For information
on 19 November 2018

Legislative Council Panel on Health Services

Review Findings of Means Test Mechanism for Samaritan Fund and Community Care Fund Medical Assistance Programmes

PURPOSE

This paper reports the findings of the review on the means test mechanism for the Samaritan Fund (SF) and Community Care Fund (CCF) Medical Assistance Programmes[1].

BACKGROUND

2. It is the Government's public healthcare policy to ensure that no one is denied adequate medical treatment due to lack of means. As the major provider of public healthcare services in Hong Kong, the Hospital Authority (HA) strives to provide optimal care for all patients. Patients are provided with medical services and drugs or medical items at highly subsidised rates based on their clinical needs and in accordance with HA's treatment guidelines.

3. Guided by the principles of evidence-based medical practice, targeted subsidy and opportunity cost consideration, the standard fees and charges in public hospitals and clinics do not apply to designated Privately Purchased Medical Items (PPMI) and self-financed drugs. While patients who need these items/drugs and have the ability to pay for their costs have to purchase at their own expense, financial assistance is provided through SF and CCF Medical Assistance Programmes to subsidise the medical

[1] CCF Medical Assistance Programmes include (i) CCF Medical Assistance Programme (First Phase Programme) ("First Phase Programme"), (ii) Subsidy for Eligible Patients to Purchase Ultra-expensive Drugs (Including Those for Treating Uncommon Disorders) ("Ultra-expensive Drugs Programme") and (iii) Subsidy for Eligible Patients of Hospital Authority to Purchase Specified Implantable Medical Devices for Interventional Procedures ("Medical Devices Programme").

expenses of patients who have financial difficulties for PPMI and specified self-financed drugs. Members were last briefed on the updated position of the support being given to patients under SF and CCF Medical Assistance Programmes at the meeting of 19 June 2018 (please refer to LC Paper No. CB(2)1578/17-18(03) for details.)

EXISTING MEANS TEST MECHANISM FOR SAMARITAN FUND AND CCF MEDICAL ASSISTANCE PROGRAMMES

4. Patients applying for financial assistance from SF and CCF Medical Assistance Progammes have to undergo means test to assess their ability to pay and determine their share of contribution. Similar to other publicly-funded safety nets, the financial assessment for subsidies under SF and CCF Medical Assistance Programmes has been household-based. With effect from mid-June 2017, the definition of "household" has 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.

5. Under the existing financial assessment criteria for drug subsidies under SF and CCF Medical Assistance Programmes, the level of patient contribution to drug expenses is determined by his/her household's annual disposable financial resources (ADFR) capped by a sliding scale (details at **Annex A**). The maximum patient contribution under the existing sliding scale is 20% of the patient's household ADFR. The current formula for calculating ADFR is based on the patient's household income and disposable capital, taking into account monthly allowable deductions[2] and deductible allowance[3].

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

6. For drugs with prices significantly higher than those currently

[2] Monthly allowable deductions include rental or mortgage payment, rates, Government rents, property management fee of the property occupied by the patient's household, salary tax, personal allowances set based on the Consumer Price Index A for the patient and his/her core family members living together, child care expenses, provident fund contribution, school fees of children up to age of 21 at secondary level or below, and medical expenses at public hospitals/clinics for the last 12 months (other than those subsidised by SF and CCF Medical Assistance Programmes).

[3] The amount of deductible allowance is set with reference to the prevailing asset limit for applicants for public rental housing (PRH) in assessing their eligibility for the Waiting List of PRH. The level of allowance is subject to annual review under an established mechanism with reference to the PRH's asset limit.

covered by SF, capping patient contribution at 20% of the patient's household ADFR may still cause financial hardship to the patients as some middle-class patients may have to co-pay up to several million dollars a year. In view of this, patient contribution under the CCF Ultra-expensive Drugs Programme has been capped at $1 million or 20% of the patient's household ADFR (whichever is lower) to offer extra protection for patients' assets.

THE REVIEW AND ITS FINDINGS

7. As reported to Members, HA has commissioned Jockey Club School of Public Health & Primary Care of the Chinese University of Hong Kong and the Department of Social Work of the Hong Kong Baptist University (the consultant team) in December 2017 to carry out a consultancy study to review the existing means test mechanism for SF and CCF Medical Assistance Programmes.

8. The consultant team has largely completed the study. Taking into account findings of the study, we have agreed on a number of enhancements to be made to the existing means test mechanism for SF and CCF Medical Assistance Programmes including:

(a) modifying the calculation of ADFR for drug subsidy applications by lowering the amount of assets to be counted; and
(b) refining the definition of "household" adopted in financial assessment.

Details of the enhancements are set out in the ensuing paragraphs.

Calculation of ADFR

9. Majority of the applications for drug subsidy under SF and CCF Medical Assistance Programmes are from families with relatively low earning power. With a view to offering further asset protection to such patients, the consultant team has studied the option of discounting a fixed percentage of patients' household net assets (i.e. household disposable capital after the deduction of deductible allowance) in the calculation of ADFR. The consultant team has analysed the scenarios of adopting different discounting percentages, and concluded that the Government should decide on the appropriate discounting percentage on balance of the

patients' ability to pay and the financial sustainability of the healthcare system.

10. Having considered various factors including the financial protection for patients and allocation of resources between increasing subsidy for individual patients and expanding the coverage of self-financed drugs under the safety net, we recommend that the calculation of ADFR be modified by discounting 50% of patients' household net assets as follows:

ADFR = (Monthly Household Gross Income – Monthly Allowable Deductions) x 12 + (Disposable Capital – Deductible Allowance) ***x 50%***

After calculation of ADFR, patients' actual contribution to the drug expenses will be determined in accordance with the sliding scale formula at **Annex A** which is further capped at 20% of ADFR.

Definition of "household"

11. Applications for subsidy under SF and CCF Medical Assistance Programmes are household-based, as families constitute the core units of a community and members of the same family should render assistance and support to each other. The existing definition of "household" is as follows:

Existing Household Definition
The patient and his/her core family members living under the same roof, including patient's spouse, children, parents and dependent siblings.

12. Nevertheless, with a view to relieving financial and emotional burdens of patients' families arising from expenditure on medical treatments, the consultant team recommended that the definition of "household" adopted for the means tests of both drug and non-drug items under SF and CCF Medical Assistance Programmes be refined. Under the refined definition of "household", the first step is to determine whether the patient is a dependent member of the household or not. For the purpose of the means test mechanism for SF and CCF Medical Assistance Programmes, a dependent is defined as a person who is unmarried AND either (i) under 18 years old; or (ii) 18-25 years old receiving full-time education. A patient who does not fulfil the above requirements is

classified as a non-dependent patient. The following table lists out major scenarios under the revised household definition:

Patient Type	Refined Household Definition
A dependent patient	The patient, his/her parents/legal guardians, and dependent siblings living under the same roof
A non-dependent patient	If married – the patient, his/her spouse, and dependent children (but not parents/legal guardians or siblings) living under the same roof If unmarried – the patient would be treated as a single person household (irrespective of whether parents/legal guardians or siblings are living under the same roof)

13. The above scenarios are not exhaustive. HA will formulate guidelines on how the household of the applicant should be defined under different scenarios taking into account the consultant team's recommendations. Furthermore, medical social workers will have discretion to adjust the household size based on their professional judgment on a case-by-case basis in light of special familial factors or circumstances that warrant exceptional consideration[4].

14. This refined definition of "household" helps alleviate the friction caused by requiring family members who are not financially connected with the patient to contribute and disclose their income and assets, thereby promoting more harmonious family relationship. By excluding parents from their adult-children's household, the refined definition also avoids depletion of parents' assets due to their adult-children's medical expenses.

Upper limit for patient contribution

15. According to the consultant team, with the adoption of the modified calculation of ADFR and the refined definition of "household" (collectively, the "Enhancement Measures") as stated in paragraphs 9 to 14 above, patient contribution under most cases will be reduced to a reasonably low level. Based on the data of the applications received from

[4] Examples include where a household member living with the patient leaves temporarily and where the patient is the main supporter of a non-household member (e.g. disabled family members) who lives together with him/her.

June 2017[5] to February 2018 (eight-month period) under SF and CCF Medical Assistance Programmes, no existing case will trigger the $1 million cap under the CCF Ultra-expensive Drugs Programme after implementation of the Enhancement Measures. Given the uncertainty in terms of the financial profile of potential new applications after the implementation of the Enhancement Measures, the existing $1 million cap under the CCF Ultra-expensive Drugs Programme is recommended to be retained. The Government and HA will review this cap in future having regard to the effect of the Enhancement Measures and the actual number of cases that may trigger the $1 million cap.

ESTIMATED BENEFITS AND FINANCIAL IMPLICATIONS

16. The consultant team has conducted an impact analysis of the Enhancement Measures on patient contribution based on the aforementioned eight-month data of SF and CCF Medical Assistance Programmes applications.

17. Among a total of 2 286 applications for drug subsidy[6] approved during the 8-month period, it is estimated that 670 applications will be better off after the introduction of the Enhancement Measures. These patients would be paying a smaller amount of contribution by an average of around $30,000 per application. By projecting this estimate to annual basis, the Enhancement Measures will lower patient contribution for around 1 005 existing applications per year. Further, patients who are currently enjoying full or partial subsidy will continue to benefit.

18. The consultant team has conducted a quantitative analysis on the financial implications of the Enhancement Measures. Apart from increase in drug subsidy among existing cases, there will also be additional financial implications due to new applications which may potentially be made by those who might become eligible for subsidy as a result of the Enhancement Measures.

19. In 2017-18, the total drug consumption expenditure on General and Special Drugs in the HA Drug Formulary is $5.37 billion, serving around 21 million patient attendances[7] with an average drug cost of

[5] After the current definition of "household" took effect on 18 June 2017.

[6] All these applicants are not under the Comprehensive Social Security Assistance (CSSA), as CSSA applicants will be granted full assistance under SF or CCF Medical Assistance Programmes without going through the means test, and hence not affected by the Enhancement Measures.

[7] It is the estimated total of the number of inpatients, outpatients and Accident & Emergency attendances in 2017-18.

around $256 per attendance, whereas the total drug subsidy provided through SF and CCF Medical Assistance Programmes amounts to $536.1 million for 4 405 cases with an average subsidy of around $122,000 per case. By assuming a 30% increase in the number of non-CSSA applications for drug subsidy under SF and CCF Medical Assistance Programmes after the implementation of the Enhancement Measures, it is roughly estimated that the total annual drug subsidy will increase by around $209.7 million to $745.8 million for approximately 5 433 cases, with an average subsidy of around $137,000 per case. This represents around 40% increase in total annual drug subsidy (graphical presentation of the estimated increase is at **Annex B**). Breakdown of the financial implications is at **Annex C**.

WAY FORWARD

20. With a view to ensuring smooth implementation of the Enhancement Measures, HA will need to gear up its staff and adjust the current IT system for financial assessment. It is targeted that the Enhancement Measures will be implemented for new applications of drug subsidy starting from mid-February 2019. In view of relatively high drug cost and small number of patients under the CCF Ultra-expensive Drugs Programme, it is aimed that the Enhancement Measures will be applicable for new applications under this programme starting from January 2019.

21. It is expected that the Enhancement Measures will significantly alleviate the financial burden on patients' families arising from drug expenditure. The consultant team has also studied other related issues such as the means test mechanism for non-drug items and patients who are in need of multiple and/or recurrent items. The Government and HA will continue to study these issues taking into account the recommendations by the consultant team, the views of stakeholders and HA's capacity on an incremental basis.

ADVICE SOUGHT

22. Members are invited to note the above review findings of the means test mechanism for SF and CCF Medical Assistance Programmes.

Food and Health Bureau
Hospital Authority
November 2018

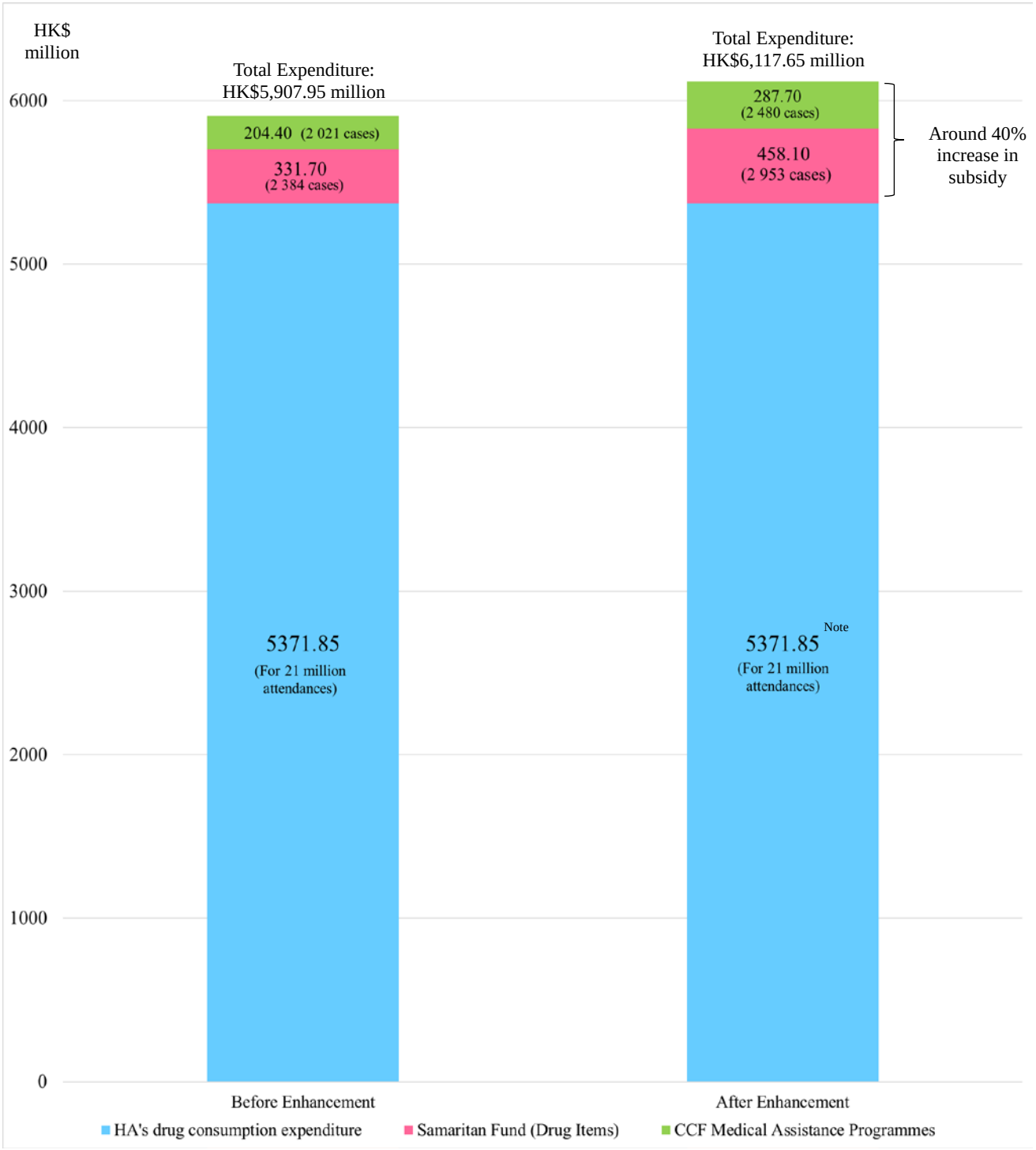
Annex A

Patient's Contribution under the Existing Sliding Scale Formula

(A) Annual Disposable Financial Resources (ADFR) ($)	(B) Contribution Ratio (%)	(C) Maximum Contribution from Patient ($) (C) = (A) x (B)	(D) ADFR after deducting Annual Contribution ($) (D) = (A) - (C)
0 - 20,000	-	0	0 - 20,000
20,001 - 40,000	-	1,000	19,001 - 39,000
40,001 - 60,000	-	2,000	38,001 - 58,000
60,001 - 100,000	5	3,000 - 5,000	57,001 - 95,000
100,001 - 140,000	10	10,000 - 14,000	90,001 - 126,000
140,001 - 180,000	15	21,000 - 27,000	119,001 - 153,000
180,001 - 280,000	20	36,000 - 56,000	144,001 - 224,000
280,001 - 380,000	20	56,000 - 76,000	224,001 - 304,000
380,001 - 480,000	20	76,000 - 96,000	304,001 - 384,000
480,001 - 580,000	20	96,000 - 116,000	384,001 - 464,000
580,001 - 680,000	20	116,00 - 136,000	464,001 - 544,000
680,001 - 780,000	20	136,00 - 156,000	544,001 - 624,000
780,001 - 880,000	20	156,00 - 176,000	624,001 - 704,000
880,001 - 980,000	20	176,00 - 196,000	704,001 - 784,000
980,001 - 1,080,000	20	196,00 - 216,000	784,001 - 864,000
≥ 1,080,001	20~	as calculated (maximum contribution from patient capped at $1 million under the CCF Ultra-expensive Drugs Programme)	

Annex B

Indicative Impact of the Enhancement Measures on Total Drug Expenditure (using 2017-18 figures as basis)



Note: assuming no change in HA's drug consumption expenditure after Enhancement

Annex C

Annual Financial Implications on Drug Subsidy under SF and CCF Medical Assistance Programmes

(with 50% discount of patient's household net assets in calculation of ADFR and refined "household" definition)

Programmes	Amount of Subsidy Granted in 2017/18[1] ($ million) (a)	Annual Increase in Subsidy[2] ($ million)			
		For existing cases (b)	For potential new cases[3] (c)	Total Increase in Subsidy (d) = (b) +(c)	% of increase (d)/(a) x100%
Samaritan Fund (Drug Items)	331.7	17.2	109.2	126.4	39%
CCF First Phase Programme	168.8	9.5	60.5	70.0	42%
CCF Ultra-expensive Drugs Programme	35.6	1.2	12.1	13.3	38%
Total	536.1	27.9	181.8	209.7	40%

[1] Actual amount of subsidy granted in 2017-18 (i.e. 1 April 2017 to 31 March 2018).

[2] Per estimation from the consultant team based on 8-month data of SF and CCF applications between June 2017 and February 2018.

[3] By assuming a 30% increase in non-CSSA applications.