on the production of BPM and monitor the progress. BPM was formally launched on 1 July 2014 with a framework of a total of 18 items. LSGSC reached consensus on 14 out of the 18 items.

### Enhanced home and community care services

5. Starting from April 2001, SWD has been granting subsidy to NGOs to provide EHCCS in the 18 District Council districts to enable frail elderly persons to continue living in the community. Service operators were selected through contract bidding whereby NGOs were invited to bid on quality and the service volume to be delivered of the elderly persons served under a fixed price contract. The Government regularized EHCCS in 2005. As at June 2014, through 24 contracts, a total of 5 579 EHCCS places were available to serve frail elderly in need of CCS.

6. SWD secured resources to continue to provide the 5 579 EHCCS places, which were provided under contracts due to expire on 28 February 2015, and 1 500 new EHCCS places from March 2015 onwards. SWD proposed to conduct a single contract bidding exercise to provide for a total of 7 079 (about 7 100) EHCCS places to cover both the existing 5 579 places and the 1 500 new places in time for the contracts to be awarded before February 2015. The Labour and Welfare Bureau and SWD had discussions with the welfare sector and the Hong Kong Council of Social

Service ("HKCSS"). The sector expressed its wish to change the funding mode for EHCCS to annual subvention under LSG.

#### Pilot Scheme on Community Care Service Voucher for the Elderly

7. In July 2011, the Elderly Commission ("EC") published its report of the Consultancy Study on CCS for the Elderly. One of the key recommendations was for the Government to introduce a CCS voucher scheme which would allow eligible elderly persons to choose CCS that suited their needs. Taking on board EC's recommendation, the Administration introduced the four-year Pilot Scheme to provide direct subsidy in the form of service vouchers for elderly persons who had long-term care ("LTC") services needs to facilitate them to age at home. Adopting a new funding mode of "money-following-the-user", the Pilot Scheme would be implemented in two phases. The Administration launched the First Phase in September 2013. SWD had started inviting eligible elderly persons, based on the application date for LTC services in the Central Waiting List ("CWL"), to join the Pilot Scheme. By early April 2014, all the 1 200 vouchers had been issued to moderately impaired elderly applicants in eight selected districts.

8. According to the Administration, having regard to the recommendations in the consultancy study report on CCS released by EC in 2011, the operational experience and the mid-term evaluation findings of the First Phase of the Pilot Scheme, as well as the views gathered during consultations with recognized service providers of the First Phase in November 2015 and with EC in December 2015, a number of enhancements in the Second Phase of the Pilot Scheme were proposed to be introduced to facilitate more personalized choices for elderly persons to meet their diverse needs. SWD would make preparation for the launch of the Second Phase by the third or fourth quarter of 2016.

#### Pilot Scheme on Residential Care Services Voucher for the Elderly

9. The subject of an RCS voucher scheme was considered in the Consultancy Study on RCS for the Elderly commissioned by EC in 2009, followed by EC's Consultancy Study on CCS for the Elderly released in 2011. In the light of the implementation of the CCSV Pilot Scheme, the Administration considered that it would be opportune to explore the feasibility of introducing the RCSV Pilot Scheme. As announced by the Chief Executive ("CE") in his 2014 Policy Address, EC would conduct the Feasibility Study and report to the Government in a year's time with a view to studying the feasibility of adopting the "money-following-the-user"

approach in RCS, in addition to conventional modes. The Administration advised that about \$800 million has been earmarked to meet the expenses incurred in issuing a total of 3 000 RCS vouchers in phases from 2015-16 to 2017-18. 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.

10. According to the Administration, as at April 2014, there were some 30 000 elderly applicants on CWL 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 CWL passed away each year before service places were allocated to them.

## **Deliberations by Members**

### Implementation of Lump Sum Grant Subvention System and Best Practice Manual

11. Members shared the concern of the welfare sector that there were inadequate resources to resolve the problems of high staff turnover rates, low salaries and increasing administrative work of NGO staff, which had adversely affected the service standards. They enquired if the Administration had revised the recurrent subvention baseline allocation for NGOs since the inception of LSGSS to address the problems. There was a view that LSGSS per se was ineffective and had a huge negative impact on the welfare sector. The Administration should critically overhaul the system.

12. The Administration advised that, whilst no substantial revision had been made to the baseline allocation, it had been providing additional resources for NGOs through different channels and interim facilitating measures to ease the financial difficulties faced by NGOs. In addition, the establishment of SWD Fund would cover the costs of workers to relieve staff who went on training, and thereby support training and enhance skills of frontline social workers as well as enhance the service delivery. Moreover, \$278 million and \$344 million had been sought from the Lotteries Fund for NGOs to employ paramedical staff or hire their services for the periods from 2009-2010 to 2011-2012 and 2012-2013 to 2014-2015 respectively. The Administration stressed that it agreed with LSGIRC that LSGSS was worth retaining.

13. Concerns were raised as to whether the Administration would put in place any mechanism to monitor the operation of and the use of funding by subvented NGOs. The Administration advised that under LSGSS, the NGO management was provided with flexibility in terms of financial and human resource management.

14. Some Members were of the view that the Level One and Level Two guidelines set out in BPM were fundamental principles for NGOs' governance. The Administration should merge the two levels of guidelines into one set of guidelines which should bind NGOs receiving LSGS to ensure proper use of public money. The Administration advised that in the light of their diversities in developments, some NGOs might encounter difficulties in complying with some of the BPM guidelines.

15. At its meeting on 12 May 2014, the Panel on Welfare Services ("the Panel") passed a motion requesting that both the Level One and Level Two guidelines in BPM should be mandatorily followed and subject to public scrutiny. Representatives of staff and service users should also be included in the boards of directors of NGOs so as to enhance communication and governance.

16. Some Members held the view that NGOs were given too much autonomy under LSGSS and BPM had caused many problems, including unequal pay for equal work in the welfare sector and NGOs making use of the reserve for paying bonus of a large amount to their senior management staff. NGOs should be required to follow all governance-related items in BPM, and these items should not be grouped under Level Two.

17. The Administration advised that in order to implement BPM successfully, members of LSGSC had to reach consensus on the level at which an item should be placed. The implementation of BPM had facilitated NGOs to review their existing policies and procedures. The Administration would monitor the implementation of BPM and report the implementation progress to LSGSC.

#### Funding mode for Enhanced Home and Community Care Services

18. In discussing the funding mode for EHCCS at the Panel meeting in June 2014, some Members pointed out that it would take time for service users to build up trust with serving operators and having regard to the experience of the serving operators. These Members took the view that the Administration should not adopt the competitive bidding approach in selecting service providers for EHCCS across the board. The serving

operators whose performance was satisfactory should be awarded the EHCCS contract so as to maintain stability for the service users, the operators and their staff. Time-limited contracts for the provision of EHCCS would hinder the service providers' planning for and development of such provision as they were uncertain about whether they would be awarded a new contract. Concern was also expressed that some care staff of EHCCS might leave the sector if the serving operators were unsuccessful in bidding the EHCCS contracts. Such staff departure would result in an even tighter supply of manpower for the sector and affect the service quality.

19. The Administration advised that it had communicated with the sector about the contract arrangement for EHCCS. The discussions covered different options for handling the EHCCS places, including (i) conducting a single tender exercise to provide for a total of about 7 100 EHCCS places (to cover both the existing 5 579 places and the 1 500 new places) and (ii) making separate arrangements for the existing and new places by extending the service contracts for the existing places while conducting a tender exercise for the new places. The Administration had explained to the sector that the latter option would need to be further explored internally. As the feasibility of extending the contracts for the existing EHCCS places would be bound by the contractual terms and conditions, the Administration needed to seek legal advice from the Department of Justice. The Administration would continue its discussion with the sector and hoped to arrive at a decision within June 2014. As the current EHCCS contracts would expire on 28 February 2015, it would be more feasible to allocate the EHCCS places on the basis of the former option. HKCSS was requested to consult the sector in this regard.

20. Some Members held the view that operators should be selected on the basis of their performance. As an interim measure, the Administration should extend the contracts with the serving operators. A mechanism should be in place to assess the operators' performance periodically to determine whether they should be awarded a new service contract. The assessment should take into account service users' views on the operators' performance. To achieve some of the objectives of competitive bidding, e.g. securing innovation and value-added services, the Administration should consider including these requirements in the EHCCS contracts instead of selecting operators by competitive bidding.

21. According to the Administration, it had not ruled out the option of contract extension. Noting that there might be other NGOs interested in providing EHCCS apart from the serving operators, the Administration

would study the relevant details upon receipt of the sector's view on contract extension. It would take time to study the future funding mode for EHCCS and there was a pressing need in the meantime to resolve the contract arrangement for EHCCS.

22. At its meeting on 9 June 2014, the Panel passed a motion requesting the Administration to continue the provision of the current quota (i.e. about 5 600 places) under EHCCS to the existing service operators and allocate the additional 1 500 places according to the mechanism currently in place. The Administration was also requested to change the current contract bidding mode in the future by incorporating these nearly 7 100 places into LSGSS, so as to maintain the service quality and ensure the job stability of over 1 000 staff members.

23. According to the Administration, the aims of selecting EHCCS operators through competitive bidding are to enable the service providers to provide more flexible and innovative services and to re-engineer services as appropriate for service quality enhancement to meet the changing needs in the community. The Administration will keep under review the overall effectiveness of the existing services and continue to maintain communication with the sector.

#### Pilot Scheme on Community Care Service Voucher for the Elderly

24. Noting with concern that a sliding scale of co-payment (the five levels of \$500, \$750, \$1,000, \$1,500 and \$2,500) would be determined based on a means-tested mechanism under the CCSV Pilot Scheme, some Members worried that many elderly persons from low-income families could not afford the co-payment. They were of the view that it was wrong to adopt the "user pays" principle and introduce a means-test mechanism for subsidized CCS. Given the long waiting time for subsidized CCS or RCS, some poor elderly persons had no choice but to opt for the CCSV Pilot Scheme although they could barely afford the co-payment. The Administration should draw up a holistic and long-term plan to address the inadequate provision of LTC services.

25. The Administration advised that the services provided under the CCSV Pilot Scheme would remain subsidized, with Government funding ranging from at least 50% to 90% of the voucher value for all service users. In line with the EC's recommendation, there would be a sliding scale of co-payment, so that the less the user could afford, the more the Government would pay. Under the First Phase of the Pilot Scheme, around 80% of the voucher users were paying \$500 or \$750 a month (i.e. the lowest two levels

of co-payment). Voucher users who required extra services could top up the payment. In addition, in line with the existing practice, means test would be applied to assess the household income of the service users. This would help ascertain the elderly persons' real need for assistance and allocate public resources in a more prudent manner. The asset value of the elderly persons and their household was not subject to means test.

26. Some Members expressed concern that the introduction of the voucher scheme was a move towards privatization of subsidized services by inviting private operators to join the market. They were concerned about whether the existing CCS users would have to pay more for CCS to be provided by private operators. Expressing concern that the Pilot Scheme would thin out the resources for the existing subsidized CCS, some other Members considered that the conventional subvention approach rather than the voucher approach should be adopted for CCS. The Administration assured Members that the introduction of the Pilot Scheme would not affect existing subsidized CCS provision. The Administration would continue its efforts in providing more subsidized CCS and residential care places funded by the conventional financing mode.

27. At its meeting on 11 January 2016, the Panel passed a motion objecting the extension of the Second Phase of the CCSV Pilot Scheme to private organizations in the absence of a monitoring system for private elderly service organizations.

#### Feasibility Study for the RCSV Pilot Scheme

28. Members had all along urged the Administration to enhance RCS for elderly persons. Nevertheless, they had divergent views on the Feasibility Study for the RCSV Pilot Scheme. 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 CCSV Pilot Scheme, which had a low



participation rate, was still under review. They were concerned that the work of the RCSV Pilot Scheme was carried out in a hasty manner. They further 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.

29. 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 CCSV Pilot Scheme. The Administration stressed that the introduction of the RCSV Pilot Scheme 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.

30. Noting that HKCSS had expressed concern about the impact of the introduction of an RCS voucher scheme on the popularity of the CCSV Pilot Scheme, some Members queried whether the design of the RCSV Pilot Scheme had taken into account the implications of the RCS Voucher Scheme on CCS. The Administration advised that given the scopes of CCS and RCS were different, the services provided under the two voucher schemes would not overlap. The Administration was also aware that some elderly persons might choose to receive CCS while waiting for subsidized RCS, and some elderly persons were assessed by the SWD's Standardized Care Need Assessment Mechanism for Elderly Services as eligible for both CCS and RCS. The relevant Consultant Team had therefore been asked to consider as part of the Feasibility Study whether an RCS Voucher Scheme would affect the CCSV Pilot Scheme or bring out unintended consequences such as premature institutionalization.

31. The Panel noted the opposition to the RCSV Pilot Scheme from the social services sector and many elderly people as well as the fact that only a tenth of the elderly persons on CWL were willing to consider the RCS voucher and agreed to the requirement of passing a means test. At its meeting on 28 March 2015, the Panel passed a motion urging the Administration to temporarily suspend the implementation of the RCSV Pilot Scheme. The Administration was requested to reinstate an in-depth

discussion and planning with the social services sector, elderly people, their families and various stakeholders. The Administration has advised that it would brief the Panel on the progress of the Feasibility Study.

### **Relevant papers**

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

Council Business Division 2  
Legislative Council Secretariat  
12 May 2016

**Relevant papers on  
Financing for provision of elderly care services**

<b>Committee</b>	<b>Date of meeting</b>	<b>Paper</b>
Panel on Welfare Services	29 October 2007 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	17 March 2008 (Item V)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	16 May 2008 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	19 December 2008 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	12 January 2009 (Item VI)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	17 January 2009 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	9 February 2009 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	14 May 2010 (Item V)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	11 June 2012 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	21 January 2013 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	13 January 2014 (Item V)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	23 January 2014 (Item II)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	10 March 2014 (Items IV and V)	<a href="#">Agenda</a> <a href="#">Minutes</a>

Committee	Date of meeting	Paper
	12 May 2014 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	9 June 2014 (Item V)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	10 November 2014 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	9 February 2015 (Item V)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	23 March 2015 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	28 March 2015 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	8 June 2015 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	11 January 2016 (Items III and V)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Joint Committee on Long-term Care Policy	26 March 2013 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	28 May 2013 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	24 June 2013 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Finance Committee	3 April 2014	<a href="#">Administration's replies to members' written questions in examining the Estimates of Expenditure 2014-2015 Pages 1034, 1232-1234 and 1617</a>

<b>Committee</b>	<b>Date of meeting</b>	<b>Paper</b>
	2 April 2015	<a href="#"><u>Administration's replies to members' written questions in examining the Estimates of Expenditure 2015-2016 Pages 200, 261, 350 431, 1844 - 1851, 2042 and 2146</u></a>
Legislative Council	11 June 2014	<a href="#"><u>Official Record of Proceedings Pages 6-76</u></a>  <a href="#"><u>Progress Report</u></a>
	12 June 2014	<a href="#"><u>Official Record of Proceedings Pages 6-77</u></a>
	11 November 2015	<a href="#"><u>Official Record of Proceedings Pages 79-86</u></a>

Council Business Division 2  
Legislative Council Secretariat  
12 May 2016