A. Introduction

The Audit Commission (Audit) conducted a review to examine the economy, efficiency and effectiveness of the management of outstanding fees by the Hospital Authority (HA). The review focused on the following areas:

- collection of outstanding fees by hospitals;

- collection of outstanding fees by the Hospital Authority Head Office (HAHO);

- use of public medical services by non-eligible persons (NEPs); and

- measures to minimise need for recovery and write-off of fees.

2. **Mr Shane Solomon, Chief Executive of the HA**, provided the following supplementary information to the Committee prior to the public hearing:

- a document outlining a five-year overview of the HA's efforts on fee collection, the actions taken by the HA to enhance fee collection, and further measures being considered by the HA to enhance fee collection ***(Appendix 29)***; and

- a table summarising the actions taken or being considered by the HA in respect of the various audit recommendations ***(Appendix 30)***.

3. **Dr Hon York CHOW Yat-ngok, Secretary for Health, Welfare and Food**, made an opening statement at the Committee's public hearing. The full text of his statement is in ***Appendix 31***. In gist, he said that:

- the Government's healthcare policy was to safeguard and promote the general public health of the community as a whole and to ensure the provision of medical and health services for the people of Hong Kong. No one would be denied adequate medical care due to lack of means;

- it was the onus of every Hong Kong resident to pay for the comparatively nominal fees for the very expensive medical services they had used, which were heavily subsidised at about 96% of the full cost. As for NEPs, they could have access to public medical services. However, they had to pay fees set on a full-cost recovery basis;

- regarding obstetrics services, public hospitals would give priority to providing the necessary services to local expectant mothers;

- in the light of the surge in demand for obstetrics services by the local public and NEPs, the HA had already taken a number of relief measures with a view to relieving the work pressure of frontline healthcare staff; and

- the HA was considering making it a requirement for all NEP pregnant women to receive antenatal checking and make necessary registration at Hong Kong public healthcare institutions within certain specified time-frame. Otherwise, there was no guarantee that the HA would be able to provide them with the necessary services, including demand for obstetric services referred from the accident and emergency (A&E) departments.

4. The **Chief Executive of the HA** also made an opening statement at the public hearing. In summary, he said that:

- the fee income of the HA had increased significantly in recent years. As shown in the five-year overview of the HA's efforts on fee collection, the fee income in 2005-2006 was approximately $1.6 billion, which had more than doubled the fee income in 2001-2002, which was approximately $0.77 billion. At the end of 2001-2002, the proportion of outstanding fees stood at 16%, which had declined to 8% at the end of 2005-2006. This demonstrated an improvement in fee collection of the HA in the past few years;

- the fees written off by the HA in 2005-2006 amounted to $43.9 million. Of this amount, $35.3 million related to fees owed by NEPs. It revealed that the key problem area was the non-payment of medical fees by NEPs. The HA had already introduced a number of measures to address the problem. These measures included requiring NEP patients to pay a deposit of $33,000 upon admission to hospitals, issuing bills to NEP patients more frequently during their hospitalisation period and distributing bills at wards, and providing more efficient and convenient payment methods such as Octopus, EPS, PPS and credit cards, etc;

- the HA appreciated the need to take stronger actions to tackle the problem of non-payment of medical fees. Hence, it had proposed a series of improvement measures for consideration by the HA Board at its meeting on 21 December 2006. These measures were set out in the supplementary information provided to the Committee; and

- it was hoped that after implementing the proposed measures and other improvement initiatives suggested by the Director of Audit, a clear message would be given to NEPs that government subsidy was targeted at benefiting local residents only. They must pay their fees after using the HA's services. For local residents, they must also settle their fees with the HA after using its services. If they had financial difficulties in paying the fees, they should apply for a fee waiver under the medical fee waiver mechanism.

5. The Committee enquired about the relationship between the $130.4 million of fees owed by patients in 2006 (given in Figure 2 in paragraph 1.8 of the Audit Report) and the 43.9 million of fees written off in 2005-2006 (given in Table 2 in paragraph 1.10 of the Report). The **Chief Executive of the HA** explained that:

- the $130.4 million was a snapshot figure, which was the amount of cumulative fees owed by patients as at 31 March 2006. These outstanding fees were not bad debts. The figure of $130.4 million would reduce when payments were made by patients. Table 1 in paragraph 1.9 of the Audit Report showed the overdue periods of these outstanding fees; and

- the 43.9 million was not a cumulative figure. It was the total amount of fees written off by the HA, i.e. bad debts, for the year 2005-2006.

6. According to the ageing analysis of fees owed by patients as at 31 March 2006 set out in Table 1 in paragraph 1.9 of the Audit Report, the bills which had been outstanding for 12 to 24 months, 24 to 36 months and over 36 months accounted for 6%, 2% and 1% of all outstanding bills respectively. At the Committee's request, **Mr Benjamin TANG, Director of Audit**, provided a further breakdown of the 877 bills which had been outstanding for more than 36 months, in ***Appendix 32***. The Committee noted from Table 1 that $118.8 million (91%) of the $130.4 million of outstanding fees had been outstanding for not more than 12 months. As several months had lapsed since 31 March 2006, the Committee enquired whether the situation had improved.

7. The **Chief Executive of the HA** replied at the public hearing and in his letter of 18 December 2006 in ***Appendix 33*** that:

- compared to 31 March 2006, the ageing situation of fees owed as at 30 November 2006 remained more or less the same. The portion of debts aged below six months had improved slightly from 72% to 73% in terms of the number of bills, while declining from 74% to 71% in terms of the actual amount. The increase in the level of fees owed by patients from $130.4 million to $152 million (an increase of 16.6%) was in line with the 20% increase in the corresponding fee income from $1,607.7 million to $1,929.3 million (annualised) during the period; and

- there were a number of reasons for non-payment of medical fees for a long period of time. While some patients deliberately defaulted on payments, there were also unfortunate cases where the patients had no family or relative and had stayed in the hospitals for a long time due to serious illnesses. Some of them had passed away during the hospitalisation period. The HA was usually unable to collect fees from these patients.

B. Use of public medical services by NEPs

8. Noting that the HA was considering making it a requirement for all NEP pregnant women who planned to give birth in Hong Kong to receive antenatal checking and make necessary registration at Hong Kong public healthcare institutions within certain specified time-frame. The Committee asked whether such a proposed requirement would give a message to NEPs, in particular Mainland pregnant women, that they would be provided with one-stop obstetric services in Hong Kong, thus attracting more NEPs to come to Hong Kong for childbirth.

9. The **Secretary for Health, Welfare and Food** said that:

- if NEPs' demand for public obstetric services increased, the fee income of the HA would increase correspondingly. Therefore, the HA was willing to provide services to them as long as the number of NEP expectant mothers giving birth in Hong Kong was restricted to a level that could be supported by the local healthcare system. To facilitate better service planning, the HA was assessing how the increasing demand for obstetric services would affect public hospitals. Depending on the projected demand, the HA might expand its obstetric and neonatal services as required;

- local pregnant women using public obstetric services would normally seek antenatal checking at public healthcare institutions within the first three months of pregnancy. This could help the HA forecast local residents' demand for obstetric services. However, a large number of Mainland pregnant women using the HA's services had little or no antenatal care at all. Some of them even sought last-minute hospital admission through the A&E departments before delivery. This had exerted much pressure on public hospitals and had also resulted in increased risks of difficult labour for the mothers, unrecognised congenital anomalies for the babies and infection for frontline healthcare workers; and

- under the proposed arrangement, if NEP pregnant women failed to comply with the requirement to make prior arrangements with local public healthcare institutions, there would be no guarantee that the HA would provide them with the necessary services. Such requirement should be able to deter NEP pregnant women from seeking last-minute hospital admission through the A&E departments, or not obtaining proper antenatal care during pregnancy. It could also safeguard the health of NEP mothers, their babies and frontline healthcare workers, and enable the HA to better plan its services, thereby ensuring that the services to local pregnant women would not be affected.

10. The Committee sought clarification as to whether NEP expectant mothers who sought hospital admission through the A&E departments would be denied medical care if they had not received antenatal checking or had not registered at Hong Kong public healthcare institutions as required. If that would be the case, the Committee questioned whether the requirement would go against the Government's policy that no one would be denied adequate medical care due to lack of means.

11. The **Secretary for Health, Welfare and Food** said that:

- the Government would continue to uphold the policy that no one would be denied adequate medical care due to lack of means. However, such policy should be applied to Hong Kong residents only, as local taxpayers' money should benefit local residents rather than NEPs. While NEPs could have access to public medical services in Hong Kong, they had to pay fees set on a full-cost recovery basis, or at a level higher than the cost. The HA would ensure that local expectant mothers would be given priority over NEPs in the use of obstetric services in public hospitals; and

- that said, the HA would provide medical treatment to NEPs on humanitarian grounds in acute cases. Such treatment would, however, not be provided on a long-term basis. The HA would issue bills to the patients as soon as their condition became stable. If the patients failed to settle the payment, it was not necessary and not possible for the HA to continue providing treatment to the patients until they were fully recovered. Like many public healthcare institutions in other countries, the HA had no responsibility to provide non-emergency treatment to NEPs if they did not pay the fees.

12. Given the increasing demand for obstetric services and the fact that the duration of stay of in-patients was unpredictable, the Committee asked how the HA could ensure that local expectant mothers would be provided with proper and priority obstetric services.

13. The **Secretary for Health, Welfare and Food** and the **Chief Executive of the HA** responded that:

- it was a common practice for hospitals to leave some leeway for emergency cases. Under normal circumstances, hospitals would redeploy internal resources to provide the necessary services to patients in need. However, in the event that a hospital could not spare the capacity to treat a patient, it would arrange the patient to be transferred to another hospital, public or private, for proper and timely treatment. The HA was discussing with private hospitals ways to further enhance communication and coordination between the public and private sectors with a view to making the most effective use of available resources for obstetric services; and

- upon the introduction of the proposed requirement for NEP pregnant women to make prior arrangements with local public healthcare institutions, the HA would be in a better position to assess the demand for obstetric services by NEPs and to make appropriate preparations accordingly. The HA would ensure that sufficient places were reserved for priority use by local expectant mothers, provided that they had sought antenatal care at local public healthcare institutions.

14. In response to the Committee's question as to whether Mainland expectant mothers who had received antenatal checking at private hospitals in Hong Kong or hospitals in the Mainland would be guaranteed the provision of obstetric services by the HA, the **Secretary for Health, Welfare and Food** answered in the negative. He reiterated that any NEP who wished to use the obstetric services provided by the HA should undergo antenatal checking and make the necessary registration at the public healthcare institutions in Hong Kong, such as the hospitals managed by the HA and the health centres/clinics managed by the Department of Health. The HA would not guarantee the provision of the necessary services to NEPs who had not complied with this requirement.

15. The Committee noted from paragraph 1.12 of the Audit Report that both the HAHO and hospitals had taken continuous action to improve the collection of outstanding fees. One of the new initiatives was the issuance of bills by hand to patients at hospital wards. In this connection, the Committee asked:

- why the HA did not require patients to pay the fees before leaving the hospitals; and

- whether defaulters of medical fees were required to pay an interest on the outstanding amount.

16. The **Chief Executive of the HA** said that:

- in-patients were reminded by HA staff on a regular basis that they should pay the medical fees before they leave the hospitals. Some patients deliberately chose to be discharged from hospitals after the Shroff Offices had closed so as to avoid payment. To prevent patients from using this as an excuse for not paying, the HA was considering utilising the A&E departments to collect fees; and

- the HA was also considering penalising defaulters by requiring them to pay an administrative charge for late payments. Such charge could also serve as an incentive to encourage early payments.

17. The Committee enquired whether the HA would consider adopting other measures, such as those adopted by the Inland Revenue Department in the collection of late tax payments, in order to achieve a stronger deterrent effect against non-payment. The Committee also asked whether the HA would explore with the relevant departments, such as the Police and the Immigration Department, the possibility of preventing NEPs with outstanding medical fees from leaving Hong Kong, in particular the frequent defaulters.

18. The **Secretary for Health, Welfare and Food** replied that:

- the existing legislation did not provide for preventing people with outstanding medical fees from leaving Hong Kong;

- NEPs who owed medical fees to the HA could be divided into two broad categories. Patients of the first category were those who deliberately refused to pay, while patients of the second category were those who genuinely had financial difficulties;

- for the first category, the HA had already put in place a number of measures with a view to ensuring the collection of outstanding fees from them. Such measures included requiring them to pay a deposit upon admission to hospitals, find a guarantor to guarantee their stay at the hospital, and settle payment by credit card; and

- as regards the second category, the HA had worked with such relevant agencies as consulates and charitable bodies to arrange to send the patients back to their home countries for further treatment and, if possible, to enforce payment of outstanding fees from them. Nevertheless, the HA had not been successful in each of these cases. It would continue to explore, within the legislative framework, effective measures to deal with such cases.

19. The **Chief Executive of the HA** supplemented that:

- there was no single measure which could effectively solve the problem of non-payment of NEPs. Hence, the HA had introduced a series of improvement measures and was considering further measures to address the problem. The measures being considered included deferring the submission of birth data to the Birth Registry for NEPs until their outstanding fees had been settled, and engaging reputable international debt collection agency(ies) to pursue the collection of bad debts from high-risk NEPs; and

- a more stringent measure being considered by the HA was that NEPs with outstanding fees would be treated only if their condition was life threatening, and all other treatments (such as specialist out-patient attendances and elective in-patient admissions) would not be provided until their outstanding

fees had been settled. It was expected that, with this measure, the amount of outstanding fees owed by NEPs would decline.

20. In his letters of 30 December 2006 in ***Appendix 34*** and 3 January 2007 in ***Appendix 35***, the **Chief Executive of the HA** informed the Committee that the HA Board, at its meeting on 21 December 2006, had endorsed the following measures to enhance the collection of medical fees:

- introducing an administrative charge for late payments in the second quarter of 2007, subject to clearance on legal implications and direction from the Health, Welfare and Food Bureau (HWFB);

- deferring, up to 42 days in accordance with the legal requirement under the Births and Deaths Registration Ordinance, the submission of birth data to the Birth Registry for NEPs until their outstanding fees had been settled. The measure would be implemented with effect from the first quarter of 2007; and

- both eligible persons (EPs) and NEPs with outstanding fees would be treated only if their condition was life threatening, and all other treatments would not be provided until their outstanding fees had been settled. The measure would be implemented by the end of the first quarter of 2007.

21. The Committee noted from paragraph 1.10 of the Audit Report that fees which remained unsettled after recovery action by hospitals were written off according to authority delegated by the HA Board. The Committee enquired:

- whether the length of time for writing off outstanding medical fees was standardised across hospitals; and

- if not, whether the HA would consider standardising the practice of hospitals in this regard.

22. The **Chief Executive of the HA** informed the Committee at the public hearing and in his letter of 3 January 2007 that:

- the reason for not standardising the length of time for writing off medical fees was that the time needed for recovering outstanding fees varied from case to case. In order to maximise the chance of recovery, it was considered appropriate to leave it to the judgment of individual hospitals to decide on the length of time for writing off outstanding fees; and

- cluster performance on write-offs and major problem cases had been incorporated in monthly management reports. The HA would introduce more key performance indicators and benchmarks in the first quarter of 2007 to monitor the performance of hospitals in this regard.

23. Noting that the HA was considering engaging reputable international debt collection agency(ies) to pursue the collection of bad debts from high-risk NEPs, the Committee asked:

- about the circumstances under which the collection of NEP debts was to be pursued by the debt collection agency(ies), e.g. the amount of bad debts and the overdue periods; and

- given the complex environment and the large geographical area in the Mainland, how the HA could ensure that the debt collection agency(ies) was/were capable of collecting debts from Mainland defaulters.

24. The **Chief Executive of the HA** said at the public hearing and in his letter of 18 December 2006 that:

- the proposed measure of engaging reputable international debt collection agency(ies) would be considered by the HA Board on 21 December 2006; and

- if the proposal was supported by the Board, the HA would conduct a detailed assessment of the proposed measure taking into account the costs, benefits and risk factors. The engagement of international debt collection agency(ies) would be conducted through open tender. Key criteria for tender evaluation would include history of the company, its background, reputation, business strategies, management team, operation mode, staff profile, information security, technology employed and clientele etc. as well as the costs of providing the service.

25. The Committee expressed doubts about the effectiveness of using international debt collection agency(ies) to collect bad debts, as it was difficult to accurately assess the chance of success in recovering such debts. Moreover, some NEPs might genuinely be unable to afford the high medical fees.

26. The **Chief Executive of the HA** responded that:

- past experience suggested that those NEPs who were most likely to fall under the "high-risk" category were the long-stay patients who had a stroke or a car accident during their stay in Hong Kong. They neither had taken out

insurance to cover their medical costs, nor had any family member or relative in Hong Kong to support them. These NEPs were definitely not the targets for intense debt collection; and

- there were a lot of defaulters each with $50,000-odd bad debts, amounting to a total of approximately $270 million in the past five years. These defaulters were the targets for more intense debt collection. That said, the HA would conduct a cost-benefit assessment before deciding whether further resources should be deployed to recover these bad debts. Professional debt collection agencies would be able to assess at an early stage how much of a debt would be collectible and the cost involved. Such information could facilitate the HA in deciding whether debt collection work should be further pursued.

27. The **Chief Executive of the HA** informed the Committee, in his letter of 30 December 2006, that:

- at the HA Board meeting on 21 December 2006, a number of Board members had expressed reservations about the effectiveness of the proposed measure of engaging reputable international debt collection agency(ies) to pursue the collection of bad debts from high-risk NEPs and its implication on the reputation of the HA; and

- after deliberation, the Board agreed that the HA management should explore the cost-effectiveness of the proposed measure and report back to the Board for further consideration by the end of the third quarter of 2007.

28. The Committee noted from paragraph 4.6 of the Audit Report that an array of measures to address the problem of increased use of public medical services by NEPs had been proposed and deliberated by the Legislative Council Panel on Health Services. However, most of the measures had not yet been taken further as they were considered ineffective to address the problems, difficult to implement, or having legal implications. Only the two measures mentioned in paragraphs 4.7 and 4.8 of the Report had been adopted for implementation.

29. As regards the measure in paragraph 4.8 of the Audit Report, the Committee noted that the HWFB had reported to the Panel on Health Services in June 2005 that it was exploring the viability of amending the law so that a visitor who had yet to settle his fees with the HA could be prevented from re-entering Hong Kong. In January 2006, it was decided that the HWFB would complete the drafting instructions for the necessary legislative amendments for reporting to the Panel before June 2006. Paragraph 4.10 of the Report revealed that the HWFB had re-considered the proposed measure of preventing NEP defaulters from re-entering Hong Kong since January 2006, but a decision had not yet been

reached as to whether the measure should be implemented by legislation or through administrative means. The Committee:

- questioned why the Administration had still not taken a decision on the proposed measure; and

- asked about the progress that had been made in pursuing the proposed measure.

30. The **Secretary for Health, Welfare and Food** said at the public hearing and in his letter of 30 November 2006, in ***Appendix 36***, that:

- the Administration had considered, under different legislative frameworks, how the proposed measure should be taken forward. Given that it was not easy to pursue the measure under the existing legislative frameworks, the Administration would require more time to conduct a detailed study of the matter; and

- the Administration was very concerned about the implications of the increasing use of obstetric services by Mainland women on Hong Kong people. It was deliberating how best to take forward the proposal in the context of the package of fee recovery improvement initiatives to be implemented by the HA, and would report the progress to the Panel on Health Services. However, he was unable to give an implementation timetable for the proposed measure.

31. Regarding the measure in paragraph 4.7 of the Audit Report, the Committee noted that, since 1 September 2005, the HA had implemented a package fee of $20,000 for NEPs using obstetric services. One of the objectives of the package was to deter the use of public medical services by NEPs. However, Table 17 in paragraph 4.3 of the Report revealed that the fees owed by NEPs had increased from $61.3 million as at 31 March 2005 to $74.1 million as at 31 March 2006. The Committee asked how the HA could demonstrate that the obstetric package was effective in achieving its intended objectives.

32. The **Secretary for Health, Welfare and Food** stated that:

- before the implementation of the package fee of $20,000 for NEPs using obstetric services, hospitalisation was charged at $3,000 per day, which was not set on a cost recovery basis. The HA had to subsidise NEP pregnant women using Hong Kong's public hospital services. Some NEP pregnant women had intentionally sought hospital admission for delivery through the A&E departments after midnight in order to pay less; and

- after the implementation of the $20,000 package, which was set on a full-cost recovery basis, the HA was able to recover the medical costs from NEPs. Records showed that although the amount of outstanding fees owed by NEP mothers had increased, the number of NEP mothers who defaulted on payment had not increased. The increase in the amount of outstanding fees owed by NEP mothers was due to the increase in the fees charged for their use of obstetric services. This demonstrated that the $20,000 obstetric package was effective in preventing a large number of NEP pregnant women from flocking to Hong Kong to give birth. The HA was considering increasing the obstetric package fee in the near future in order to further improve the situation.

33. In his letter of 18 December 2006, the **Chief Executive of the HA** supplemented that, with the introduction of the $20,000 obstetric package in September 2005, the number of delivery cases involving NEPs using public obstetric services had dropped by 15% from 13,699 to 11,673 between the 12-month period immediately preceding and after the implementation of the package fee, i.e. September 2004 to August 2005 versus September 2005 to August 2006.

34. The Committee noted that the HA Board had decided, at its meeting on 21 December 2006, to increase the obstetric package fee from $20,000 to $39,000 for booked cases and $48,000 for non-booked cases from the first quarter of 2007. The fee increase aimed to remove the financial incentives for NEP expectant mothers to access public hospital services, while the differential rates set for booked and non-booked cases aimed to encourage them to seek antenatal care during the course of pregnancy.

35. The Committee referred to Audit's observation in paragraph 4.16 of the Audit Report that, for the benefits of Mainland visitors and to minimise the incidence of bad debts arising from hospitalisation, the HWFB needed to promote the idea that Mainland visitors should have travel insurance to cover medical expenses during their stay in Hong Kong. The Committee asked whether the Secretary for Health, Welfare and Food had liaised with the Commissioner for Tourism on Audit's suggestion. In reply, the **Secretary for Health, Welfare and Food** said that:

- the HWFB was liaising with the Tourism Commission and the travel industry to work out ways to promote the idea that visitors from other countries should have travel insurance to cover their medical expenses during their stay in Hong Kong; and

- the HWFB would also liaise with Mainland authorities on the idea of travel insurance for Mainlanders' visit to Hong Kong. Publicity materials, such as leaflets and posters, introducing the healthcare system in Hong Kong would be provided to relevant Mainland authorities for distribution to Mainlanders

who applied to travel to Hong Kong. Mainlanders would be informed in the publicity materials that the medical fees in Hong Kong were expensive, so they were advised to take out insurance to cover their medical expenses during their stay in Hong Kong.

C. Collection of outstanding fees by hospitals

36. Paragraph 2.3(a) of the Audit Report stated that, for long-stay patients, interim medical bills were issued ranging from two to seven days (depending on individual hospital's circumstances) for NEPs and every 14 days for EPs. At the time of discharge from hospital, a patient was given a discharge form. He needed to bring the form to the Shroff Office of the hospital to settle all outstanding fees. The Committee asked:

- whether the settlement of medical fees at the Shroff Office was a required procedure when a patient was discharged from hospital, and whether there were any measures in place for HA staff to stop patients with outstanding fees from leaving the hospital. If there was no such procedure or measuers, whether the HA would consider introducing measures to ensure that a patient would settle all outstanding fees before discharge. For example, follow-up medical appointments would only be given after the settlement of all medical fees; and

- whether additional manpower resources would be required if HA staff had to perform fee collection work before patients were discharged. If this was the case, what additional staff would be required and whether such measure was expected to be cost-effective.

37. The **Chief Executive of the HA** replied that:

- HA staff had been trying very hard to get patients to settle their payment before discharge. However, they were not empowered to stop patients with outstanding medical fees from leaving the hospital. As such, they could not force patients to pay. In practice, most patients did pay before discharge;

- to enhance the collection of fees, the HA was issuing bills to NEP patients more frequently during their hospitalisation period and distributing bills at wards. Some patients were discharged from hospitals after the operating hours of the Shroff Offices. To facilitate these patients to settle their bills before discharge, the HA was considering utilising the A&E departments to collect an extended range of fees; and

- the cost of implementing the measure of collecting fees from patients before discharge would be significant. To relieve the pressure on the already very busy clinical staff, in particular midwives, the HA had to recruit additional

supporting staff to perform the fee collection function and other non-nursing duties. The HA was conducting cost-benefit exercises on a number of proposed measures, including outsourcing the HA's debt collection service, to ascertain if they were worth pursuing.

38. The Committee was informed by the **Chief Executive of the HA** in his letters of 30 December 2006 and 3 January 2007 that the HA Board had endorsed, at its meeting on 21 December 2006, utilising the A&E departments to collect an extended range of fees and deposits with effect from the first quarter of 2007.

39. Paragraph 2.5 of the Audit Report revealed that the process of recovering outstanding fees was lengthy and time-consuming. It involved issuing a final bill to the patient within three days from the date of discharge, issuing a final notice to the patient 21 days after the issuance of the final bill, making telephone calls to the patient 21 days after the issuance of the final notice, and forwarding the unsettled cases to the HAHO normally six months upon the issuance of the final bill for further action, including taking legal action against the patient. Paragraph 2.16 of the Audit Report further revealed that, on average, hospitals made the first telephone calls to the patients to recover outstanding fees 97 days after they were discharged from hospitals. In 49 (43%) of 115 cases with proper records indicating that the hospitals had telephoned the patients, the hospitals took more than 90 days to make the first telephone calls to the patients.

40. It appeared to the Committee that the long time taken in the process might have further delayed the recovery of outstanding fees and reduced the chance of success in collecting the fees, in particular for NEPs after they had left Hong Kong. It asked whether the HA would consider streamlining the existing fee recovery process so that outstanding fees could be collected faster, including:

- issuing a final bill to the patient on the date of discharge, instead of within three days from the date of discharge as stated in paragraph 2.5(a) of the Audit Report;

- making telephone calls to the patient immediately after the issuance of the final notice (i.e. 24 days after the date of discharge), instead of 21 days after the issuance of the final notice (i.e. 45 days after the date of discharge) as stated in paragraph 2.5(c) of the Audit Report; and

- shortening the time-frame for forwarding the unsettled cases to the HAHO for further action, instead of forwarding them to the HAHO six months upon the issuance of the final bill (i.e. four and a half months after making telephone calls to the patient).

41. The **Chief Executive of the HA** said that:

- due to limitations of the existing computer systems, the HA could not issue final bills to patients if they were discharged from hospitals after 5:00 pm. Under the circumstances, final bills would be issued within three days after the date of discharge when the reconciliation process had been completed;

- the HA agreed that the fee recovery process should be streamlined. Through modifications to the computer systems and implementation of other improvement measures, the HA aimed to shorten the time-frame for making telephone calls to patients from 45 days to 14 days. Moreover, final bills were targeted to be issued on the date of discharge or on the day following the discharge, instead of within three days after discharge; and

- as more resources were available at hospitals than that at the HAHO, hospitals should shoulder greater responsibility in the collection of outstanding fees from their patients. If their efforts were in vain, the unsettled cases should be forwarded to the HAHO for further action. The new time-frame for forwarding such cases to the HAHO was within four months, instead of six months, after the issuance of final bills.

42. According to paragraph 2.19 of the Audit Report, the HA agreed that there was room for further improvement in the recording of the details of telephone calls made to patients after discharge. The guidelines regarding the specific number of telephone calls to be made within specific time-frame would be incorporated into a circular on debt recovery. The Committee enquired about the details of the guidelines, in particular the time-frame within which the number of calls were to be made.

43. In his letter of 18 December 2006, the **Chief Executive of the HA** provided a copy of the HA's prevailing guidelines on making telephone calls to patients after discharge from hospitals. The guidelines were extracted from the HAHO Accounting Circular on "Guidelines on Debt Recovery and Write-off Procedures". He said that the HA would further tighten the guidelines, including:

- *for (i) 4(a) of the Guidelines*

  lowering the outstanding bill amount for which follow-up call was required after issuance of the final bill; and

- *for (ii) 10(b) of the Guidelines*

  shortening the time limit of making all follow-up calls to within 60 days from the issuance of the final notice.

44. Paragraph 2.9 of the Audit Report stated that some hospitals had developed their own initiatives to improve the collection of fees. The Committee asked whether:

- the communication among hospitals and clusters was insufficient and how it could be enhanced; and

- the good initiatives developed and adopted by individual hospitals would be implemented in all hospitals.

45. The **Chief Executive of the HA** replied at the public hearing and in his letter of 3 January 2007 that:

- the finance directors of all hospitals and other staff members responsible for debt collection had attended meetings on a regular basis to discuss measures to improve the collection of fees and to share good practices at both the management and working levels. Hospitals were working together to see how the initiatives adopted by individual hospitals could be implemented in all hospitals; and

- the HA would continue to actively evaluate good initiatives and promote their implementation among clusters, taking into account the circumstances of individual hospitals. A number of good practices and initiatives of individual hospitals had been implemented across the board. An example was the distribution of bills to patients at hospital wards. The new initiatives and other enhanced debt collection measures adopted had been promulgated in an accounting circular issued to all hospitals.

46. Paragraph 2.26 of the Audit Report revealed that some hospitals allowed patients to settle medical fees by instalments. Of the five hospitals visited by Audit, Hospitals B, C and D had adopted such a practice. Paragraph 2.27 of the Report further revealed that, as at 31 January 2006, patients had failed to pay the scheduled instalments in 81 (74%) of the 110 instalment cases approved by Hospital C. The Committee therefore asked:

- whether payment by instalments could be made use of to evade payment, and under what circumstances hospitals would allow patients to pay their fees by instalments; and

- whether the HA had laid down procedures for dealing with applications for payment of fees by instalments, and recovery of fees when patients had defaulted on instalment payments. If no procedure had been laid down, whether the HA would exercise better control in this regard.

47. The **Chief Executive of the HA** said that:

- to prevent patients from evading payment, payment by instalment would only be allowed in exceptional circumstances, e.g. where the outstanding amount was very large. Approval for such applications was made at cluster level. Although partial payment allowed flexibility in the recovery of fees, it entailed significant administrative work and, based on past experience, the chance of full recovery was remote; and

- the HA would incorporate specific guidelines and assessment procedures in a circular on debt recovery for allowing partial payment under exceptional circumstances, taking into consideration the administrative work involved.

D. Collection of outstanding fees by the HAHO

48. According to paragraph 3.41 of the Audit Report, only two staff members (i.e. the Accounting Supervisor and Clerk II) at the HAHO level were more actively involved, spending about 50% and 70% of their time, in the collection of outstanding fees. They had to deal with a large number of unsettled cases (42,000 in 2005-2006) including undertaking all sorts of recovery actions which were often laborious and time-consuming. The Committee asked whether the HA would deploy more staffing resources to perform fee collection work, with a view to reducing the workload of the two staff members and enhancing the operational efficiency of the collection work.

49. **Ms Nancy TSE, Director (Finance), HA**, informed the Committee at the public hearing and in the letter of 3 January 2007 that:

- upon receipt of the 42,000 cases, the HAHO had made an assessment as to whether it would be cost-effective to take legal action. As a large number of the unsettled cases forwarded to the HAHO were high-volume low-dollar cases, the number of cases which had eventually been referred to the Legal Department of the HA (LDHA) for instituting legal action was in the region of 2,000; and

- the HA appreciated the work pressure faced by the fee collection team in the HAHO. The HA was reviewing the manpower requirement of the team, taking into account the tightened debt recovery procedures and the option of outsourcing the debt collection service.

50. In response to the Committee's further enquiry on the criteria for taking legal action, the **Director (Finance), HA**, said that:

- the amount of debts involved would be a factor of consideration in deciding whether legal action should be taken. If a debt involved a large amount, the HA would also take into account the nature of the case. If the chance of success in recovering the fees by legal means was slim, as in the case of long-stay NEP patients who had passed away during hospitalisation, legal action would not be taken. The HAHO fee collection team would discuss with the LDHA the follow-up actions for unsettled cases where necessary; and

- the HA was planning to introduce performance pledges on the time-frame for submitting unsettled cases to the LDHA and for the LDHA to revert to the fee collection team on the cases.

E. Measures to minimise need for recovery and write-off of fees

51. The Committee noted from paragraph 5.4 of the Audit Report that, for the five years ended 31 August 2006, about 161,000 EPs and 37,000 NEPs had defaulted on payment of medical fees. Some of these patients had repeatedly defaulted on payments. This was evidenced by the figures shown in Table 19 in paragraph 5.3 of the Report. As far as EPs were concerned, there were 3,884 patients with six to 10 cases of defaulted payment, 846 patients with 11 to 15 cases, 305 patients with 16 to 20 cases and 340 patients with over 20 cases. The Committee asked:

- about the background of the patients concerned, the type of medical treatment sought and the length of time involved; and

- whether the HA had followed up on the reasons for the non-payment of these patients and adopted measures to prevent them from not paying.

52. The **Chief Executive of the HA** replied at the public hearing and in his letters of 18 December 2006 and 3 January 2007 that:

- the defaulted payments of EPs for the four selected categories, namely six to 10 cases, 11 to 15 cases, 16 to 20 cases and over 20 cases, were composed of cases with fees written off during the five years ended 31 August 2006 (amounting to $4.9 million) and those with fees owed to the HA as at 31 August 2006 (amounting to $8 million). Of the cases with fees owed to the HA, 82% had been settled up to 10 December 2006, i.e. within three and a half months. In particular, over 94% of ambulatory service cases had been settled;

- an analysis of the cases of defaulted payment for the four selected categories indicated that more than 50% of the patients were over 50 years old. For the cases that remained unsettled as at 10 December 2006, A&E cases accounted for 40% and in-patient cases accounted for 35%. A large group of the patients were elderly persons suffering from chronic illnesses which required frequent visits to HA clinics and emergency admission to HA hospitals; and

- the HA had enhanced its computer systems to prompt registration staff to remind defaulters/patients to settle their outstanding bills when they returned for services. The outstanding amount would be printed on out-patient receipts to serve as further reminders to patients. Such measure would enable the HA to promptly identify the frequent defaulters for taking timely debt recovery action.

53. The Committee asked whether the Administration agreed that, to effectively address the problem, it was more important for the HA to be able to differentiate those who were able to pay but did not pay from those who were genuinely unable to pay, rather than just reminding defaulters to pay.

54. The **Secretary for Health, Welfare and Food** responded that:

- EPs using the HA's services should have the ability to pay the fees. Otherwise, they should have applied for a fee waiver under the medical fee waiver mechanism; and

- the HA appreciated the need to prevent patients with outstanding fees, in particular the frequent defaulters, from continuing to use the HA's services. It had therefore put forward a proposed measure that patients with outstanding fees would be treated only if their condition was life threatening, and all other treatments would not be provided until their outstanding fees had been settled. This measure should be more effective for tackling the problem.

55. The Committee asked about the basis of the statement made by the Secretary for Health, Welfare and Food that "EPs using the HA's services should have the ability to pay the fees". The **Chief Executive of the HA** stated in his letter of 18 December 2006 that:

- under the current Government's policy, no one would be denied adequate medical care due to lack of means. To ensure that this policy was followed, patients who were recipients of Comprehensive Social Security Assistance (CSSA) were eligible to obtain full waiver of public medical fees or charges upon presentation of a valid medical waiver issued specifically for CSSA recipients. Patients, who were not CSSA recipients but had financial

difficulties in paying the medical fees and charges, could apply for fee waiving with the Medical Social Workers (MSWs) of the Social Welfare Department and the HA. The MSWs would assess the applications with due consideration given to the financial, social and medical conditions of the applicants in accordance with established guidelines; and

- information leaflet on the waiving mechanism was available for the public at all Medical Social Services Units of HA hospitals, as well as on the HA's website. In addition, the HA's debt collection guidelines required hospital staff, including staff of Accounts Office and Shroff Offices, to advise public ward patients who indicated financial difficulties to approach the MSWs for assistance.

56. The Committee noted from paragraphs 5.15 and 5.23 of the Audit Report that incorrect addresses had prevented medical bills from being delivered, resulting in write-off of medical fees. An audit analysis of the reasons for hospitals to forward 42,000 unsettled cases to the HAHO for follow-up indicated that 7,736 (18%) cases had incorrect addresses provided by patients. The HA had acknowledged the usefulness of obtaining address proof from patients. It would devise measures to improve the accuracy of patients' addresses. The Committee asked, in cases where the HA had encountered difficulties in confirming the addresses of patients from the Mainland, whether the HA would sought the assistance of Mainland authorities.

57. The **Secretary for Health, Welfare and Food** answered in the affirmative. He said that, apart from Mainland authorities, the assistance of the governments of other jurisdictions would also be sought in confirming the addresses of NEP patients, where necessary. This practice would continue.

58. The **Chief Executive of the HA** added that the HA was fully aware that incorrect addresses had prevented medical bills from being delivered and had resulted in write-off of medical fees. As such, the HA had introduced a new requirement under which patients would be requested to produce an address proof upon admission to hospitals.

F. Conclusions and recommendations

59. The Committee:

<u>Collection of outstanding fees by hospitals</u>

- expresses concern that:

  (a) on average, hospitals made the first telephone calls to the patients 97 days after they were discharged from hospitals;

(b) in 85% of the 42,000 unsettled cases forwarded to the Hospital Authority Head Office (HAHO) in 2005-2006, the time span for forwarding the cases to the HAHO for further action was more than six months, and in 29% of the cases, it was more than 12 months; and

(c) the long time span for hospitals to forward unsettled cases to the HAHO might have delayed further action to be taken by the HAHO against defaulters;

- notes that the Hospital Authority (HA):

(a) has implemented the audit recommendations mentioned in paragraphs 2.10, 2.18, 2.24 and 2.29 of the Director of Audit's Report (Audit Report); and

(b) will implement the following measures to further enhance the collection of medical fees in public hospitals:

(i) utilising the accident and emergency departments to collect an extended range of fees and deposits with effect from the first quarter of 2007;

(ii) installing self-service payment kiosks at selected venues in the first quarter of 2007; and

(iii) allowing payment at automatic teller machines and convenience stores with effect from the third quarter of 2007;

<u>Collection of outstanding fees by the HAHO</u>

- expresses concern that:

(a) the HAHO posted write-offs of unsettled cases to the accounting records before approval for write-offs from delegated authority had been obtained;

(b) on average, the HAHO filed a claim with the Small Claims Tribunal (SCT) 270 days after receipt of warning letter by the patient, and applied for a writ of Fieri Facias to enforce an SCT judgment 149 days after the date of the SCT judgement;

(c) apart from applying for a writ of Fieri Facias, the HAHO rarely used other methods of debt recovery;

(d) in some cases reviewed by the Audit Commission (Audit), where arrangements had been made with the patients to settle the outstanding fees, the HAHO had not taken early action to finalise the cases;

(e) in some cases reviewed by Audit, the time span for seeking legal advice on fee recovery by the HAHO was long;

(f) in some private patient cases, the amounts of deposits were insufficient to cover the hospital fees;

(g) to deal with the large number of unsettled cases, only two staff (i.e. the Accounting Supervisor and Clerk II) at the HAHO were actively involved in collection of outstanding fees; and

(h) the HA had not published any performance indicators relating to the efficiency and effectiveness of its fee collection work;

- notes that the HA:

(a) has implemented the audit recommendations mentioned in paragraphs 3.8, 3.18, 3.26, 3.38 and 3.46 of the Audit Report; and

(b) is reviewing the manpower requirement of the HAHO collection team, taking into account the tightened debt recovery procedures and the option of outsourcing the debt collection service;

<u>Use of public medical services by non-eligible persons (NEPs)</u>

- expresses serious concern that:

(a) as at the end of the financial years 2003-2004 to 2005-2006, on average, fees owed by NEPs accounted for 55% of the total amount of fees owed by HA patients;

(b) during the financial years 2003-2004 to 2005-2006, of the $121.6 million of fees written off by the HAHO, $95.8 million (79%) related to fees owed by NEPs; and

(c) the Health, Welfare and Food Bureau (HWFB) had yet to decide the way to implement the proposed measure of preventing a visitor who had not settled his fees with the HA from re-entering Hong Kong;

- notes that the HA:

(a) found that the obstetric package was effective in rectifying some of the problems identified, but needed modifications to further address the problems;

(b) has decided to increase the obstetric package fee from $20,000 to $39,000 for booked cases and $48,000 for non-booked cases from the first quarter of 2007. The fee increase aims to remove the financial incentives for NEP expectant mothers to access public hospital services, while the differential rates set for booked and non-booked cases aim to encourage them to seek antenatal care during the course of pregnancy; and

(c) will defer the submission of birth data to the Birth Registry for NEPs until their outstanding fees have been settled, with effect from the first quarter of 2007;

- notes that the Secretary for Health, Welfare and Food:

  (a) has given an assurance that local expectant mothers would be given priority in the use of obstetric services in public hospitals;

  (b) will report to the Legislative Council Panel on Health Services the progress concerning the proposal of preventing a visitor who has not settled his fees with the HA from re-entering Hong Kong, as the Administration is still deliberating how best to take forward the proposal in the context of the package of fee recovery improvement initiatives to be implemented by the HA; and

  (c) is liaising with the Tourism Commission on the audit recommendation mentioned in paragraph 4.17 of the Audit Report concerning travel insurance for Mainlanders' visit to Hong Kong;

<u>Measures to minimise need for recovery and write-off of fees</u>

- expresses concern that:

  (a) for the five years ended 31 August 2006, about 161,000 eligible persons (EPs) and 37,000 NEPs had defaulted on payment of fees, amounting to $99 million and $223 million respectively, with some of these patients having frequently defaulted on payments;

  (b) hospitals did not have adequate measures to help identify frequent defaulters;

  (c) although the HA had considered imposing a surcharge on overdue fees, up to the end of June 2006, no further progress was made; and

  (d) while the HA had taken initiatives to improve the accuracy of address records of patients, a large amount of outstanding fees was written off due to incorrect addresses;

- notes that the HA:

  (a) has implemented the audit recommendations mentioned in paragraphs 5.9, 5.13 and 5.22 of the Audit Report;

  (b) will introduce an administrative charge for late payments in the second quarter of 2007, subject to clearance on legal implications and direction from the HWFB; and

  (c) will consider collecting deposit payment from EPs for hospital stay at a later stage, depending on the effectiveness of other measures; and

Follow-up actions

- wishes to be kept informed of:

  (a) the outcome of the HA's review of the manpower requirement of the HAHO collection team;

  (b) the HA's decision on the various proposed new measures to improve the collection of medical fees in public hospitals; and

  (c) the progress made in implementing other audit recommendations.