For discussion
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Legislative Council Panel on Health Services

Grant for the Samaritan Fund

PURPOSE

This paper seeks Members' views on a proposed grant of $200 million to the Samaritan Fund (the "Fund").

BACKGROUND

2. The Fund was established as a trust in 1950 by resolution of the Legislative Council. The objective of the Fund is to provide financial assistance to needy patients who require Privately Purchased Medical Items (PPMIs) or new technologies in the course of medical treatment which are not covered by hospital maintenance fees or outpatient consultation fees in public hospitals/clinics. These items include expensive drugs, surgical implants/prostheses and consumables, items purchased by patients for home use, such as wheelchairs and home use ventilators, as well as costly medical treatment not provided for in public hospitals, such as gamma knife treatment and harvesting of bone marrow outside Hong Kong. The cost of these items can be very high, e.g. as much as $158,000 for an Automatic Implantable Cardioverter Defibrillator (ACID). Additional details on the establishment of the Fund, its funding scope and administration are set out in a background note at Annex A.

FINANCIAL SITUATION OF THE FUND

Income

3. The Fund was started without the benefit of an endowment. Since its establishment in 1950, the Fund has always operated on a rolling

account basis, relying largely on fresh income received each year to meet its expenditure. Private donations have always been a significant source of funding for the Fund. For recipients of Comprehensive Social Security Assistance (CSSA) applying for assistance under the Fund, Government reimburses the Fund for its actual expenditure on them. However, there were fluctuations in the amounts of private donations that the Hospital Authority was able to solicit, and the Fund has to reply on funding support from the Government from time to time[1] to meet its expenditure. The amount of income received by the Fund from the above sources over the past five years are as follows –

Source of Funding	**2000-01 ($ M)**	**2001-02 ($ M)**	**2002-03 ($ M)**	**2003-04 ($ M)**	**2004-05 ($ M)**
Donations from Charitable organizations	18.6	12.7	20.8	14.0	16.0
Reimbursement from Government for PPMI for CSSA recipients	21.2	23.1	26.9	26.3	34.5
One-off funding from Government	8.0	-	9.0	-	-
Designated donation fund Government	-	2.0	-	2.0	2.0
Total :	**47.8**	**37.8**	**56.7**	**42.3**	**52.5**

Expenditure

4. As a result of technology advancement and ageing population, the demand for the Fund is increasing. The number of patients benefiting from the Fund and the expenditure incurred has increased from 617 patients with a total expenditure of HK$10.71 million in 1995-96 to 3 686 patients with a total expenditure of HK$ 99.2 million in 2004-05. The relevant figures for the past five years are given in the table below –

[1] Funding support provided by the Government to the Fund since 1995-96 include a $20 million endowment for the designated donation fund in 1995-96 from which $2 million can be withdrawn each year, and one-off grants in 1997-98, 2000-01 and 2002-03 totalling $21.7 million.

	2000-01	2001-02	2002-03	2003-04	2004-05
Number of approved applications	2 161	2 754	3 065	2 913	3 686
Total expenditure ($ M)	**34.9**	**41.7**	**47.9**	**48.7**	**99.2**

5. It can be seen from the above tables that the income and expenditure of the Fund were largely in line with each other, until 2004-05 where the expenditure is expected to surge to $99.2 million. With a cash balance of $8.5 million at the beginning of 2004-05, it is estimated that the Fund would, with its income of the year, have an accumulated deficit of around $38.3 million as at 31 March 2005. A breakdown of the major expenditure items of the Fund in 2004-05 is at Annex B.

6. Four major factors contributed to the substantial increase in the expenditure of the Fund, which include –

(a) A decrease in funding support from private donations and other charitable sources helping patients in need. The most notable change in 2004-05 is the cessation of a five-year programme by a major charitable organisation in July 2004. Since 1999, the programme has helped shoulder part of the burden on the Fund with an annual grant of up to $25 million, providing patients with financial difficulties who are in need of newly introduced medical items with an alternative channel for assistance. The cessation of programme has significantly increased the demand for funding support under the Fund.

(b) Due to rapid advancement in medical technologies, more advanced medical items will be used for treating patients and such items are often costly. For example, the cost of Percutaneous Transluminal Coronary Angioplasty (PTCA) is $10,000 to $48,000 per case, the unit cost of pacemaker ranges from $10,000 to $36,000, and the unit cost of Automatic Implantable Cardioverter Defibrillator (AICD) ranges from $138,000 to $158,000. The high cost of

advanced medical items exerts immense financial pressure on the Fund. To illustrate, the expenditures by the Fund and the programme mentioned in (a) above on these three privately purchased medical items (namely PTCA, pacemaker and AICD) in 2004-05 amounted to $71.4 million, accounting for 71% of the total expenditure. The corresponding expenditure on the same three items in 2003-04 was $55.6 million, representing an increase of 28% in one year.

(c) The ageing population has increased the number of patients suffering from stroke, heart diseases, disabilities and other chronic conditions. Taking the same three heart disease related privately purchased medical items (namely PTCA, pacemaker and AICD) mentioned above as an example. In 1996-97, 708 patients received subsidies on expenditure on PTCA and pacemakers implantations. In 2003-04, a total of 1 882 patients received assistance under the Fund and the programme mentioned in (a) above on PTCA, pacemakers and AICD implantations. That number surged to 2 268 in 2004-05. It is anticipated that more and more elderly patients will seek assistance from the Fund in the future.

(d) The expenditure on drugs has also increased substantially in 2004-05. The drug Imatinib (Glivec) alone added an additional $20 million to the Fund's expenditure. Expenses on other drugs for which assistance are available under the Fund also nearly tripled from $2.3 million to $7.2 million. As rapid advances in pharmaceutical science continue, there is cause to believe the Fund's expenditure on drugs would continue to rise at a significant rate.

Projected Deficit

7. The HA has made a projection on the income and expenditure of the Fund for the next three years from 2005-06 to 2007-08. The projected income is based on the assumptions that the amounts of

private donations would stay at the levels of 2004-05, with a projected increase in Government reimbursement for expenditure made by the Fund for CSSA recipients of around 20% a year. The projected expenditure is based on the assumption that expenditure on drugs would increase by around $30 million per year, while the remaining items are projected on the basis of past trends. These projected figures, together with the estimated deficits, of the Fund from 2005-06 to 2007-08 are as follows –

	2005-06 ($ M)	**2006-07 ($ M)**	**2007-08 ($ M)**
Estimated Income	**60.2**	**69.0**	**77.2**
Estimated Expenditure	**126.4**	**167.8**	**214.7**
Surplus / Deficit for Year	**(66.2)**	**(98.8)**	**(137.5)**

ANALYSIS

8. It is clear from the above paragraphs that the funding requirements of the Fund will outstrip its income by a significant amount in the foreseeable future and the gap will only continue to grow. The Administration is acutely aware of the need to review the funding arrangement for the Fund to ensure its sustainability. We also recognise that the main drivers for the rapid increase in the funding requirement of the Fund are technological advances and the ageing population, both of which have much wider implications to our public health care system. It is therefore the Administration's intention to study the long-term funding arrangement for the Fund in the context of our on-going planning and discussion on health care financing and funding arrangement for the HA. To allow sufficient time for the community as a whole to reach consensus on those issues, we propose that the Government should make a one-off grant in the amount of $200 million to the Fund to meet its projected funding requirements at least up to 2006-07. In the meantime, we would explore with the HA new possibilities of private donations for the Fund.

ADVICE SOUGHT

9. Members are invited to note the Administration' intention to seek the Finance Committee's approval of a grant of $200 million to the Samaritan Fund.

Hospital Authority
Health, Welfare and Food Bureau
April 2005

Annex A

Background Note on the Samaritan Fund

Establishment and Objective of the Fund

- The Samaritan Fund (The "Fund") was established in the 50's with the objective of providing relief to needy patients.

- At present, hospital maintenance fees or out-patient consultation fees in public hospitals/clinics are highly subsidized by Government and cover a wide range of medical services, procedures and consultations. However, patients are required to purchase certain medical items which are not stocked by the hospitals and are not included in the hospital maintenance fees. These Privately Purchased Medical Items (PPMIs) are mostly products of new medical technology at the time of their introduction.

- Unlike expensive capital equipment which can benefit a relatively large number of patients, these items are either implanted to individual patients or used only once on a patient. The high costs involved therefore make it impossible for hospitals to stock these items as part of the normal inventory within the hospital's baseline budget.

Funding Scope

- The Fund provide financial assistance to needy patients who require PPMIs, and drugs that are proved to be of significant benefits but extremely expensive for the Hospital Authority (HA) to provide as part of its subsidised service.

- Privately purchased medical items (PPMI)
  - Such items can be expensive drugs, surgical implants/prosthesis, home-used medical equipment such as wheelchairs, oxygen concentrators, and ventilators, carrying price tags from a few hundred to over a hundred thousand dollars per item.
  - These items include –
    i. Percutaneous Transluminial Coronary Angioplasty (PTCA) & other consumables for interventional cardiology
    ii. Cardiac Pacemaker

iii. Intraocular Lens
iv. Myoelectric Prosthesis
v. Custom-made Prosthesis
vi. Appliances for prosthetic and orthotic services, physiotherapy and occupational therapist services
vii. Growth Hormone and Interferon
viii. Home use equipment and consumables
ix. Gamma knife surgery in private hospital
x. Harvesting of marrow in a foreign country for marrow transplant

- Drugs that are proved to be of significant benefits but extremely expensive for the HA to provide as part of its subsidised service. At present, these drugs include –
  i. Paclitaxel for woman with cancer
  ii. Liposomal Amphotericin B (new anti-fungal therapy) for patients suffering from haematological cancer
  iii. Imatinib for patients with chronic myeloid leukaemia and gastrointestinal stromal tumour

Administration of the Fund

- It is a Government Fund, but the HA is charged with the responsibility of its management. The HA is assisted by Medical Social Workers in vetting funding applications of individual patients.

- All items supported by the Fund are subject to close scrutiny before these are covered by the Fund. To ensure that the Fund is put appropriate use, the HA adopts a prioritization mechanism to vet and evaluate items of new technologies to make the best use of public resources. The mechanism takes into account the following factors –
  i) Efficacy, effectiveness and cost-effectiveness
  ii) Fair and just use of public resources targeting subsidies to effective interventions to areas of greatest need
  iii) Societal values and views of professionals and patients

- Individual applications for assistance under the Samaritan Fund are assessed on the basis of the following criteria –
  i) the patient's family income;
  ii) the patient's total family savings;
  iii) reference of (i) to the Median Monthly Domestic Household Income; and
  iv) reference of (i) and (ii) to the actual cost of the medical item.

- There are cases, especially where drugs are concerned, where the monthly expenditure makes up a considerable part of the patient's family income. In these cases, Medical Social Workers will exercise judgment in providing financial support. HA is considering setting out more clearly and standardizing how these cases should be assessed to –
  i) give patients in need of the expensive drugs covered by the Fund greater assurance and Medical Social Workers clearer guidelines; and
  ii) ensure consistency in the handling of these cases.

- These financial criteria will be compared to the cost of the items to be supported. Consideration will also be given to any special social financial factors/circumstances faced by the patient. Every application will be carefully assessed by Medical Social Workers to ensure that the Fund be used to benefit the poor and the needy.

Annex B

Number of Approved Applications and Expenditure of the Samaritan Fund in 2004-05

Items	**No. of cases**	**Amount ($ million)**
Cardiac Pacemakers	416	14.1
Percutaneous Transluminal Coronary Angioplasty (PTCA) and other consumables for interventional cardiology	1 772	50.5
Intraocular Lens	874	1.4
Home use equipment, appliances and consumables	118	1.2
Drugs (other than Imatinib)	166	7.2
Imatinib (or Glivec)	117	20.0
Gamma Knife surgeries in private hospital	37	2.3
Cost for harvesting bone marrow in foreign countries	8	1.0
Myoelectric prosthesis / custom-made prothesis / appliances for prosthetic and orthotic services, physiotherapy and occupational therapy services	178	1.5
Total no. of cases and related expenditure	**3 686**	**99.2**