

CHAPTER 1 INTRODUCTION

OVERVIEW

1.1 This chapter sets out the background of the Review, and the terms of reference and membership of the SC.

HEALTHCARE SERVICES IN HONG KONG

1.2 Hong Kong has a twin-track healthcare system by which the public and private healthcare sectors complement each other. The public sector is the predominant provider of secondary and tertiary healthcare services. As at 31 March 2015, the public hospitals provided about 27,600 hospital beds, accounting for almost 90% of inpatient services (in terms of number of bed days) in Hong Kong. Apart from hospital services, the public sector also provides medical treatment and rehabilitation services to patients through specialist clinics and outreaching services. The public healthcare system provides the Hong Kong population with equitable access to healthcare service at highly subsidised rates (e.g. flat rate of \$100 per day of hospitalisation for acute general beds, compared to the estimated cost of \$4,910 incurred by HA in 2015-16). As the safety net for all, the public sector focuses its services on four target areas –

- (a) acute and emergency care;
- (b) lower-income and under-privileged groups;
- (c) illnesses that entail high cost, advanced technology and multi-disciplinary professional team work; and
- (d) training of healthcare professionals.

1.3 The private sector complements the public healthcare system by offering choice to those who can afford and are willing to pay for healthcare services with personalised choices and better amenities. It provides a variety of choices of healthcare services, including primary care (about 70% of outpatient services in terms of attendance) as well as specialist and hospital care. In 2014, there were 11 private hospitals in the private sector providing about 3,900 beds in total.

1.4 According to Hong Kong's Domestic Health Accounts 2011-12, total healthcare services were funded roughly equally by public and private sources at \$49.3 billion and \$52.7 billion respectively. Private healthcare services were mainly financed by household out-of-pocket expenditure (68%) and insurance pay-out (29%, including individually purchased private health insurance and employer-provided private health insurance). Public healthcare services, on the other hand, were predominately financed by public funding from the Government budget.

ESTABLISHMENT OF HA

1.5 Nowadays, HA is providing some 7.0 million SOPC attendances, 8.0 million patient days (including inpatient and day inpatient services) and 2.2 million A&E attendances (2014-15 figures).

1.6 HA's enormous services today have been achieved through the strenuous efforts of many over the past two decades. As a matter of fact, back in 1980s before the establishment of HA, the public hospital service of Hong Kong had been subject to intense pressure from increasing costs, rising community expectations and increasing demand. It suffered from many weaknesses, as manifested by the extensive use of camp beds, variable standards among Government and subvented hospitals, and lack of consistent overall management at senior professional levels. The highly centralised decision-making arrangement then was seen by many critics as the major contributing factor to inflexibility, inefficiency and low staff morale. In 1985, the Government commissioned a management consultant firm, W.D. Scott Pty Company, to review the management of the public hospital system. The outcome of the review was the "Scott Report", which recommended, *inter alia*, the establishment of a statutory HA responsible for the overall management of the Government and subvented hospitals, which were then to become public hospitals with a common fee structure, but otherwise operating with a high degree of developed authority. HA was to be independent of the Civil Service and thus able to practise private sector management and financial methods. The Scott Report also made recommendations to alleviate overcrowding and improve working environment at the public hospitals.

1.7 After the careful study of the Scott Report and thorough public consultation, the Government concluded that an independently administered hospital system, in the form of a statutory HA, should be established to oversee the management of public hospitals and to integrate the then dual system of Government and subvented hospitals. With the Scott Report receiving broad

support, the Government established the Provisional HA in 1988 to consider and make recommendations on matters relating to the establishment of HA. Following preparatory work, the Provisional HA made a report setting out the objectives for the future HA and a number of broad principles for hospital service reforms. One of such broad principles was the greater delegation of authority to the hospital level so that more effective management could be introduced.

1.8 HA was inaugurated on 1 December 1990 with the enactment of the HA Ordinance (Cap 113). It formally took over the management and control of all public hospitals a year later.

WORK OF HA AT PRESENT

1.9 Since its establishment, HA has enhanced Hong Kong's public healthcare services and the overall quality of patient care. It serves as a safety net for the community, particularly the low-income groups and those with illnesses that entail high cost in the treatment. HA also supports the Government through a well-established emergency preparedness and contingency response mechanism which assists in natural and civil disasters, pandemics and major international events, e.g. providing emergency response support in the ferry collision off Lamma Island in 2012, and sending rescue medical teams in emergency operations outside Hong Kong, etc.

1.10 As a key player in Hong Kong's twin-track healthcare system, HA helps set benchmarks for medical services in the local setting. It takes the lead to develop evidence-based medicine, family medicine, ambulatory/community-based care and research-oriented Chinese Medicine according to the modern trends of medical development. In addition, it collaborates with the medical schools of the local universities to provide training to medical students and is the training ground for specialists in various clinical specialties. As at 28 February 2015, HA employed 70,132⁴ staff (full-time equivalent (FTE)), including 5,910 medical staff, 23,721 nurses, 6,891 allied health professionals, 13,665 care-related supporting staff and 19,946 other staff.

1.11 HA is playing these important roles in Hong Kong's healthcare system with the total expenditure of \$49.6 billion in 2013-14, representing some 2.3% of Hong Kong's annual Gross Domestic Product⁵. Hong Kong has consistently been rated as having one of the most efficient healthcare systems in

⁴ Figures may not add up due to rounding when calculating FTE manpower.

⁵ 2013-14 figure of Gross Domestic Product, Fourth Quarter 2014, Census and Statistics Department

the world⁶. The reliable and high quality services provided by HA and the professionalism displayed by its staff are very well received by Hong Kong people. According to a patient satisfaction survey commissioned by HA and conducted by the Chinese University of Hong Kong in 2013, over 80% of the respondents rated the care provided by HA doctors and nurses as good or very good⁷. On the operational front, our public hospitals have demonstrated remarkable professionalism and resilience in tackling unprecedented threats of infectious diseases pandemics in recent years. At the corporate level, HA received the Directors of the Year Award 2014 and the special recognition of Excellence in Board Diversity from the Hong Kong Institute of Directors.

1.12 Some 18 public hospitals, in a few years' time, have achieved full accreditation status by the Australian Council on Healthcare Standards since 2009. Various public hospitals have received different Asian Hospital Management Awards, which recognise hospitals in Asia for outstanding programmes and best practices. Professionally, renowned medical teams in HA excel in advanced treatment options, for examples, as reflected in breakthroughs in organ transplant and bone marrow transplant operations and robot assisted technology in surgeries, winning international acclaims and more importantly benefiting local patients.

THE REVIEW

1.13 While HA has so far been able to provide a high level of quality healthcare services, the demand for such services will rise further given the ageing population and rising expectations. HA faces the challenges of maintaining and improving the quality and level of services while coping with such a rising service demand, especially in respect of the long waiting time for first consultation in many specialties. There is also a perception that HA's ability to redeploy and optimise resources to tackle the long waiting time problem is hindered by clusters competing for their own interests and putting their own interests before that of HA as a whole. In this connection, the Chief Executive announced in his Policy Address in 2013 that the Government would set up a steering committee to conduct a comprehensive review of the operation of HA to explore viable measures for enhancing the cost-effectiveness and quality of its services.

⁶ Hong Kong was rated the first and second by Bloomberg in its ranking of the "Most Efficient Health Care Systems in the World" in 2013 and 2014 respectively.

⁷ Hospital-based Patient Experience and Satisfaction Survey 2013 Report, the Jockey Club School of Public Health and Primary Care of the Faculty of Medicine of the Chinese University of Hong Kong, http://www.ha.org.hk/visitor/ha_view_content.asp?Parent_ID=220239&Content_ID=222116&Ver=HTML

1.14 Set up in August 2013, the SC is chaired by the Secretary for Food and Health, and comprises 15 non-official members, five official members (including the Chairman) and two HA representatives. Non-official members of the SC comprise people from a wide range of backgrounds and interests, including healthcare professionals, academics and representatives from business, welfare sectors, patient groups and front-line staff of HA. The membership of the SC is at **Annex 1**.

1.15 The Review covers the major areas of HA's operations: management and organisation structure, resource management, staff management, cost effectiveness and service management, and overall management and control. It aims to improve the operation of HA so that, as the cornerstone of the public healthcare system and the safety net for the public, HA can continue to provide quality services and meet the challenges brought about by social development and ageing population more effectively.

1.16 More specifically, the terms of reference of the SC are as follows –

The SC, in response to the changes in society and the challenges facing HA, such as ageing population, increasing demand for healthcare services, rising medical costs and manpower constraints, is to –

- (a) undertake an overall review of HA's organisation structure and management, cluster arrangement, internal resource management, service levels and overall cost effectiveness;
- (b) identify areas requiring improvements and examine and evaluate possible measures with a view to enabling HA to effectively perform its role as the service provider of public healthcare safety net to the community; and
- (c) make recommendations on ensuring HA will continue to provide quality and effective public healthcare service of high standard under the twin-track healthcare system.