

NOTE FOR FINANCE COMMITTEE

Supplementary Information on the Funding Arrangements for the Hospital Authority and the Fee Waiver Cases Approved for Public Hospital Patients

INTRODUCTION

At the Finance Committee meeting held on 12 March 1999 to discuss FCR(98-99)80 - supplementary provision of \$59 million under Head 177 Subhead 514 Hospital Authority, the Administration undertook to provide an information note on the funding arrangements for the Hospital Authority (HA) as well as the relevant statistics and an analysis on the fee waiver cases approved in the past three years.

FUNDING ARRANGEMENTS FOR HA

2. HA is charged to manage and control all public hospitals in Hong Kong. Every year, it receives subventions from Government to meet its operating and capital expenditure. These include -

- (a) an annual Recurrent Account grant for operating cost including salaries and allowances, staff on-costs, other charges less income (\$27,322 million in the 1999-2000 Estimates);
- (b) an annual Capital Account block vote specifically for plant, vehicles and equipment (\$284 million in the 1999-2000 Estimates);
- (c) an annual Capital Account block vote specifically for information systems (\$101 million in the 1999-2000 Estimates);

- (d) an annual Capital Works Reserve Fund block allocation

for improvement works, feasibility studies, investigations and pre-contract consultancy services for building projects each costing no more than \$15 million (\$170 million in the 1999-2000 Estimates); and

- (e) individually approved capital works projects each costing over \$15 million (over \$8,500 million has been spent on capital works projects approved since the establishment of HA).

Annual grant of \$27.322 billion to HA in the 1999-2000 Estimates represents 15.2% of total recurrent Government expenditure at \$179.7 billion.

3. Recurrent subvention to HA takes the form of a one-line vote, that is, the total provision of \$27.322 billion in the 1999-2000 Estimates is accounted for under a single expenditure subhead in the Government's Annual Estimates. Unlike a vote-funded Government department or other conventional subvented organisations, HA enjoys the following autonomy and flexibility in resource management -

- (a) complete freedom in virement of funds within the approved provision for various purposes, from salaries and allowances to other charges, and vice versa;
- (b) no establishment controls, that is, HA may determine the staff mix, ranks and grades, and number of posts at its own discretion;
- (c) no clawback of unspent funds by Government. HA may retain unspent funds in its reserve and the ceiling on the level of reserve that can be held by the Authority in any given financial year is 5% of the Authority's annual recurrent expenditure in that year; and
- (d) no offsetting of Government subvention from unspent funds in the previous years, reserve, income from alternative sources, or savings arising from improved productivity or efficiency. (In other conventional subvented organisations, these are normally taken into account for offsetting Government subvention).

4. On the other hand, like most other Government departments and subvented organisations, having regard to the overall Government budgetary situation, HA is given funding protection and certainty in the following respects -

- (a) if HA's income, which is mainly derived from patient fees and charges, falls short of the original forecast due to whatever reason, the shortfall will be fully met by Government. As a corollary, income from patient fees and charges in excess of the original estimate will be clawed back by Government;
- (b) additional expenditure for salary adjustments in line with the civil service pay award and other salary-linked benefits will be provided by Government through supplementary provision in the year and the adjusted amount will become next year's baseline; and as a convention but not as a policy, Government also provides additional funds each year for HA to pay incremental creeps to its staff;
- (c) provision for price adjustments for other charges is made on an annual basis by Government based on service-wide inflation benchmark;
- (d) provision for recurrent consequences of capital works projects scheduled to come on stream in subsequent years; and
- (e) HA may bid for additional resources in the annual Resource Allocation Exercise for new or improved services.

5. Under the current funding arrangements, the annual recurrent grant provided by Government represents the Authority's net operating cost, that is, total operating cost less projected income. Such income is collected by the Authority and accounted for on an actual basis. Any excess over the projected amount will reduce the subvention required whereas any shortfall will be met by Government through supplementary provision. Finance Committee's approval is required if the supplementary provision exceeds \$10 million. If HA underspends on its approved provision under the one-line vote in a financial year, no clawback of the unspent provision will be made under the agreed arrangement.

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FEE WAIVER CASES APPROVED FOR PUBLIC HOSPITAL PATIENTS

6. HA operates a fee waiver system to ensure that no one would be denied of adequate medical treatment through the lack of means. Detailed information on fee waivers for the past three years is set out at Enclosures 1 to 3 -

- Enclosure 1 - A breakdown of medical fees collected, waived and written off.
- Enclosure 2 - A breakdown of the amount of fees waived by local and non-local residents.
- Enclosure 3 - A breakdown of the number of fee waiver cases by local and non-local residents.

7. The following observations can be made from the Enclosures -

- (a) The amount of fees written off only constitutes a very small percentage of the total medical fees (in-patient and out-patient fees collected plus fees waived and fees written off). In 1998-99, the write-off amount represents 2.0% of total fee income from in-patient service and 0.1% in respect of out-patient service.
- (b) Both the waiver amount and waiver cases for non-local residents only constitute a very small percentage of the total amount and case number, respectively. In 1998-99, the number of non-local residents only amounts to 0.24% and 0.03% of the total in-patient and out-patient waiver cases. The amount of fees waived for non-local residents represents 6.8% and 1.2% of the total for in-patient and out-patient services, respectively.
- (c) In 1998-99, the amount of fees waived for Comprehensive Social Security Assistance (CSSA) recipients represents 68% and 40% of the fees waived for local residents receiving in-patient and out-patient services respectively. The percentages are slightly higher than those in 1997-98.

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- (d) In 1998-99, the amount of fees waived for non-CSSA recipients represents 32% and 60% of the fees waived for local residents receiving in-patient and out-patient services respectively. We also note that the average amount of in-patient fees waived for these non-CSSA recipients was \$1,446, which was higher than the average of \$735 for CSSA recipients. This may reflect the situation that they tend to be long stayers in hospitals, while short stayers would be more likely to afford to pay the hospital bill.
- (e) It is noted that a high proportion of out-patient fees waived is for non-CSSA recipients. According to HA's initial assessment, this could be due to those elderly out-patients making frequent visits to HA's specialist out-patient clinics or day hospitals. Given the present limitations of keeping records of out-patient income manually and hence the lack of comprehensive data, HA has undertaken to conduct a detailed analysis on a few sample hospitals to find out the reasons for the high proportion of out-patient fees waived for non-CSSA recipients. We would report the results of the analysis to the LegCo Panel on Health Services in due course.

8. HA's information system does not capture information on the distribution of full and partial waivers. Based on the available statistics in about 30 public hospitals, HA estimates that in 1998-99, almost all fee waiver cases approved were full waivers and the waiver amount of full waivers represented 93% and 98% of the fees waived for in-patients and out-patients respectively.

FEE WAIVER MONITORING MECHANISM

9. HA is accountable to the HA Board and the Administration for the effective operation of the fee waiver system to provide a safety net for the needy, and to screen out patients who have the financial means to pay the hospital fees. A set of criteria is in place to provide guidance to the Medical Social Workers in assessing applicants for hospital fee waivers. With the relatively high increase in the amount and number of fee waivers approved in recent years, Secretary for Health and Welfare has requested -

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- (a) HA and Social Welfare Department to review the criteria and procedures for granting hospital fee waivers; and
- (b) HA to collate information on fee waivers and compile regular reports to Health and Welfare Bureau and Finance Bureau on the income collected and fees waived.

Health and Welfare Bureau
April 1999

Enclosure 1 to FCRI(1999-2000)2

Breakdown of medical fees collected, waived and written off

	1996-97		1997-98		1998-99 (Projected from ten months actual)	
	In-patient	Out-patient	In-patient	Out-patient	In-patient	Out-patient
Fees collected (\$ million)	307.3	226.3	317.1	250.5	322.8*	258.9*
Fees waived (\$ million)	168.7	41.3	211.5	50.7	229.9	65.6†
(% of fees waived to total)	(34.6%)	(15.4%)	(38.6%)	(16.8%)	(40.7%)	(20.2%)
Fees written off (\$ million)	11.1	0.0	19.4	0.6	11.5	0.3
Total (\$ million)	487.1	267.6	548.0	301.8	564.2	324.8

* The total fee-related income projected from nine months actual is \$665.5 million in 1998-99 as reported in FCR(98-99)80. The income comprises in-patient fees (\$320.6 million), out-patient fees (\$255.8 million) and other fee-related income (\$89.1 million), such as itemised charges for private patients.

† Figure has been revised downwards from \$68.6 million to \$65.6 million by HA based on the latest information.

Enclosure 2 to FCRI(1999-2000)2

Breakdown of the amount of fees waived by local and non-local residents

	1996-97		1997-98		1998-99 (Projected from ten months actual)	
	In-patient	Out-patient	In-patient	Out-patient	In-patient	Out-patient
Fees waived (\$ million)	168.7	41.3	211.5	50.7	229.9	65.6†
CSSA recipients (\$ million)	N/A	N/A	132.7	17.9	146.5	26.1
Non-CSSA recipients (\$ million)	N/A	N/A	65.5	32.3	67.8	38.7
Fees waived for local residents (\$ million)	150.4	41.2	198.2	50.2	214.3	64.8
Fees waived for non-local residents (\$ million)	18.3	0.1	13.3	0.5	15.6	0.8

N/A - information not available as the categorisation of data back in 1996-97 in HA's information system could not identify the split between CSSA and non-CSSA recipients.

† Figure has been revised downwards from \$68.6 million to \$65.6 million by HA based on the latest information.

Enclosure 3 to FCRI(1999-2000)2

Breakdown of the number of fee waiver cases by local and non-local residents

	1996-97		1997-98		1998-99 (Projected from ten months actual)	
	In-patient	Out-patient	In-patient	Out-patient	In-patient	Out-patient
Number of approved waiver cases	196 800	912 800	222 400	1 117 100	246 800	1 357 400
CSSA recipients	N/A	N/A	174 000	368 500	199 300	546 900
Non-CSSA recipients	N/A	N/A	47 700	748 200	46 900	810 100
Number of approved waiver cases for local residents	196 300	912 500	221 700	1 116 700	246 200	1 357 000
Number of approved waiver cases for non-local residents	500	300	700	400	600	400

N/A - information not available as the categorisation of data back in 1996-97 in HA's information system could not identify the split between CSSA and non-CSSA recipients.