For discussion
on 11 December 2006

Legislative Council Panel on Health Services

Grant for the Samaritan Fund

PURPOSE

This paper seeks Members' support for a proposed grant of $300 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 to meet expenses on privately purchased medical items 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, 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 Fund is now being managed by the Hospital Authority (HA). Additional details on the establishment of the Fund, its funding scope and administration are set out in Annex A.

3. The Fund was established without an endowment. It has always been operating on a rolling account basis and relies largely on fresh income received each year to meet its expenditure. While demand for assistance from the Fund has been rising in recent years, income of the Fund fluctuated widely.

In order to meet the expenditure requirement of the Fund, it is necessary from time to time for the Government to inject one-off grants to the Fund. The Finance Committee of the Legislative Council last approved in 2005 the making of a $200 million one-off grant to meet the projected funding requirements of the Fund at least up to 2006-07.

FINANCIAL SITUATION OF THE FUND

Income

4. The two major sources of income of the Fund are private donations and Government's reimbursement for assistance provided to recipients of the Comprehensive Social Security Assistance (CSSA). The amount of private donations that the HA was able to solicit however has fluctuated widely in the past few years. The total income of the Fund in the last five years and projected income in 2006-07 are as follows –

Source of Funding	**2001-02 ($ M)**	**2002-03 ($ M)**	**2003-04 ($ M)**	**2004-05 ($ M)**	**2005-06 ($ M)**	**Projected 2006-07 ($ M)**
Donations from charitable organizations	12.6	20.8	14.0	16.0	12.9	13.2
Reimbursement from Government for privately purchased medical items for CSSA recipients	23.1	26.9	26.3	31.8	34.5	38.8
One-off funding from Government	-	9.0	-	-	160.0	50.0
Designated donation from Government	2.0	-	2.0	2.0	2.0	2.0
Other income	0.5	0.3	0.11	0.02	11.6	5.2
Total :	**38.2**	**57.0**	**42.4**	**49.8**	**221.0**	**109.2**

Expenditure

5. Expenditure for the Fund has surged sharply from $41.7 million in 2001-02 to $123.2 million in 2005-06. The number of applications approved has increased by 43.8% from 2,744 in 2001-02 to 3,946 in 2005-06. A breakdown of the major expenditure items of the Fund in 2005-06 and projected expenditure for 2006-07 is at Annex B. The increase in expenditure and approved applications is mainly due to technology advancement and rising demand for assistance from the ageing population. The number of approved applications and the expenditure for the past five years and the projection for 2006-07 are given in the table below –

	2001-02	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**Projected 2006-07**
Number of approved applications	2 744	3 037	2 863	3 591	3 946	4 327
Total expenditure ($ M)	**41.7**	**47.8**	**47.5**	**87.5**	**123.2**	**138.5**

6. From the above two tables we can see that before 2004-05, the annual income of the Fund could in general cover the expenditure of that year. But the significant increase of expenditure in 2004-05 and 2005-06 has brought about deficit for the Fund, which has resulted in the need for the Government to inject a $200 million one-off grant to the Fund to cover expenses in 2005-06 and 2006-07.

7. There are four major factors behind the substantial increase in expenditure of the Fund, which include –

(a) a decrease in funding support from private donations and other charitable sources. The decrease was particularly notable when a five-year programme with an annual grant of up to $25 million supported by a major charitable organisation ceased in 2004-05. Since this programme has helped provide patients with financial difficulties who are in need of new technologies, the cessation of the programme has significantly increased the demand for funding support under the Fund;

(b) rapid advancement in medical technologies has offered better treatment to patients, through the use of advanced and often costly medical items. Taking the three privately purchased medical items for heart disease as examples, the cost of Percutaneous Transluminal Coronary Angioplasty (PTCA) ranges from $10,000 to $84,000 or more per patient; the unit cost of pacemaker ranges from $10,000 to $36,000; and the unit cost of Automatic Implantable Cardioverter Defibrillator (AICD) is $138,000. The high cost of advanced medical items exerts immense financial pressure on the Fund. As a matter of fact, expenditure on these three types of items (i.e. PTCA, pacemaker and AICD) has increased from $63.2 million in 2004-05 to $72.7 million in 2005-06, representing a 15% increase in one year;

(c) the ageing population has resulted in an increasing number of patients suffering from stroke, heart diseases, disabilities and other chronic conditions. For example, in 1996-97, 708 patients received subsidies on expenditure on PTCA and pacemakers implantations. In 2005-06, the number of patients receiving assistance on PTCA, pacemakers and AICD implantations surged to 2,174; and the number of cases is expected to increase further to 2,307 in 2006-07. It is anticipated that more and more elderly and chronic patients will seek assistance from the Fund in the future; and

(d) the Fund currently provides assistance to patients who require treatment by drugs that are proved to be of significant benefits but extremely expensive for the HA to provide as part of its subsidised service. The expenditure on drugs has increased substantially from $17.7 million in 2004-05 to $41.4 million in 2005-06. The drug Imatinib (Glivec) alone accounted for $36 million of the Fund's expenditure in 2005-06 and the expenditure on Imatinib is expected to increase to $41.1 million in 2006-07. As rapid advances in pharmaceutical science continue, the Fund's expenditure on drugs is likely to continue to rise at a significant rate.

Projected Deficit

8. The HA has made a projection on the income and expenditure of the Fund for the three years from 2006-07 to 2008-09 as shown in the table below. The projected income is based on the assumptions that the amount of private donations in the next three years will remain similar to the level of 2005-06, and that Government reimbursement for expenditure made by the Fund for CSSA recipients will increase by about 15% a year.

9. The HA is planning to expand the funding scope of the Fund in 2007 to include new drugs for patients with cancer and rheumatic diseases, as a result drug expenditure is projected to increase to $50.2 million in 2006-07 and $114 million in 2007-08. Expenditure of non-drug items is estimated on the basis of past trends.

	2006-07 ($ M)	**2007-08 ($ M)**	**2008-09 ($ M)**
Estimated Income	**109.2**	**57.9**	**64.5**
Estimated Expenditure	**138.5**	**215.6**	**249.7**
Estimated Deficit for the Year	**(29.3)**	**(157.7)**	**(185.2)**
Accumulated Fund			
At start of year	**70.9**	**41.6**	**(116.1)**
At end of year	**41.6**	**(116.1)**	**(301.3)**

ANALYSIS

10. As indicated from the above paragraphs, the projected expenditure of the Fund will outstrip its income from 2006-07 onwards and a deficit of $116.1 million will be accumulated by the end of 2007-08. The major reasons for the rapid increase in expenditure of the Fund are technological advancement and the ageing population, both of which are prime issues being examined in the ongoing study on health care financing and funding arrangement for the HA.

The Administration will consider the long term funding arrangement for the Fund in the context of the study on health care financing. We therefore propose to make a one-off grant in the amount of $300 million to meet the Fund's projected funding requirements up to 2008-09. In the meantime, the Hospital Authority Charitable Foundation will continue to organise fund-raising activities to solicit more private donations for the Fund.

ADVICE SOUGHT

11. Members are invited to support the proposed grant of $300 million to the Fund.

Health, Welfare and Food Bureau
Hospital Authority
December 2006

Annex A

Background Note on the Samaritan Fund

Establishment and Objective of the Fund

The Samaritan Fund (The "Fund") was established in 1950 with the objective of providing relief to needy patients.

2. 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. Patients are however 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 are mostly products of new medical technology at the time of their introduction.

3. 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

4. The Fund provides financial assistance to needy patients who require privately purchased medical items, 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.

(a) Privately purchased medical items

- 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. Home use equipment and consumables
viii. Gamma knife surgery in private hospital
ix. Harvesting of marrow in a foreign country for marrow transplant

(b) 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. Interferon
ii. Paclitaxel for woman with cancer
iii. Imatinib (Glivec) for patients with chronic myeloid leukaemia and gastrointestinal stromal tumour
iv. Growth hormone

Administration of the Fund

5. It is a Government Fund under the management of the HA. Medical Social Workers assist in vetting funding applications of individual patients.

6. 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 to 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 –

(a) efficacy, effectiveness and cost-effectiveness;
(b) fair and just use of public resources targeting subsidies to effective interventions to areas of greatest need; and
(c) societal values and views of professionals and patients.

7. Every application which has fulfilled the clinical indications will be assessed carefully by Medical Social Workers to ensure that the Fund will be used to benefit the poor and the needy patients.

8. For non-drug items, Medical Social Workers will conduct financial assessment to determine the level of subsidy granted. Assessment will be based on the patient's household income, household total savings and reference to the actual cost of the medical item.

9. As for drug items, the level of subsidy would be assessed on the basis of the patients' household disposable financial resources (DFR), which essentially means the amount of their household disposable income (i.e. gross income minus allowable deductions for basic expenditure such as rent, living expenses, provident fund contributions, medical expenses, etc) and disposable capital (i.e. savings, investment, properties, etc minus the residential property and tools/implementation of the patient's trade).

10. The adoption of the concept of DFR is to ensure that the patients' quality of life would be maintained largely even if they have to purchase the more costly drugs.

11. In line with the targeted subsidy principle, patients will be required to contribute to the cost of the drugs from their DFR. The level of their contributions will be determined on the basis of a sliding scale and the drug cost. For example, patients with annual DFR between $20,001 and $40,000 would be required to make a maximum contribution of $1,000. The contribution rate is capped at 30% for patients with DFR of $260,001 and above.

Annex B

Number of Approved Applications and Expenditure of the Samaritan Fund in 2005-06 and Projected expenditure for 2006-07

	2005-06		Projected 2006-07	
Items	**No. of cases**	**Amount ($ M)**	**No. of cases**	**Amount ($ M)**
Cardiac Pacemakers	454	18.6	530	22.1
Percutaneous Transluminal Coronary Angioplasty (PTCA) and other consumables for interventional cardiology	1 720	54.1	1 777	55.9
Intraocular Lens	1 073	1.7	1 178	1.8
Home use equipment, appliances and consumables	128	1.2	128	1.2
Drugs (other than Imatinib)	127	5.4	102	4.3
Imatinib (or Glivec)	198	36.0	226	41.1
Gamma Knife surgeries in private hospital	35	2.4	37	2.5
Cost for harvesting bone marrow in foreign countries	17	2.0	24	2.8
Myoelectric prosthesis / custom-made prothesis / appliances for prosthetic and orthotic services, physiotherapy and occupational therapy services	194	1.8	199	1.8
New drugs	0	0	126	4.8
Grants to needy patients		0.1		0.2
Total no. of cases and related expenditure	3 946	123.2	4 327	138.5