

**For Discussion
on 8 January 2007**

Legislative Council Panel on Health Services

Mode of supply of self-financed item drugs in public hospitals

PURPOSE

This paper briefs Members on the latest progress on the Hospital Authority's (HA) initiative to enhance the supply of drug items to be purchased by patients at their own expenses (self-financed items or SFI) in public hospitals.

BACKGROUND

2. At the meeting of the Health Services Panel (the Panel) on 10 July 2006, Members, having considered LC Paper No. CB(2)2654/05-06(01), requested the HA to explore further the possibility of involving the private sector in the supply of SFI drugs in public hospitals before deciding whether HA pharmacies should expand their supply of SFI drugs beyond the existing three categories¹ to cover all SFI drugs prescribed to patients by the HA.

3. In the light of Members' request, the HA proceeded to engaging the private sector representatives to discuss about possible public-private collaboration in the supply of SFI drugs in public hospitals. Members were informed vide LC Paper No. CB(2)3054/05-06(01) discussed at the meeting on 25 September 2006 that the HA had set up a Task Force with four private sector parties to take forward the proposal and had reached preliminary consensus on a number of issues, including inter alia that, private sector would be invited through tender to set up community pharmacies in public hospitals to supply SFI drugs to HA patients; there will at least be one major public hospital in each

¹ The three categories of SFI drugs currently supplied to patients by the HA pharmacies are –

- (a) items not easily accessible in the community (e.g. dangerous drugs as defined under the Dangerous Drugs Ordinance (Cap 134); certain psychiatric drugs, oncology drugs and immunosuppressives);
- (b) items covered by the Samaritan Fund (i.e. Interferon, Paclitaxel, growth hormone and Imatinib); and
- (c) items needed to be supplied for operational convenience (e.g. drugs needed by in-patients and day-patients, drugs to be administered by injection).

hospital cluster participating in the tender exercise; and a separate tender should be issued for each hospital.

LATEST PROGRESS

4. From August to November 2006, the Task Group held a total of nine meetings, with patient representatives joining the Task Group since October 2006. The HA has also organized an open forum on 21 September 2006 to solicit views of independent community pharmacies who are not members of the Task Group.

5. While the Task Group will continue to discuss with a view to finalizing the specifications of the tender documents of the community pharmacies, it has further reached consensus on the mode of operation of the community pharmacies in the public hospitals as follows :

- (a) the community pharmacies will be opened by phases, Phase 1 of which will include five hospitals, i.e. Pamela Youde Nethersole Eastern Hospital, Princess Margaret Hospital, Queen Elizabeth Hospital, Queen Mary Hospital and United Christian Hospital. Timetable of opening is yet to be decided by individual hospitals;
- (b) the length of period for each contract should be five years;
- (c) the community pharmacies should only purchase drugs from appointed dealers of pharmaceutical products to ensure product quality;
- (d) the community pharmacies should have a transparent pricing system with adequate information provided to the public. The HA would conduct periodic surveys to benchmark the drug prices against those set by the community pharmacies in the commercial market so as to ascertain that the drug prices at the HA community pharmacies are set at reasonable levels;
- (e) to prevent the HA community pharmacies from being monopolized by one or a few major private pharmacies and to facilitate fair competition, there would be limitation on the percentage of market share of that one single operator could take up. The HA would also reserve the right to award the tenders in a way to maximize the number of operators.

6. The HA has also engaged an external consultancy to study and advise on the business model of the community pharmacies. Relevant data, such as the number of specialist outpatient attendances and the volume of the SFIs, will be provided to the prospective bidders to enable them to have a better understanding and estimate on the potential business volume.

WAY FORWARD

7. The HA aims to start preparing the tender documents in the first quarter of 2007 and commence the tendering process in the second quarter of 2007. In case individual partnership projects were found not viable or there is no market interest in operating the community pharmacy, the HA would consider expanding the supply of SFI drugs by HA pharmacies as previously proposed in LC Paper No.CB(2)2654/05-06(01) discussed at the meeting on 10 July 2006.

8. The HA is committed to seeing that the mode of supply of SFI drugs by the community pharmacies in the HA hospitals is in the best interest of patients and in line with the guiding principles of quality of drug supply, patient convenience and reasonable pricing.

ADVICE SOUGHT

9. Members are invited to note the content of this paper.

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