

# 立法會 *Legislative Council*

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## **Panel on Health Services**

**Updated background brief prepared by the Legislative Council Secretariat  
for the meeting on 16 March 2015**

### **Private hospital development**

#### **Purpose**

This paper summarizes the concerns of the members of the Panel on Health Services ("the Panel") on private hospital development.

#### **Background**

2. The healthcare system of Hong Kong runs on a twin-track basis encompassing both public and private elements. At present, public hospitals provide about 27 400 hospital beds, whereas the 11 private hospitals provide about 3 900 beds in total. According to the Administration, around 88% of inpatient services (in terms of number of bed days) are provided by public hospitals. This has resulted in an imbalance between the public and private healthcare sectors in hospital services. While public healthcare services have been and will continue to be the cornerstone of Hong Kong's healthcare system, it is also the Government's policy to facilitate private hospital development with a view to increasing the overall capacity of the healthcare system to cope with the increasing service demand; addressing the imbalance between the public and private healthcare sectors; and enabling the public to have more choices of affordable and quality private hospital services.

3. To enhance the private healthcare capacity, the then Chief Executive announced in his 2008-2009 Policy Address that the Administration was identifying suitable sites including Wong Chuk Hang, Tai Po, Tseung Kwan O and North Lantau for the development of new private hospitals. Following an Expression of Interest Exercise launched in December 2009 to solicit market

interest in the above four reserved sites, the Administration formulated a set of special requirements<sup>1</sup> for the new private hospitals to be developed on new Government sites in January 2011. The Government put out the two reserved sites at Wong Chuk Hang and Tai Po for open tender from April to July 2012.

4. On 13 March 2013, the Government announced that three tender submissions were received in respect of the tender for the Wong Chuk Hang site. Upon approval by the Central Tender Board, the Government had entered into the Agreement and Conditions of Sale ("the Land Grant"), as well as the Service Deed with the successful tenderer (i.e. the GHK Hospital Limited)<sup>2</sup>. The new private hospital would commence operation by January 2017 and provide 500 hospital beds. As regards the Tai Po site, the Administration received one tender submission, which failed to fully meet the mandatory requirements set out in the tender documents. It was decided that the tender for this site be cancelled pursuant to the Government's Stores and Procurement Regulations.

5. At the meeting of the Panel on 15 July 2013, members were advised that given that The Chinese University of Hong Kong ("CUHK") had raised with the Administration a proposal to develop a private teaching hospital within its campus, and there was still residual development potential of the existing Tai Po Hospital site to meet the needs for additional rehabilitation hospital beds in Tai Po, the Food and Health Bureau considered that there was no need to reserve the piece of land for hospital development. Hence, it had decided to return the Tai Po site to the Development Bureau for other development purposes.

6. As regards the site reserved in Tsueng Kwan O, the Chief Executive announced in his 2014 Policy Address that the Government had accepted the recommendations of the Chinese Medicine Development Committee and reserved the site, which was originally earmarked for private hospital development, for setting up a self-financing Chinese medicine hospital.

## **Deliberations of the Panel**

7. The Panel discussed the development of private hospitals at a number of meetings between 2009 and 2014, and received views from deputations at a meeting. The deliberations and concerns of members are summarized in the following paragraphs.

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<sup>1</sup> These special requirements covered aspects of land use, date of commencement of operation, bed capacity, service scope, packaged charge and price transparency, service target, service standard, and reporting obligations.

<sup>2</sup> The tender submission from GHK Hospital Limited obtained the highest combined score for its service provision proposal and land premium offer (i.e. \$1.688 billion). The shareholders of the company are Singapore's Parkway Pantai Limited and Hong Kong-listed NWS Holdings Limited, whereas the Li Ka Shing Faculty of Medicine of The University of Hong Kong is its collaborating partner.

### Policy on private hospital development

8. Members noted that as stated by the Chief Executive in his manifesto, the current-term Government would examine measures to encourage non-profit making organizations to establish hospitals and operate them on a self-financing basis. Hence, the current-term Government's vision for healthcare in Hong Kong was to pursue a balanced healthcare system encompassing both public and private elements. In the meantime, any efforts to promote private healthcare development would be aimed at meeting the local demand. Some members were concerned that the Administration might shift the responsibility of meeting the public's healthcare needs to the private sector.

9. The Administration stressed that while the personalized and more accessible private hospital services would complement public hospital services to provide an alternative to the middle class, who could afford and were willing to seek private hospital services, the public healthcare services would continue to serve as the cornerstone of Hong Kong's healthcare system and the healthcare safety net for all. Apart from taking forward private hospital development, a number of public hospital redevelopment or expansion projects were under planning with a view to boosting the inpatient capacity, enhancing service quality, and renewing the building facilities of the public healthcare system.

10. Members enquired how a supply-demand equilibrium in the public and private healthcare sectors could be attained. The Administration advised that it was difficult, if not impossible, to set out a proper distribution of services in the two sectors. The Administration would strive to meet the demand for public healthcare services on the one hand, and on the other hand introduce the Voluntary Health Insurance Scheme (formerly the Health Protection Scheme) to encourage individuals who were able and willing to choose and pay for private healthcare to subscribe to private health insurance, so as to enable them to make greater use of private healthcare services on a sustained basis.

### Special requirements for private hospital development

11. Members considered it important to ensure adequate provision of affordable private hospital services to address the local healthcare needs. In discussing the set of special requirements for private hospital development at the two reserved sites at Wong Chuk Hang and Tai Po, there was a view that the minimum percentage of inpatient bed days for use by local residents per year should be increased from the proposed level of 50% to 70% in order to ensure that the new hospitals would accord service priority to local residents. Given the high level of charges of some existing hospitals, the Administration should ensure that the newly developed private hospitals would set their service charges

at a level affordable to most people in Hong Kong, especially the middle class, and adopt a transparent fee-charging system. The putting in place of a mechanism to ensure that these hospitals would not slant towards a particular type of service, in particular obstetric service, was another concern of members.

12. Members were subsequently advised that for the new private hospital to be developed at the Wong Chuk Hang site, i.e. Gleneagles Hong Kong Hospital ("GHK Hospital"), at least 70% of inpatient bed days taken up in a year would be used for provision of services to local residents. In addition, at least 51% of inpatient bed days taken up in a year would be used for provision of services to local residents at packaged charges through standard beds. While the relevant requirement set out in the tender document for the site was to cap the number of obstetric beds at no more than 20% of the total number of beds in the hospital, GHK Hospital would cap the total number of obstetric beds at no more than 3.2%. On the question of which services would be covered under a typical package in order to provide budget certainty to patients, the Administration advised that the packaged charge would cover all necessary services specific to a particular treatment or procedure. GHK Hospital was required to make available to the public comprehensive charging information of its services.

13. Concern was raised about the monitoring of GHK Hospital's fulfilment of its obligations and undertakings under the Land Grant and Service Deed, the term of both was 50 years. The Administration advised that apart from requiring GHK Hospital to pay liquidated damages if it failed to perform any of the deeds, the Government could take other measures, such as requiring it to implement a cure plan, exercising step-in rights to temporarily take partial or total control of the Hospital. Where necessary, the Government had the right to terminate the Service Deed, which would result in co-termination of the Land Grant.

#### Development of new private hospitals

14. Members were concerned about the development of new private hospitals. There was a view that the Administration's decision to reserve the site in Tsueng Kwan O which was originally earmarked for private hospital development for setting up a Chinese medicine hospital would render the middle class having fewer choices of private hospital services. There were suggestions that more sites of a smaller scale should be reserved for the development of private hospitals to meet the increasing demand for hospital services arising from an ageing population, and a site should be reserved at the Kai Tak Development Area or the West Kowloon Development Area for private hospital development.

15. According to the Administration, there would be around 40% increase in the number of private hospital beds by 2020. Apart from GHK Hospital, the Administration was considering various proposals from different organizations

to develop new private hospitals at private lands. For instance, CUHK had raised with the Administration a plan to develop a private teaching hospital with about 500 beds within its campus. The Hong Kong Society for Rehabilitation also proposed to develop a private hospital with more than 400 beds at the existing site of the Margaret Trench Medical Rehabilitation Centre in Lam Tin. A private organization had raised a proposal to develop a hospital with 230 beds on private land located at Clear Water Bay Road in Sai Kung. On the Hong Kong Island side, the Hong Kong Sheng Kung Hui was planning to develop a private hospital with 200 to 300 beds at the premises of the former Hong Kong Central Hospital in Central. A proposal to develop a private hospital with more than 400 beds at a vacated site of the Grantham Hospital was under consideration by the Hong Kong Tuberculosis, Chest and Heart Diseases Association. In addition, a number of existing private hospitals (including Hong Kong Baptist Hospital, Tsuen Wan Adventist Hospital, St. Paul's Hospital and Hong Kong Sanatorium & Hospital) were undergoing or had plans to undergo redevelopment or expansion.

### Manpower requirement

16. Concern was raised as to whether the expansion of private hospital services would lead to brain-drain from the public sector, thus further straining the public healthcare system and affecting the level and quality of public hospital services. The Administration advised that HA had put in place various measures to retain and attract talents. To enable more overseas-trained doctors to practise in Hong Kong, the Hong Kong Medical Council had agreed that the number of Licensing Examination would be increased to twice a year and consideration would be given to introducing more flexibility in internship arrangements for overseas-trained doctors. This apart, the Steering Committee on Strategic Review on Healthcare Manpower Planning and Professional Development would review, among others, manpower needs in the 13 healthcare disciplines that were subject to statutory regulation, taking into account the demand for both public and private healthcare services.

### **Recent developments**

17. CUHK has been actively planning the development of a non-profit making and self-financing teaching hospital at a site within its campus. On 21 August 2014, CUHK received a donation of \$1.3 billion from The Hong Kong Jockey Club Charities Trust for the development of the teaching hospital, which will be wholly-owned by the University. According to CUHK, the teaching hospital, to be named the Chinese University of Hong Kong Medical Centre ("CUHKMC"), will cover a total construction floor area of 78 000 m<sup>2</sup> and provide around 600 beds, with a number of beds set aside for public patients.

Aiming at providing quality private healthcare services at affordable prices and serving as a training ground for healthcare professionals and a base for clinical research, CUHKMC will provide a full range of inpatient, outpatient and ambulatory services. Its development costs will be financed by donations, the undesignated private fund reserve of CUHK and loans. Any surplus generated from the operation of CUHKMC will be used to support its future development, and meet the teaching and research needs of CUHK's Faculty of Medicine.

18. Separately, the Financial Secretary announced in the Budget Speech 2015-2016 that the Government would use part of the \$50 billion earmarked to support healthcare reform to offer loans to non-profit making organizations for private hospital development in order to address the acute shortage of private hospital beds.

19. The Administration will brief the Panel on 16 March 2015 on its proposal to create a new head named "Private Hospital Development" with a subhead of a standalone loan named "Loan for the CUHK Medical Centre Development Project" under the Loan Fund account for provision of a loan of \$4.033 billion for developing CUHKMC.

### **Relevant papers**

20. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

### Relevant papers on private hospital development

Committee	Date of meeting	Paper
Panel on Health Services	14.12.2009 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	7.5.2012 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a> <a href="#">CB(2)330/12-13(01)</a>
	18.12.2012 (Item I)	<a href="#">Agenda</a> <a href="#">CB(2)888/12-13(01)</a>
	21.1.2013 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	15.4.2013 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a> <a href="#">CB(2)1641/12-13(01)</a>
	15.7.2013 (Item II)	<a href="#">Agenda</a> <a href="#">Minutes</a>
	20.1.2014 (Item III)	<a href="#">Agenda</a> <a href="#">Minutes</a>