

立法會 *Legislative Council*

LC Paper No. CB(2)902/06-07(01)

Ref : CB2/PL/HS

Panel on Health Services

Background brief prepared by the Legislative Council Secretariat for the special meeting on 23 January 2007

Mode of supply of self-financed drugs to public patients

Purpose

This paper gives an account of the past discussions by the Panel on Health Services (the Panel) on the mode of supply of drug items to be purchased by patients of public hospitals at their own expenses (self-financed items or SFI).

Background

Definition of SFI drugs

2. SFI drugs are outside the Hospital Authority (HA) Drug Formulary (the Formulary) and have to be purchased by patients at their own expenses. SFI drugs are classified into four main types, guided by the principles of evidence-based medical practice, targeted subsidy and opportunity costs considerations. Most of these drugs were already self-financed by patients before the implementation of the Formulary in public hospitals and clinics by phases between July and October 2005. They include -

- (a) drugs proven to be of significant benefits but extremely expensive for HA to provide as part of its subsidised service;
- (b) drugs which have preliminary medical evidence only;
- (c) drugs with marginal benefits over available alternatives but at significantly higher costs; and
- (d) life-style drugs.

Supply of SFI drugs

3. At present, patients on SFI would be referred to the private market for acquisition. SFI drugs will be supplied by HA to patients only when they 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 which have to be supplied for operational convenience (e.g. drugs needed by in-patients and day-patients, drugs to be administered by injection).

Previous discussions by the Panel

Meeting on 10 July 2006

4. HA briefed members on the results of the review of the Formulary, which proposed, among others, to expand the supply of SFI drugs at HA pharmacies to cover all SFI drugs prescribed to patients by HA doctors.

Impact of the supply of SFI drugs by HA on community pharmacies

5. Hon CHAN Yuen-han expressed concern about the adverse impact on community pharmacies if HA should decide to supply all SFI drugs to its patients.
6. HA explained that the proposal was made having regard to the feedback gathered from many patients about their difficulties in verifying the authenticity of drugs and in identifying their source. Some chronic patients also cited access problems in the community, recounting experience where they had to visit multiple community pharmacies to procure all the different drugs required.
7. HA also advised that in order to minimise interference with the private market, HA would only supply drugs prescribed to patients by HA doctors. In addition, prices for SFI drugs supplied by HA would be set at rates which were comparable to the levels in the market so as not to restrict patients' choice from obtaining SFI drugs from other sources. However, this pricing strategy would only apply to the expanded SFI drugs. Prices for SFI drugs within the three existing categories, mentioned in paragraph 3 above, would continue to be determined largely on the basis of cost recovery. In line with HA's status as a public organisation with the principal objective of providing the public of Hong Kong with quality medical services, additional revenue to be generated by the supply of SFI drugs would be fully ploughed back to meet the expenditure, especially the expenditure on

drugs, of HA's public medical services.

Supply of SFI drugs by community pharmacies

8. Dr Hon Joseph LEE asked HA the reason for ignoring the call from the pharmaceutical industry to allow community pharmacies to be set up in HA hospitals to sell SFI drugs to HA patients. Hon Mrs Selina CHOW also urged HA to carefully consider the views of the trade, before expanding the supply of SFI drugs by HA pharmacies to cover all SFI drugs. Mrs CHOW pointed out that the trade had invested a large sum of money in their business, in response to the promulgation made by HA years ago to promote greater collaboration between the public and the private sectors.

9. HA responded that it was neutral on how SFI drugs should be supplied to HA patients, so long as the mode of supply was in the best interests of patients. Hitherto, no decision had yet been made on the mode of supply of SFI drugs to HA patients. In taking forward the proposal of allowing community pharmacies to set up pharmacies in HA hospitals to sell SFI drugs, several issues needed to be considered. First, the annual sale volume of SFI drugs might be too small to spread among private pharmacies for them to be viable. Second, leaving the supply of SFI drugs to HA patients to the private sector might lead to monopoly by large companies. Third, the quality and safety of SFI drugs sold at HA hospitals had to be assured. A meeting with the trade would be arranged in the coming week to discuss the viability of involving the trade in the supply of SFI drugs to HA patients.

Meeting on 25 September 2006

10. HA briefed members on the latest progress in its discussion with the private sector on the supply of SFI drugs to HA patients. Members noted that subsequent to the Panel meeting in July 2006, HA held two high-level meetings with representatives of the Practising Pharmacists Association of Hong Kong, the Hong Kong General Chamber of Pharmacy Limited and two major retail pharmacy groups in Hong Kong to exchange views on possible private-public collaboration in the supply of SFI drugs in public hospitals. The private sector representatives welcomed the opportunity to work with HA on the supply of SFI drugs to public patients. They also agreed that further discussion at the working level was necessary to work out the framework of a collaboration model between HA and the private sector. To that end, a Task Group, comprising representatives of HA and four private sector parties, was formed to take the discussion forward. Members also noted that following three meetings held between August and early September 2006, the Task Group had reached preliminary consensus on inviting private sector participation by tender for the setting up of community pharmacies in public hospitals to supply SFI drugs to public patients.

11. The Panel also listened to the views of seven deputations, including representatives from the Consumer Council, patient groups, the medical sector, the pharmaceutical trade and pharmacists' organisations, on the mode of supply of SFI drugs to HA patients. Generally speaking, the Consumer Council and patient groups welcomed the supply of

SFI drugs by HA, as this would provide an assurance of continuous supply, quality, safety, reasonable prices and convenience. On the other hand, the Hong Kong Medical Association and the pharmacists' organisations considered that public-private collaboration in the supply of SFI drugs was the solution that would truly benefit patients. They were further of the views that to allow HA to supply all SFI drugs was not conducive to raising the professional standards of community pharmacists and would further exacerbate the imbalance between the public and the private sectors. The Hong Kong Association of the Pharmaceutical Industry had no preference on the mode of supply of SFI drugs to HA patients, so long as such mode of supply could provide patients with a safe, high quality, convenient and continuous source of drug supply at reasonable prices.

12. The main views expressed by members together with HA and the Administration's responses are outlined in the following paragraphs.

Conflict of interest in the supply of SFI drugs by HA

13. Hon LI Fung-ying expressed the view that although the proposal of HA supplying SFI drugs to public patients had merits, the proposal raised a concern over conflict of interest, having regard to the fact that the list of SFI drugs was determined by HA and that any revenue to be generated from the supply of SFI drugs would be fully ploughed back to HA as it saw fit. There was also the question of the appropriateness for HA, being a public organisation, going into business as a retailer of medicines and competing with the private pharmacies for the business. Hon CHAN Yuen-han, Hon Mrs Selina CHOW and Dr Hon KWOK Ka-ki echoed similar views.

14. The Administration responded that there was no cause for concern of conflict of interest if HA were to supply SFI drugs to its patients, as the operation of the supply of SFI drugs by HA pharmacies, if implemented, would be made open and transparent for scrutiny by the public. Moreover, HA was accountable to the Legislative Council (LegCo) and stood ready to answer any queries on its operation.

15. Dr Hon YEUNG Sum said that the Democratic Party was against the proposal of HA inviting private sector participation by tender for the setting up of community pharmacies in public hospitals to supply SFI drugs to public patients, as the projects would likely be monopolised by large retail pharmacy groups whose profit-driven nature would likely lead to an increase in drug prices. Dr YEUNG opined that the delay by the Administration in coming up with healthcare financing options was the impetus for HA resorting to a private-public collaboration in the supply of SFI drugs to public patients in order to address its budget deficit. Dr YEUNG cautioned that HA should not contract out the supply of SFI drugs to the private sector, as it would be very difficult for HA to supply SFI drugs to its patients after the arrangements on healthcare financing had been mapped out.

16. The Administration pointed out that the latest proposal was made in response to members' request made at the meeting on 10 July 2006 that HA should 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 to cover all SFI drugs prescribed to patients. The Administration further pointed out that the rationale for supplying SFI drugs in the pharmacies in public hospitals was to facilitate patients' choice and provide them convenience. Revenue generation had never been HA's concern in the supply of SFI drugs to its patients.

Involvement of patient groups

17. In response to Dr Hon Fernando CHEUNG's enquiry as to why patient groups had not been involved in the discussion of private-public collaboration in the supply of SFI drugs in public hospitals, HA advised that it had consulted representatives of patient groups on the matter prior to the meeting. Although these representatives preferred the supply of SFI drugs by HA pharmacies, they had no objection to private sector participation by tender in the supply of SFI drugs in public hospitals.

18. Dr Hon Joseph LEE was of the view that HA should involve patient groups in the formulation of tender specifications and in the monitoring of the operation of the community pharmacies set up in public hospitals to supply SFI drugs to HA patients. Dr Hon KWOK Ka-ki concurred, and further pointed out that it was HA's intention to supply SFI drugs in its own pharmacies if no suitable private sector participant could be identified.

19. HA responded that it would consider involving patient groups in the formulation of tender specifications, as the overall HA's objective of supplying SFI drugs to its patients was that it must be in the best interests of patients. HA also explained that the reason for HA to supply SFI drugs to its patients if no suitable private sector participant could be identified was to cater for the eventuality that the project was found to be not viable or of no market interest. HA would need to seek the approval of HA Board if there came the need for HA to supply SFI drugs to its patients.

Prices of SFI drugs

20. Hon Audrey EU asked how HA could ensure that prices of SFI drugs set by private sector participants would be at reasonable levels, having regard to the fact that the supply of drugs in the private market was dominated by two major pharmacy retail groups.

21. HA responded that the findings of a recent survey conducted by HA on the pricing of drugs by the community pharmacies revealed no sign of any price monopoly by the major retail pharmacy groups, which could be attributed to the wide range of prices set by different pharmacies for the same types of drugs generally. To ensure that SFI drugs to be supplied by community pharmacies in public hospitals would be set at reasonable levels, the private sector participants had to provide an assurance that the pricing of these drugs would be benchmarked against market prices. In addition, consideration was being given to incorporating a price-capping strategy on SFI drugs which the private sector participants could charge. To prevent the tender from being monopolised by the major

retail pharmacy groups in Hong Kong, HA advised that terms would be incorporated in the tender specification to facilitate fair competition by small community pharmacies.

Meeting on 8 January 2007

22. A newly formed group, "藥房同業反對醫管局外判醫院藥房大聯盟", comprising 219 community pharmacies had forwarded a submission to the Panel expressing objection to HA's plan to invite private sector participation by tender for the setting up of community pharmacies in public hospitals to supply SFI drugs to HA patients. In the light of this and having regard to the concern expressed by patient groups on likely rise in drug prices should the aforesaid initiative be implemented, members agreed to hold a special meeting before February 2007 to further discuss the mode of supply of SFI drugs to public patients.

Relevant papers

23. Members are invited to access LegCo's website (<http://www.legco.gov.hk>) for details of the relevant papers and minutes of the meetings of the Panel held on 10 July 2006, 25 September 2006 and 8 January 2007.

Council Business Division 2
Legislative Council Secretariat
19 January 2007