

LETTERHEAD OF Quality HealthCare Asia Ltd.

13 October 1998

The Clerk to the LegCo Panel on Welfare Services
Legislative Council Secretariat
3/F Citibank Tower
3 Garden Road
Central
Hong Kong

Dear Sirs

Re: Consultancy study on needs of the elderly for community support and residential care services conducted by Deloitte and Touche Consulting Group

1. Introduction

1.1 Quality HealthCare Asia appreciates this opportunity to comment on the study prepared by Deloitte & Touche Consulting Group in respect of the needs of elderly people in Hong Kong for residential care and community support services.

1.2 We agree with the Consultants' view that Government needs a policy and planning framework to consolidate its efforts to ensure that the care needs of the elderly are optimised within the limitations of the Government's financial resources (paragraph 1.1 of the Executive Summary). Such a framework is also important to facilitate communications between government departments and with providers, and to shorten the decision-making process.

1.3 As the only publicly listed healthcare company on the Hong Kong Stock Exchange dedicated to the healthcare sector, we believe that there is a real need in Hong Kong for quality elderly care services to be made available through the private sector. Our submission summarizes our views on those areas of the study which are applicable to us as a private sector company seeking to meet the care needs of the elderly through our wholly-owned subsidiary, Quality HealthCare Elderly Services Limited.

2. The Role of the Private Sector

2.1 We recognise that the private sector has a social responsibility to meet community needs and that a business opportunity exists to do so. We therefore welcome the proposed 'Mixed economy of provision' (para 1.5), whereby the private sector should be encouraged to provide services to care for the elderly and Government increase its purchases of quality services from this sector (para 1.6).

- 2.3 Thus far the private sector has failed to provide a reasonable standard of care for our older citizens, particularly in respect of the provision of residential care (para 6.2). Having visited many homes in the course of doing our research, we are aware that many operators within the private sector have neither the management skills nor the financial means to meet even the basic standards of elderly care required by legislation.
- 2.4 This failure has, in turn, placed an unsupportable burden on the public sector and on public expenditure. We note that the size of the funding gap between the cost of the Base Case scenario is estimated to be HK\$4.6 billion, including the cost of premises. The encouragement of an expanded and more efficient private sector would help to expand the quantum and quality of services for the elderly as well as significantly reduce the above-mentioned substantial funding gap. Conversely, the continuation of a sub-standard private sector is likely to become part of the problem rather than part of the solution.
- 2.5 Our Group is committed to rectifying the shortfalls in the private sector and setting new benchmark standards of delivery. Our first home will cater for the ‘Continuum of Care’ factor and, depending on market needs, we expect that certain future homes will cater to higher impairment cases, much like ‘Skilled Nursing Facilities’ do in the US. We also believe that elderly care residential facilities must be able to provide acceptable levels of sub-acute medical services to meet needs /demands and accommodate “Ageing in Place”. In this regard, our Group is ideally structured to support our elderly homes operations by offering a full range of healthcare services, including:
- The largest dedicated private medical services operation in Hong Kong,
 - An expanding physiotherapy/rehabilitation network,
 - An expanding physiotherapy network, and
 - The largest nursing services/homecare company.
- 2.6 In 1997 we set up the elderly services operation within our Group with the strategic objective of developing multiple residential elderly care facilities with an aggregate capacity of up to 4,000 beds. Having spent considerable time and cost in assessing the market and, in particular studying suitable locations, we will open our first 300 bed private home for the elderly in Tai Kok Tsui later this month.
- 2.7 Our initial home has been designed to accommodate 60 day care elderly and to further reach out from the facility to the immediate surrounding “services area” to provide varying degrees of homecare. This operating strategy is consistent with the key principles underlying the report and, in particular, the emphasis placed on “Ageing in Place” and the need to provide a “Continuum of Care”.

3 The Private Sector and NGOs

- 3.1 The Report rightly recognizes the “impairment/dependency levels” of the elderly as a key factor in assessing their needs and the priority order in which these should be met.
- 3.2 The report also correctly highlights the imbalances and shortages in the existing delivery structure, such as:
- i) The NGO’s tendency towards acceptance of less impaired/higher ambulatory cases.
 - ii) Private operators tendency towards acceptance of elderly with greater impairments, notwithstanding the limitations in their standard of care and service.
 - iii) The Hospital Authority is burdened with up to 37% of its expensive hospital bed days occupied by geriatric patients, a significant proportion of which are there because of the shortfall in the “Continuum of Care” available in i) and ii) above.
- 3.3 As we see it, neither the NGO sector nor the private sector alone can meet all the needs of the elderly in the short to medium term. We believe corporate objectives complement those of the existing publicly funded NGOs providing care services for the elderly and welcome working together with them to try and optimize the service delivery in Hong Kong.
- 3.4 These NGOs have served both Hong Kong and our elderly very well with acceptable standards of provision over the years. Their primary future role should be to continue to provide care for those elderly who, through means testing, are identified as being unable to purchase such care privately.
- 3.5 The private sector on the other hand, at least up to now, has neither had the same depth of experience nor track record mainly because it has not had the same access to public funding or support. The private sector generally has much ground to make up and, in addition to being a supplier under the Bought Places Scheme, must be encouraged to fill the gap thus created for those who can afford to pay for their care services.

4 Purchasing Services from the Private Sector

- 4.1 We welcome the Consultants' findings (paras 2.49-50) that the real cost to the taxpayer of providing care services greatly exceeds actual subventions paid to NGO's. The present financing systems create enormous obstacles for the private sector and highlight the need for a 'level playing field' in which care services can be directly purchased through both NGO and private sector providers to meet the quality standards which the Government will set. Hong Kong has been built on a competitive, entrepreneurial environment and the stimulation of such forces will achieve much greater results in the medium and long term.
- 4.2 It must be recognized that the NGO's have an enormous headstart over the generally under-funded private sector. NGO's up to now have had guaranteed recoveries of costs from Government for services of varying quality; they have access to significant amounts of free capital for capital expenditure and improvements to facilities; and they have in some cases been able to locate within public housing premises, at minimal rentals.
- 4.3 Direct purchase of quality services as proposed by the Consultants (para 1.6), we believe, will encourage the private sector as a whole to reach the standards of quality which the Government expects, but which is sadly lacking in much of the private sector.
- 4.4 The Bought Places Scheme was intended to serve two main purposes, namely:
- i) To provide places outside the NGO sector, thereby alleviating a growing waiting list for residential care, and
 - ii) To encourage the private sector to raise its standards of quality of care.

However, the Scheme has had limited effect so far since there were only 1,200 Bought Places in private sector homes in April 1997 according to page 19 of the Consultants' Executive Summary.

- 4.5 We therefore believe that the Bought Places Scheme should be expanded quickly and substantially in scope and also that the cost of purchase per place needs to be increased enough to acknowledge the real cost to the Government of providing a residential place in a subvented NGO home. We are convinced such action will encourage the private sector to improve quality and quantity to meet overall community needs. This represents a fundamental change in policy by directing funding on the basis of people versus institutions. Such pricing must also recognize that there are relatively more people with higher grades of impairment in the private sector as compared to NGO homes (para 3.25). In addition to pricing, it is important for Government to clarify the rules and expedite legislation and licensing of private sector homes to stimulate private sector commitment.

- 4.6 The most serious obstacle facing the private sector in expanding residential care is the cost and availability of premises. As noted earlier, this fundamental cost is not reflected in the subventions paid to NGO's. We therefore welcome the Consultants' suggestion that premises be made available to private sector operators within public housing estates (para 5.46) and that the places bought by Government in new homes more closely reflect the real cost of the provision thereof.
- 4.7 The purchase or rental of land and/or premises proposed at para 6.11, through a tendering process, would greatly encourage provision in the private sector and long term contracts (para 6.10) would also be helpful. In identifying land or existing premises for public tender, it is critical that Government ensure that they are suitable by way of location and use to attract the appropriate operators. Since the primary failure in the private sector has been the actual quality of care provided to the elderly, the Government should insist that the successful tenderer of land so rented or purchased meets specific standards of care, through agreed measured outputs.
- 4.8 Similarly, amending lease conditions for the sale of land to private sector developers (para 6.12) to ensure that they provide space for private residential care for the elderly is to be encouraged. Government could then tender these premises out as it proposes in 4.6 above. It must, however, be recognized that to date many private sector developers are most reluctant to have private homes for the elderly within their developments due to the current poor standards in the private sector. Operators with better track records are necessary so that private developers see the provision of elderly care services as a genuine compliance with community provisions, in much the same way as they welcome good quality retailers within their commercial developments.
- 4.9 Finally, a comment on community care services. As a private sector operator, we welcome the opportunity to be able to provide Government with such services. Such a programme should be introduced carefully, however, so that the costs incurred and the quality outputs can be compared with those existing at present through subvented NGO services. Ultimately the private sector should be encouraged to provide comprehensive 'hub and spoke' (para 7.16) care services to the elderly within each community service centre as part of their residential care facility outreach programmes as we propose in 2.7 above.

5. Conclusion

5.1 In the end, we all want the same thing i.e. the best value possible for taxpayers money to meet the highest quality standards possible so that our elderly citizens enjoy to the full their twilight years. It is the elderly who in a previous generation worked so hard to make Hong Kong what it is today and we owe them much. Quality Healthcare Asia Ltd believes it can and will set new benchmarks in quality of facilities and services which will encourage the private sector to upgrade and the government to further support such programmes.

We would be happy to expand upon any point raised in this paper, if so requested.

Yours sincerely

Quality HealthCare Asia Limited

BRIAN O'CONNOR

Executive Chairman