

**For discussion
on 10 July 2012**

LEGISLATIVE COUNCIL PANEL ON HEALTH SERVICES

Regularisation of Community Care Fund Medical Assistance Programme Second Phase

PURPOSE

This paper briefs Members on a proposal by the Hospital Authority (HA) to incorporate the Community Care Fund (CCF) Medical Assistance Programme Second Phase (CCF Medical Second Phase Programme) into the Government's regular assistance programme, i.e. the Samaritan Fund (SF).

BACKGROUND

2. Since its establishment in 2011, the CCF has launched a number of assistance programmes on a pilot basis to help the Government identify those that can be considered for incorporation into the Government's regular assistance programme, i.e. "regularisation". The Financial Secretary proposes in the 2012-13 Budget that upon examining the effectiveness of individual CCF programmes, the Government shall identify the appropriate ones to be incorporated into the Government's regular assistance programme, subject to the views of the Steering Committee on the CCF.

THE CCF MEDICAL SECOND PHASE PROGRAMME

3. HA is the implementing agency of the CCF Medical Second Phase Programme¹ under the supervision of the Food and Health Bureau. HA regularly reports progress of the Programme to the Medical Subcommittee, Executive Committee and Steering Committee on the CCF. The CCF Medical Second Phase Programme, rolled out on 16 January 2012, provides subsidy to needy patients who marginally fall outside the SF safety net for the use of specified self-financed (SFI) drugs. It complements the SF by providing patients with additional subsidy on designated SFI drugs. The Programme adopts the

¹ HA is also the implementing agency of the CCF Medical Assistance Programme First Phase implemented with effect from 1 August 2011. The programme provides subsidy to needy patients to use specified self-financed cancer drugs which have not yet been brought into the SF safety net but have been rapidly accumulating medical scientific evidence and with higher efficacy.

same mode of operation as that for the SF and such affinities with the SF provide maximum convenience for patients as they are familiar with the SF mechanism.

4. Under the SF mechanism, patients have to contribute to the drug costs according to their household annual disposable financial resources (ADFR) against a percentage stipulated in a pre-determined sliding scale. The patients' contribution ratio is currently capped at 30% of their household ADFR. Under the current CCF Medical Second Phase Programme, additional subsidy is granted to patients by reducing their maximum contribution ratio from 30% to 20% of ADFR. As such, some patients who originally failed the SF financial assessment marginally could benefit under the Programme. Furthermore, patients who passed the SF financial assessment could also benefit from the Programme as a result of the relaxed patients' contribution ratio.

5. As at 31 May 2012, the number of approved applications under the CCF Medical Second Phase Programme since implementation was 197. The total amount of subsidy granted is \$4.73 million, and the average amount of subsidy granted per application (which is on top of SF subsidy, if any) is around \$24,000.

PROPOSED REGULARISATION OF THE CCF MEDICAL SECOND PHASE PROGRAMME

6. HA has examined the feasibility of incorporating the CCF Medical Second Phase Programme into the SF and recommended that regularisation of the Programme should proceed taking into account the following reasons –

- (a) The Programme is welcomed by patients. Its objectives have been met in that patients who are in need of financial assistance have received the necessary subsidy. In particular, patients who originally fell outside the safety net could receive assistance from the Programme. Implementation of the Programme on an on-going basis would benefit more patients.
- (b) The Programme currently complements the SF by providing patients with further subsidy on specified SFI drugs. It is also fully compatible with the SF in terms of mode of operation as well as financial assessment criteria. Hence, incorporation of the Programme into the SF would be consistent and convenient for patients.

At its meeting on 23 May 2012, the Steering Committee on the CCF was briefed on the plan of incorporating the CCF Medical Second Phase Programme into the SF, which supported the early regularisation of the Programme.

7. Separately, HA will implement a proposal to relax the assessment criteria for drug subsidies under the SF as set out in a discussion paper for the Health Services Panel meeting on 16 April 2012 (LC Paper No. CB(2)1640/11-12(03)) with effect from the third quarter of 2012. Under this proposal, a deductible allowance will be introduced for calculating patients' disposal capital and the tiers of patients' contribution ratio will be simplified. The proposed regularisation of the CCF Medical Second Phase Programme is in line with the direction of further relaxing the financial assessment criteria for drug subsidies under SF and will benefit more patients. A summary of the effect on patients' maximum contribution to drug costs upon regularisation of the CCF Medical Second Phase Programme is set out in **Annex A**.

IMPLEMENTATION PLAN

8. Having considered the above and given that regularisation of the CCF Medical Second Phase Programme complements the impending relaxation of SF financial assessment criteria mentioned in paragraph 7 above, HA advises that the above two proposals could be implemented concurrently. HA proposes to incorporate the CCF Medical Second Phase Programme into the SF with effect from 1 September 2012. Upon regularisation, the CCF Medical Second Phase Programme will cease operation on 31 August 2012. The subsidy in respect of the reduction in patients' contribution on the SF drugs currently provided under the CCF Medical Second Phase Programme would be covered by the SF. Patients concerned would not be affected as the application procedures would remain unchanged. Some patients might receive more subsidies from SF upon incorporation of the CCF Medical Second Phase Programme into the SF. Two case examples illustrating how patients could benefit more under the above arrangement are set out in **Annex B**.

9. For applications approved before 1 September 2012 involving patients undergoing drug treatment and might benefit from a higher level of subsidy after the regularisation of the CCF Medical Second Phase Programme, HA will invite them to apply for re-assessment of subsidy.

FINANCIAL IMPLICATIONS

10. On 1 June 2012, the Finance Committee approved the Government grant of \$10 billion to HA for supporting the continued operation of SF. SF will absorb the financial implications arising from the regularisation of the CCF Medical Second Phase Programme.

ADVICE SOUGHT

11. Members are invited to note HA's proposal to incorporate the CCF Medical Second Phase Programme into the SF.

Food and Health Bureau
Hospital Authority
June 2012

Summary of the effect on patients' maximum contribution to drug costs upon regularisation of the CCF Medical Second Phase Programme

Simplified sliding scale upon relaxation of SF financial assessment			Further reduction in patients' contribution ratio upon regularisation of the CCF Medical Second Phase Programme	
(A) Annual Disposable Financial Resources (ADFR) (\$) [@]	(B1) Contribution Ratio (%) *	(C1) Maximum Annual Contribution from Patient (\$) (C1 = A x B1)	(B2) Contribution Ratio (%) capped at a flat rate of 20% ^	(C2) Maximum Annual Contribution from Patient (\$) (C2 = A x B2)
0 - 20,000	-	0	-	0
20,001 - 40,000	-	1,000	-	1,000
40,001 - 60,000 #	-	2,000	-	2,000
60,001 - 100,000	5	3,000 – 5,000	5	3,000 – 5,000
100,001 - 140,000	10	10,000 – 14,000	10	10,000 – 14,000
140,001 - 180,000	15	21,000 – 27,000	15	21,000 – 27,000
180,001 - 220,000	20	36,000 – 44,000	20 [^]	36,000 – 44,000
220,001 - 260,000	25	55,000 - 65,000	20 [^]	44,000 – 52,000
260,001 - 280,000	30 *	78,000 - 84,000	20 [^]	52,000 – 56,000
280,001 - 380,000	30 *	84,000 - 114,000	20 [^]	56,000 – 76,000
380,001 - 480,000	30 *	114,000 - 144,000	20 [^]	76,000 – 96,000
480,001 - 580,000	30 *	144,000 - 174,000	20 [^]	96,000 – 116,000
580,001 - 680,000	30 *	174,000 - 204,000	20 [^]	116,000 – 136,000
680,001 - 780,000	30 *	204,000 - 234,000	20 [^]	136,000 – 156,000
780,001 - 880,000	30 *	234,000 - 264,000	20 [^]	156,000 – 176,000
880,001 - 980,000	30 *	264,000 - 294,000	20 [^]	176,000 – 196,000
980,001 - 1,080,000	30 *	294,000 - 324,000	20 [^]	196,000 – 216,000
>1,080,001	30 *	as calculated	20 [^]	as calculated

@ ADFR = (Monthly Household Gross Income – Monthly Allowable Deductions) x 12
+ (Disposable Capital – Deductible Allowance)

For patients whose ADFR are under \$60,000, their annual contribution is fixed, and so the formula of calculating the applicant's annual contribution (annual disposable financial resources X contribution ratio) does not apply to them.

* Capped at a flat contribution ratio of 30%.

^ Capped at a flat contribution ratio of 20% when the CCF Medical Second Phase Programme is incorporated into SF.

Case examples to illustrate the benefits to Samaritan Fund (SF) applicants upon regularisation of the CCF Medical Second Phase Programme

Case example 1

(no subsidy → partial subsidy)

Take a four-member family (a couple with 2 dependent children) with a monthly household income of \$40,000 and disposable capital of \$1,400,000 as an example, a patient in such a family with an annual drug expenditure of \$300,000 will receive no subsidy even after relaxation of the financial assessment criteria for drug subsidies under the SF. Upon regularisation of the CCF Medical Second Phase Programme where the patients' contribution ratio is capped at 20%, the family will receive a partial subsidy of \$100,000. In this case, the family becomes newly eligible for the SF subsidy upon regularisation of the CCF Medical Second Phase Programme. Detailed illustrations are set out below :

Patient's contribution upon relaxation of the financial assessment criteria for drug subsidies under the SF

$$\begin{array}{r} (\$40,000 \\ \text{(Monthly} \\ \text{Household} \\ \text{Gross Income)} \end{array} - \begin{array}{r} \$38,500 \\ \text{(Monthly} \\ \text{Allowable} \\ \text{Deduction*)} \end{array} \times 12 + \begin{array}{r} (\$1,400,000 \\ \text{(Disposable} \\ \text{Capital)} \end{array} - \begin{array}{r} \mathbf{\$418,000} \\ \mathbf{\text{(Deductible} \\ \mathbf{\text{Allowance)}}} \end{array} = \begin{array}{r} \$1,000,000 \\ \text{(ADFR)} \end{array}$$

$$\begin{array}{r} \$1,000,000 \\ \text{(ADFR)} \end{array} \times \begin{array}{r} 30\% \\ \text{(Contribution} \\ \text{Ratio)} \end{array} = \begin{array}{r} \mathbf{\$300,000} \\ \mathbf{\text{(Patient's Contribution\#)}} \end{array}$$

Patient's contribution further reduced upon regularisation of the CCF Medical Second Phase Programme

$$\begin{array}{r} (\$40,000 \\ \text{(Monthly} \\ \text{Household} \\ \text{Gross Income)} \end{array} - \begin{array}{r} \$38,500 \\ \text{(Monthly} \\ \text{Allowable} \\ \text{Deduction*)} \end{array} \times 12 + \begin{array}{r} (\$1,400,000 \\ \text{(Disposable} \\ \text{Capital)} \end{array} - \begin{array}{r} \mathbf{\$418,000} \\ \mathbf{\text{(Deductible} \\ \mathbf{\text{Allowance)}}} \end{array} = \begin{array}{r} \$1,000,000 \\ \text{(ADFR)} \end{array}$$

$$\begin{array}{r} \$1,000,000 \\ \text{(ADFR)} \end{array} \times \begin{array}{r} 20\% \\ \text{(Contribution} \\ \text{Ratio)} \end{array} = \begin{array}{r} \mathbf{\$200,000} \\ \mathbf{\text{(Patient's Contribution)}} \end{array}$$

Case example 2

(reduced patient's contribution and higher level of subsidy)

Take a four-member family (a couple with 2 dependent children) with a monthly household income of \$40,000 and disposable capital of \$1,200,000 as an example, a patient in such a family with an annual drug expenditure of \$300,000 will receive a partial subsidy of \$60,000 upon relaxation of the financial assessment criteria for drug subsidies under SF. Upon regularisation of the CCF Medical Second Phase Programme where the patients' contribution ratio is capped at 20%, the partial subsidy for the family will be increased to \$140,000. In this case, the financial burden on the family (which is already receiving partial subsidy) will be further relieved upon regularisation of the CCF Medical Second Phase Programme. Detailed illustrations are set out below :

Patient's contribution upon relaxation of the financial assessment criteria for drug subsidies under SF

$$\begin{array}{r} (\$40,000 \\ \text{(Monthly} \\ \text{Household} \\ \text{Gross Income)} \end{array} - \begin{array}{r} \$38,500 \\ \text{(Monthly} \\ \text{Allowable} \\ \text{Deduction*)} \end{array} \times 12 + \begin{array}{r} (\$1,200,000 \\ \text{(Disposable} \\ \text{Capital)} \end{array} - \begin{array}{r} \mathbf{\$418,000} \\ \mathbf{\text{(Deductible} \\ \mathbf{\text{Allowance)}}} \end{array} = \begin{array}{r} \$800,000 \\ \text{(ADFR)} \end{array}$$

$$\begin{array}{r} \$800,000 \\ \text{(ADFR)} \end{array} \times \begin{array}{r} 30\% \\ \text{(Contribution} \\ \text{Ratio)} \end{array} = \begin{array}{r} \mathbf{\$240,000} \\ \mathbf{\text{(Patient's} \\ \mathbf{\text{Contribution)}}} \end{array}$$

Patient's contribution further reduced upon regularisation of the CCF Medical Second Phase Programme

$$\begin{array}{r} (\$40,000 \\ \text{(Monthly} \\ \text{Household} \\ \text{Gross Income)} \end{array} - \begin{array}{r} \$38,500 \\ \text{(Monthly} \\ \text{Allowable} \\ \text{Deduction*)} \end{array} \times 12 + \begin{array}{r} (\$1,200,000 \\ \text{(Disposable} \\ \text{Capital)} \end{array} - \begin{array}{r} \mathbf{\$418,000} \\ \mathbf{\text{(Deductible} \\ \mathbf{\text{Allowance)}}} \end{array} = \begin{array}{r} \$800,000 \\ \text{(ADFR)} \end{array}$$

$$\begin{array}{r} \$800,000 \\ \text{(ADFR)} \end{array} \times \begin{array}{r} 20\% \\ \text{(Contribution} \\ \text{Ratio)} \end{array} = \begin{array}{r} \mathbf{\$160,000} \\ \mathbf{\text{(Patient's} \\ \mathbf{\text{Contribution)}}} \end{array}$$

Notes

*Breakdown of the Monthly Allowable Deduction:

<u>Items</u>	<u>Average amount per month</u>
	<u>(\$)</u>
Mortgage	15,880
Management fee	1,000
Rates	1,000
Provident fund (5% of the monthly salary)	2,000
Salary tax	1,000
School fees of children	2,000
Personal allowance	15,620
Total	<u>38,500</u>

The amount of patient's contribution is equal to the annual drug expenditure and therefore no subsidy will be provided.