For information
on 18 July 2017

LEGISLATIVE COUNCIL

PANEL ON WELFARE SERVICES
PANEL ON HEALTH SERVICES

JOINT SUBCOMMITTEE ON LONG-TERM CARE POLICY

Subsidy for Chronic Patients to Purchase Expensive Drugs

PURPOSE

This paper briefs Members on the existing subsidy provided for patients with chronic illness to purchase expensive drugs at public hospitals and clinics.

BACKGROUND

2. In Hong Kong, public healthcare services are heavily subsidised by the Government. It is the Government's public healthcare policy to ensure that no one is denied adequate medical treatment through lack of means. As a publicly-funded healthcare services provider, the Hospital Authority (HA) strives to provide optimal care for all patients, and drug treatment is an integral part of healthcare services. In 2016-17, the total cost of drugs used by HA patients amounted to $6.2 billion[1], representing around 10.4% of HA's total operating expenditure. The effective management of drugs is therefore of paramount importance in ensuring that public fund is used rationally and efficiently to achieve value for money.

HA DRUG FORMULARY

3. HA implements the HA Drug Formulary (HADF) since July 2005 with a view to ensuring equitable access by patients to cost effective drugs of

[1] Unaudited drug expenditure for 2016-17.

proven safety and efficacy through standardisation of drug policy and utilisation in all public hospitals and clinics. Its development was underpinned by core values including evidence-based medical practice, rational use of public resources, targeted subsidy, opportunity cost consideration and facilitation of patients' choice. HADF evolves with regular appraisal of new drugs and review of the prevailing drug list under the established mechanisms. The review process follows an evidence-based approach, having regard to the principles of safety, efficacy and cost-effectiveness and taking into account relevant factors, including international recommendations and practices, advance in technology, disease state, patient compliance, quality of life, actual experience in the use of drugs as well as the views of relevant professionals and patient groups.

4. Based on the considerations as mentioned in paragraph 3 above, drugs on the HADF are categorised into the following four groups:

a) **General drugs** – These are drugs with well-established indications and cost effectiveness which are available for general use as indicated by patients with relevant clinical indications.

b) **Special drugs** – These are drugs used under specific clinical conditions with specific specialist authorisation.

c) **Self-financed drugs with safety net** – These are drugs which are proven to be of significant clinical benefits but too expensive for HA to provide as part of its standard services. Patients who require these drugs and can afford the cost have to purchase them at their own expense while HA would provide subsidies for patients who have financial difficulties through relevant funds.

d) **Self-financed drugs without safety net** – These include drugs with preliminary medical evidence only, drugs with marginal benefits over available alternatives but at significantly higher costs, and lifestyle drugs (e.g. anti-obesity drugs). These drugs are not provided as part of HA's standard services nor covered by the safety net. Patients who choose to use these drugs have to purchase them at their own expense.

5. As at 8 July 2017, there are around 1 300 drugs in the HADF, including 844 General drugs, 362 Special drugs, 42 self-financed drugs with safety net[2] and 68 self-financed drugs without safety net[3].

FINANCIAL ARRANGEMENT

Highly subsidised drug provision under standard fees and charges

6. Both General and Special drugs, which account for 92% of all drug items in the HADF, are provided according to clinical indications at standard fees and charges of respective services, which are highly subsidised for Eligible Persons (EP) utilising the public healthcare system. For EP attending specialist outpatient clinics, $15 is charged per drug item[4] to cover supplies up to 16 weeks[5]. In 2016-17, HA's total expenditure on provision of drugs at standard fees and charges amounted to $5 billion. Since the standard fees and charges are package rates covering a bundle of services, drug income is not separately tracked, except for the drug handling fee for specialist outpatient prescriptions which amounted to $0.14 billion[6] in 2016-17.

Self-financed drugs

7. As a publicly-funded healthcare organisation, HA has to ensure rational use of public resources so as to protect public health and patients' interest. Guided by the principles of evidence-based medical practice, targeted subsidy, opportunity cost consideration and facilitation of patients' choice, self-financed drugs in the HADF are non-standard provisions in HA.

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[2] Including 29 and 13 self-financed drugs covered by the Samaritan Fund and Community Care Fund Medical Assistance Programme respectively.

[3] A drug may fall in more than one category (General, Special, Self-Financed, Self-Financed with Safety Net) in HADF due to different therapeutic indications or dose presentations.

[4] This drug related charge was revised from $10 to $15 on 18 June 2017.

[5] Additional fees would be levied for specialist outpatient prescriptions in the multiples of $15 per drug item for each extended duration up to 16 weeks.

[6] HA's standard fees and charges for public healthcare services represent a package rate in which individual cost elements (e.g. staff cost, drug and consumable cost, etc.) are not further delineated. For specialist outpatient services, apart from attendance fee, patients have to pay for the drugs prescribed at the rate of $10 per item to cover supplies up to 16 weeks in 2016-17. The drug fee income quoted above represents the income (calculated at $10 per drug item after medical fee waiver) collected from eligible persons attending specialist outpatient clinics for drug prescriptions issued in 2016-17.

a) Self-financed drugs covered by Samaritan Fund (SF)

8. For self-financed drugs that are proven to be of significant benefits but too expensive for HA to provide as part of its subsidised services, HA provides financial assistance for needy patients through the safety net of SF. As at 8 July 2017, the SF covers 29 self-financed drugs for treating different types of diseases and the amount of drug subsidies granted under the SF has increased from $174.9 million in 2011-12 to $332.4 million in 2016-17. In 2016-17, around 62% of approved drug applications were fully subsidised by SF with average amount of subsidy granted per case at $130,000.

b) Self-financed drugs covered by Community Care Fund (CCF) Medical Assistance Programmes

9. In addition to the SF safety net, the CCF provides assistance for people with financial difficulties, in particular those who fall outside the social safety net or those within the safety net but have special circumstances that are not covered. The CCF also considers implementing measures on a pilot basis to help the Government identify those that can be considered for incorporation into its regular assistance and service programmes. The existing and impending CCF Medical Assistance Programmes provide subsidy for needy patients to purchase self-financed drugs. The existing First Phase Programme covers specified self-financed cancer drugs which have been rapidly accumulating medical scientific evidence and with relatively higher efficacy but have not yet fulfilled the criteria for inclusion into the safety net of SF; while the new programme, which will be implemented in August 2017, provides patients with subsidy to purchase ultra-expensive drugs.

10. Currently, there are 13 self-financed cancer drugs covered by the First Phase Programme. The amount of subsidies granted under the First Phase Programme has increased from $10.3 million in 2011-12 to $160.4 million in 2016-17. In 2016-17, around 67% of approved applications of the Programme were fully subsidised by the CCF with average amount of subsidy granted per case at $88,000. Under the new CCF Programme on ultra-expensive drugs, the HA will first include Eculizumab, a drug for treating Paroxysmal Nocturnal Haemoglobinuria, for specific patients with high risks who may have serious complications. The estimated maximum amount of subsidy for the first 12 months of implementation is $67.7 million.

c) Self-financed drugs without safety net

11. Self-financed drugs without safety net, which only accounted for around 5% of drugs included in HADF, are those drugs that have preliminary medical evidence only, drugs with marginal benefits over available alternatives but at significantly higher cost, or lifestyle drugs (e.g. anti-obesity drugs). The therapeutic objectives of these drugs fall outside the scope of highly subsidised public medical services. The provision of self-financed drugs without safety net provides patients with the additional choice of using such drugs at their own expense while continuing their treatment in the highly subsidised public healthcare system.

FINANCIAL ASSISTANCE MECHANISM

12. Since the implementation of HADF in 2005, the safety net of SF has been in place to subsidise needy and eligible patients for the expenses on self-financed drugs. The financial assessment criteria of SF are formulated under the principle of targeted subsidy, and patients will be given a full or partial subsidy for meeting drug expenses, depending on their households' affordability. HA takes into account the patients' annual disposable household financial resources (ADFR) and estimates their drug expenses in the coming year in assessing their affordability and determining their level of contribution to drug expenses.

13. The patient contribution was capped at 30% of the patient's household ADFR in July 2005 when the HADF was introduced. In response to public calls for relaxing the means test for granting subsidies under the safety net, HA had relaxed the financial assessment criteria and re-defined the calculation of disposable income, allowable deductions and disposable capital in 2008.

14. With the implementation of the CCF Medical Assistance Programme in August 2011, the prevailing SF mechanism including the above financial assessment criteria has been adopted for the First Phase Programme.

15. In 2012, the financial assessment criteria were further relaxed with a deductible allowance for calculating patients' disposable capital and simplified tiers of patient contribution ratio. Patients' maximum contribution

ratio for drug expenses was also reduced from 30% to 20% of their ADFR. The introduction of deductible allowance helps to protect the family savings and disposable capital from being depleted for drug expenses and thus help maintain the patients' and their family's living standard.

16. With effect from mid-June 2017, the "household" definition in the financial assessment has also been refined to include only the patient and his / her core family members living under the same roof, which include patient's spouse, children, parents and dependent siblings.

17. Through all the above measures, more HA patients become eligible for financial assistance to purchase specific self-financed drugs under the two funds. HA will continue to review the financial assessment criteria of the SF and CCF Medical Assistance Programmes, and make necessary enhancement if appropriate so as to benefit more needy patients.

ADVICE SOUGHT

18. Members are invited to note the content of this paper.

Food and Health Bureau
Hospital Authority
July 2017