For discussion **FCR(2010-11)56**
on 28 January 2011

ITEM FOR FINANCE COMMITTEE

CAPITAL WORKS RESERVE FUND
HEAD 710 – COMPUTERISATION
Government Secretariat: Food and Health Bureau (Health Branch)
New Subhead "Online checking of the eligibility of non-permanent Hong Kong Identity Card holders for subsidised public healthcare services"

Members are invited to approve a new commitment of $17,553,000 for developing an electronic system for checking the eligibility of non-permanent Hong Kong Identity Card holders for subsidised public healthcare services of the Department of Health and the Hospital Authority.

PROBLEM

We need to set up an electronic system in the Immigration Department (ImmD) and public hospitals/clinics managed by the Department of Health (DH) and the Hospital Authority (HA) to check the eligibility of non-permanent Hong Kong Identity Card (HKIC) holders for subsidised public healthcare services.

PROPOSAL

2. The Secretary for Food and Health, with the support of the Government Chief Information Officer, proposes to create a new commitment of $17,553,000 for developing the electronic checking system.

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JUSTIFICATION

Eligibility for subsidised public healthcare services

3. It has been the Government's policy to provide public healthcare services to Hong Kong residents at highly subsidised rates. The services are delivered by DH and HA. As Hong Kong residents (including both permanent and non-permanent residents) are qualified to obtain HKIC, HA and DH accept all holders of HKIC as Eligible Persons (EP) for receiving public healthcare services at subsidised rates. Non-Hong Kong residents who use our public healthcare services need to pay the fees for Non-eligible Persons (NEP), which are in general set on a cost recovery basis. The current fees for major services applicable to EPs and NEPs are set out in Enclosure.

Encl.

4. There was no problem with accepting HKIC holders as EPs before 1987. By way of background, HKIC is an identity document rather than a travel document showing the immigration status of the holder. Prior to July 1987, persons who left Hong Kong for good had to notify the registration officer before their departure and to surrender their identity cards, if so required under the then regulation 17 of the Registration of Persons Regulations. With the introduction of the Hong Kong permanent resident status through the Immigration (Amendment) Ordinance in 1987, the above regulation was repealed. Consequently, there are over-stayers and former non-permanent Hong Kong residents (e.g. those who previously worked or studied in Hong Kong) who return to Hong Kong as visitors and use their "un-returned" non-permanent HKIC to access our healthcare services at subsidised rates as EPs when they are NEPs, resulting in revenue loss to the Government.

5. The Food and Health Bureau (FHB) set up in 2008 an inter-departmental working group comprising representatives of FHB, the Security Bureau, ImmD, DH and HA to explore possible options to address the problem.

Assessment of the present situation

6. According to the record of ImmD, a total of 930 000 non-permanent HKIC were issued as at 1 July 2009. Among the holders of these non-permanent HKIC, 220 000 have their limit of stay expired. It is not certain how many of them continue to stay in Hong Kong or return to Hong Kong as visitors with their travel documents and use subsidised public healthcare services by presenting the "un-returned" HKIC.

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7. To assess the size of the problem, ImmD and HA have jointly conducted two rounds of survey in December 2009 and January 2010 to find out the number of former non-permanent Hong Kong residents whose resident limit of stay had expired and who accessed our public healthcare services (including inpatient, specialist outpatient, general outpatient and accident & emergency services at the hospitals and clinics of HA) with their unreturned HKIC. Results of the surveys indicated that around 0.05% of the HKIC holders who accessed HA's services during the survey period had their validity of stay expired and were not eligible for public healthcare services at subsidised rates.

8. Based on the results of the survey, HA has estimated that the possible revenue loss so incurred per year by charging these patients at subsidised rates (i.e. EP rates) is about $20.8 million. There is no separate assessment on the possible revenue loss in DH, but the amount should be much lower given the smaller volume of service users of DH's services.

Need for the proposed electronic checking system

9. To plug the loophole and avoid possible revenue loss, we propose that an electronic system be put in place to conduct online checking of the eligibility of non-permanent HKIC holders for subsidised public healthcare services. The proposed electronic checking system would involve the setting up of a dedicated system in ImmD to extract and store the updated resident status information from its main data systems to enable the public hospitals/clinics under HA and DH to check with ImmD the resident status of holders of non-permanent HKIC.

10. Under the proposed checking arrangement, the frontline staff of DH and HA will first check the card face information of a patient's HKIC during patient registration. For holders of non-permanent HKIC with specified codes[1], staff would input the HKIC numbers into the computer system at public hospitals/clinics and the information will be transferred to ImmD electronically for

/checking …..

[1] A non-permanent HKIC card has one of the following codes on the card face:

(a) Code "C": for those whose stay in Hong Kong is limited by the Director of Immigration at the time of their registration (e.g. those coming to work or study in Hong Kong);
(b) Code "U": for those whose stay in Hong Kong is not limited at the time of registration but whose validity of stay will expire upon their departure from Hong Kong for more than 12 months; and
(c) Code "R": for those who have the right to land in Hong Kong at the time of registration.

The proposed checking arrangement will apply to "C" code and "U" code holders. The probability of "R" code holders being non-residents is very small.

checking. Upon receipt of each request for checking from a hospital/clinic, ImmD's dedicated system would reply within a few seconds to confirm whether the non-permanent HKIC holder has a valid resident status on the day. Staff of HA and DH will then charge the patient at EP or NEP rate as appropriate depending on the checking result.

11. The dedicated electronic checking system in public hospitals/clinics will be used exclusively by authorised staff of DH and HA for the sole purpose of verifying whether the limit of stay of a holder of non-permanent HKIC is valid when using public healthcare services. Measures will be put in place to safeguard data security of the system.

Benefits of the proposed electronic checking system

12. The proposed electronic checking system would enable our public hospitals/clinics to verify effectively and efficiently the eligibility of non-permanent HKIC holders for subsidised public healthcare services and ensure that all non-residents using our service would be charged at NEP rates. It can avoid abuse of our public healthcare resources by former non-permanent Hong Kong residents and safeguard against potential loss of Government revenue. This is particularly important given the rising demand for public healthcare services in the community with our growing and ageing population.

13. Based on the estimated annual potential revenue loss of about $20.8 million, which may increase with the growing number of persons issued with non-permanent HKIC, the total cost of the proposed electronic checking system incurred by ImmD, DH and HA as set out in paragraphs 14 to 34 below will be more than offset by the potential revenue loss in a few years time after implementation of the checking arrangements. The implementation costs are justified by the potential revenue loss that could be avoided.

FINANCIAL IMPLICATIONS

Non-recurrent Expenditure

14. We estimate that the proposed electronic checking system would require a total non-recurrent expenditure of about $17,553,000 for the development and upgrading of the information systems in ImmD and DH in 2011-12 and 2012-13, with breakdown as follows –

	Items	2011-12	2012-13	Total
		$'000	**$'000**	**$'000**
(a)	Consultancy Services	-	130	130
(b)	Hardware	-	3,820	3,820
(c)	Software	-	3,179	3,179
(d)	Communication Network	-	96	96
(e)	Implementation Services	-	7,495	7,495
(f)	Contract Staff	390	390	780
(g)	Site Preparation	-	400	400
(h)	Training	-	33	33
(i)	Consumables	-	24	24
(j)	Contingency	39	1,557	1,596
	Total	**429**	**17,124**	**17,553**

15. On paragraph 14(a) above, the estimated expenditure of $130,000 is for the hiring of consultancy services for development and design of the electronic checking system in DH.

16. On paragraph 14(b) above, the estimated expenditure of $3,820,000 is for acquisition of computer hardware, including web and application servers, database servers, network equipment and data storage devices.

17. On paragraph 14(c) above, the estimated expenditure of $3,179,000 is for acquisition of computer software, including operating system software, database management software and personal computer software.

18. On paragraph 14(d) above, the estimated expenditure of $96,000 is for procurement of communication network services for the setting up of electronic connection between ImmD and DH and HA.

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19. On paragraph 14(e) above, the estimated expenditure of $7,495,000 is for acquisition of services from external service providers to implement the electronic checking system in ImmD. Main implementation activities include system analysis and design, programming, data conversion, system setup, user acceptance test and system nursing.

20. On paragraph 14(f) above, the estimated expenditure of $780,000 is for engagement of contract staff to assist in system development and implementation.

21. On paragraph 14(g) above, the estimated expenditure of $400,000 is for site preparation works at the offices of ImmD and DH, including installation of equipment and power sockets and the associated cabling works.

22. On paragraph 14(h) above, the estimated expenditure of $33,000 is for training of relevant staff for administering and operating the electronic checking system.

23. On paragraph 14(i) above, the estimated expenditure of $24,000 is for acquisition of start-up consumables, such as backup tapes.

24. On paragraph 14(j) above, the estimated expenditure of $1,596,000 represents a 10% contingency on the cost items as set out in paragraph 14(a) to 14(i) above.

Other Non-recurrent Expenditure

25. The development of the proposed electronic checking system will entail an additional non-recurrent staff cost of $6,541,000 in 2011-12 and 2012-13. This staff cost represents a total of 85 man-months of immigration officers and information technology (IT) staff for developing the electronic checking system. The requirements will be reflected in the Estimates of the relevant years.

Recurrent Expenditure

26. We estimate that the recurrent expenditure arising from the proposed electronic checking system will be $3,930,000 per annum from 2012-13 onwards. Such requirements will be reflected in the Estimates of the relevant years, with breakdown as follows –

/Items …..

	Items	2012-13 onwards $'000
(a)	Hardware and Software Maintenance	1,374
(b)	Communication Network	96
(c)	System Maintenance	1,809
(d)	Contract Staff	280
(e)	Consumable	14
(f)	Contingency	357
	Total	**3,930**

27. On paragraph 26(a) above, the estimated annual expenditure of $1,374,000 is for provision of hardware and software maintenance and software licence fees.

28. On paragraph 26(b) above, the estimated annual expenditure of $96,000 is for rental of communication data lines.

29. On paragraph 26(c) above, the estimated annual expenditure of $1,809,000 is for on-going maintenance of the electronic checking system.

30. On paragraph 26(d) above, the estimated annual expenditure of $280,000 is for engagement of contract staff to support the on-going system maintenance and support activities.

31. On paragraph 26(e) above, the estimated annual expenditure of $14,000 is for acquisition of consumables, such as backup tapes.

32. On paragraph 26(f) above, the estimated annual expenditure of $357,000 represents a 10% contingency on the recurrent expenditure items as set out in paragraph 26 (a) to 26 (e) above.

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33. ImmD and DH will redeploy a total of eight and three man-months of IT staff respectively to provide system support and maintenance, entailing a recurrent staff cost of $785,000 per annum. No additional recurrent staffing will be required.

Financial Implication for HA

34. As for upgrading the related information system in HA, we estimate that the capital and annual recurrent cost are $16,900,000 and $2,400,000 respectively. Both will be reflected in the Estimates of the relevant years.

IMPLEMENTATION PLAN

35. We plan to implement the proposed electronic checking system according to the following schedule –

	Activity	**Target Commencement Date**	**Target Completion Date**
(a)	Tender for contracts for development of the electronic checking system	April 2011	October 2011
(b)	System Analysis & Design	November 2011	January 2012
(c)	System Development	February 2012	June 2012
(d)	System Installation	May 2012	August 2012
(e)	User Acceptance	July 2012	October 2012
(f)	Security Risk Assessment and Audit	November 2012	December 2012
(g)	Data Conversion	December 2012	December 2012
(h)	System Live-run Date	December 2012	December 2012
(i)	Project Completion and system nursing	January 2013	March 2013

/ALTERNATIVE …..

ALTERNATIVE CONSIDERED

36. We have also considered the other option of performing manual checking of the travel documents of non-permanent HKIC-holders each time they seek service at public hospitals/clinics. Given that medical services are instantaneously required by a patient coming to our public hospital/clinic for treatment, the checking of the eligibility for subsidised services should be conducted instantly on the spot. Taking into account the massive volume of daily uses of our healthcare services at the public hospitals and clinics by the general public[2], any additional procedures for manual checking procedures would likely lengthen the registration for patients and increase their waiting time, including the permanent residents and the bona fide non-permanent residents. We therefore consider it not feasible to conduct manual checking to ascertain the eligibility of holders of non-permanent HKIC for our subsidised public healthcare service because of the adverse impact on our service.

PUBLIC CONSULTATION

37. We consulted the Legislative Council Panel on Health Services on 10 January 2011. Members of the Panel supported the proposed electronic checking system.

BACKGROUND

38. The Ombudsman conducted a direct investigation on the practice of HA and DH to accept all holders of HKIC as eligible for subsidised public healthcare services in May 2009 and issued the investigation report in January 2010. The Ombudsman stated in its report that non-permanent HKIC is not an absolute proof of resident status because the non-permanent HKIC gives no data whether the holder's permission to remain in Hong Kong has lapsed or became

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[2] In 2009-10, the total number of attendances/patient discharges of major types of services in HA were as follows –

(a) 4 724 300 at 74 General Out-patient Clinics and other Family Medicine Specialist Clinics;
(b) 6 166 000 at 48 Specialist Out-patient Clinics;
(c) 2 147 000 at 16 Accident and Emergency Departments; and
(d) 926 110 inpatient discharges at 39 public hospitals.

As for DH, the total attendance for different kinds of public healthcare services amounted to 4 621 000 in 2009. These include attendances of maternal and child health centres, woman health services, elderly health services, child assessment services and other services of DH.

invalid. It recommended that the current practice of HA and DH to accept all holders of HKIC as eligible for subsidised public healthcare services should be rectified and that electronic checking should be introduced as the long-term solution as soon as possible.

Food and Health Bureau
January 2011

Enclosure to FCR(2010-11)56

Fees of major public hospital services

Services	**Fees for Eligible Persons**	**Fees for Non-eligible Persons**
Attendance at General Outpatient Clinics	$45/attendance	$215/attendance
Attendance at Specialist Outpatient Clinics	$100 for first attendance and $60 for each subsequent attendance	$700/attendance
Attendance at Accident and Emergency Department	$100/attendance	$570/attendance
Inpatient service	$100/day	$3,300/day
