

Chinese Medicine Hospital Project Office 3rd Consultation Session

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Discussion Topics

- Financial Arrangement
- Contract Management & Performance Assessment

Financial Arrangement

- 1. Setup & Commissioning**
2. Commencement and Continual Provision of Hospital Patient Services
3. Hospital Expenditure and Income Arrangements
4. Business Initiatives

Roles & Responsibilities in Setup & Commissioning

	Government's role & responsibilities (with provision of funding)	Operator and CMH's role & responsibilities (funded by commissioning fee through tender bidding)
Hospital design & construction	Plan, design & build including land, construction and building services	Give user input esp. in the detailed design stage and subsequent facilities acceptance
F&E under CWRP Project Vote	Provide and procure	Give user input in preparing specifications and subsequent acceptance
IT system	Design & provide	Give user input, acceptance and training
Support to the CMH Board & preparation work for licensing and service commencement	Monitor progress	① Setup Project Team
		② Setup Hospital Team
		③ Setup Company
		④ Support Board
		⑤ Acquire licenses
		⑥ Prepare hospital policy & guidelines, plans
		⑦ Prepare hospital contracts, staff employment & training
		⑧ Test - run services
		⑨ Prepare & procure consumables & materials

Arrangement on Setup Items

1. The provision by the Government would be adequate for starting hospital operation and patient services
2. For items exceeding the government-funded scope of works/F&E/IT system, the Operator should fund and develop/procure and transfer the ownership to CMH

Commissioning Commitments

1. Operator and CMH company are required to fulfill all commitments in the tender
2. Operator and CMH company have to provide manpower support on the preparatory work for CMH commissioning
3. Tenderers are required to include a bid on submitting tender for the required commissioning work

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Roles & Responsibilities in Continual Provision of Hospital Patient

	Government's role & responsibilities	Operator and CMH's role & responsibilities
Site, building, defined F&E list, defined IT scope	Landlord and asset owner; responsible for maintenance, replacement and development (Defined F&E list: replacement funded by Government)	User (Defined F&E list – maintenance by CMH)
Internal premises, other F&E & IT	Review & Monitor	Maintenance, replacement and development (annual financial provision)
Defined subsidized medical services, agreed training & research	Funded by Government	Operate and provided by CMH
Self-financed services, training, research & business initiatives	Contract management	Management, development, financial sustainability
Management fee	Performance assessed by Government & fee paid by CMH	Pay to Operator for performance management
Financial commitment	Contract commitments	Capped financial commitment

(1) Capped Financial commitments

- A bid on the maximum financial commitments (\$M) is required to submit by the tenderers
 - Amount committed to cater for potential hospital deficit
 - Fund will be offset for deficit after mobilizing the hospital surplus of the financial year
 - Total fund injected can be partially or wholly recouped when surpluses appear in subsequent years

(2) Government Recurrent Subvention

- With the annual planning mechanism, funding from the Government will be allocated to CMH for subsidized patient services, training and research
 - Designated fund (Service, Training, Research)
 - Budget usage actual deliverables

(3) Defined Subsidized Medical Services, Agreed Training & Research

Services

- To fund at cost as far as possible
- Initial years priced through tender bidding
- Pricing by actual costing at intervals
- Formula based adjustment for years in between

(3) Defined Subsidized Medical Services, Agreed Training & Research

Training & Research

- According to the agreed programmes and their associated costs through annual planning.

(4) Surplus Account

- CMH's account to hold operation surplus
- For **deficit year-end operation**
 - Surplus Account would be called first to replenish operation deficit
 - Followed by Operator committed fund
- For **surplus year-end operation**
 - Positive balance in the Surplus Account
 - Mechanism to replenish cumulative fund injection by Operator or Government if any

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Expenditure –

(1) Management Fee & Incentive Scheme

- Operator is allowed to charge CMH a management fee per year based on performance as part of the expenditure
- Tiered incentive scheme
 - Corresponding to performance assessment by the Government
- Tenderers are required to submit the bid on base case management fee

Expenditure –

(2) Development & Maintenance Fund

- CMH will be required to make annual financial provision for **major F&E, Works & IT**
 - Mainly for criteria based lists of **major F&E, Works & IT**
 - Ensure sustainable operation and development
 - Complementary to operation account, **NOT** the only source of funding for these purposes

Income

1. Government funded subsidized services, training & research
2. Fees and charges from patients of government subsidized services
3. Fees and charges from patients of self-financed clinical and non-clinical services
 - CMH can provide value-added services outside the scope of subsidized service
4. Income by conducting self-financed training & research

Income

5. Income from business initiatives
6. Donation
 - CMH will be required to perform at least a territory wide donation drive each year
7. Investment & Financing (Restricted)

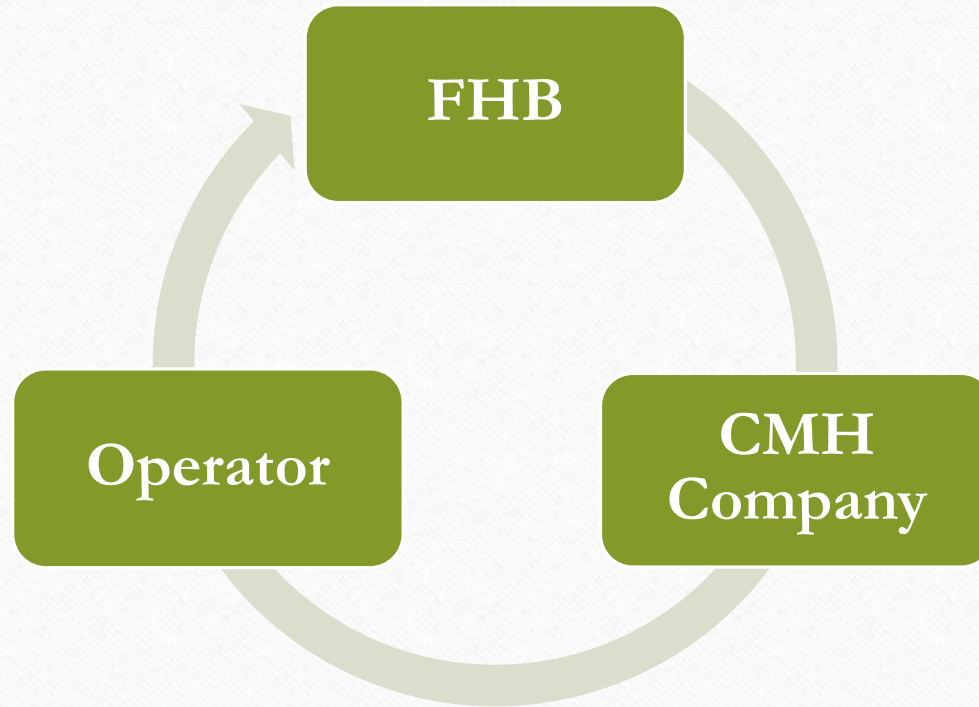
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4. **Business Initiatives**

Objectives – Business Initiatives

- CMH could develop **related** business initiatives to **better accomplish its missions and functions**:
 - Enhance capabilities in providing service, training and research
 - Enhance the quality of service including widening the service scope
 - Facilitate collaboration in promoting development of CM and CMs in HK
 - Promote and create values of CM in healthcare

Contract Management



Contract Management Actions

	Category of actions	Schedule	FHB	Operator / CMH Company
Control on Finance				
1	Management Fee Scheme	Annually	To assess the performance level of the Operator / CMH's company and decide the level of management fee (tiered) according to the performance	Accountable for management outcomes
2	Bank Guarantee	Defaulted commitments as stipulated in the tender	To withdraw part or full of the Bank Guarantee set up by the Operator	To replenish the Bank Guarantee as stipulated in the tender

Contract Management Actions

Category of actions	Schedule	FHB	Operator / CMH Company
Control on Performance (i)			
3 Written Advice / Instruction	Unsatisfactory performance as stipulated in the tender	To issue written advice / instruction for improvement	To provide response, implementation plan & Implement actions to the satisfaction of the Government

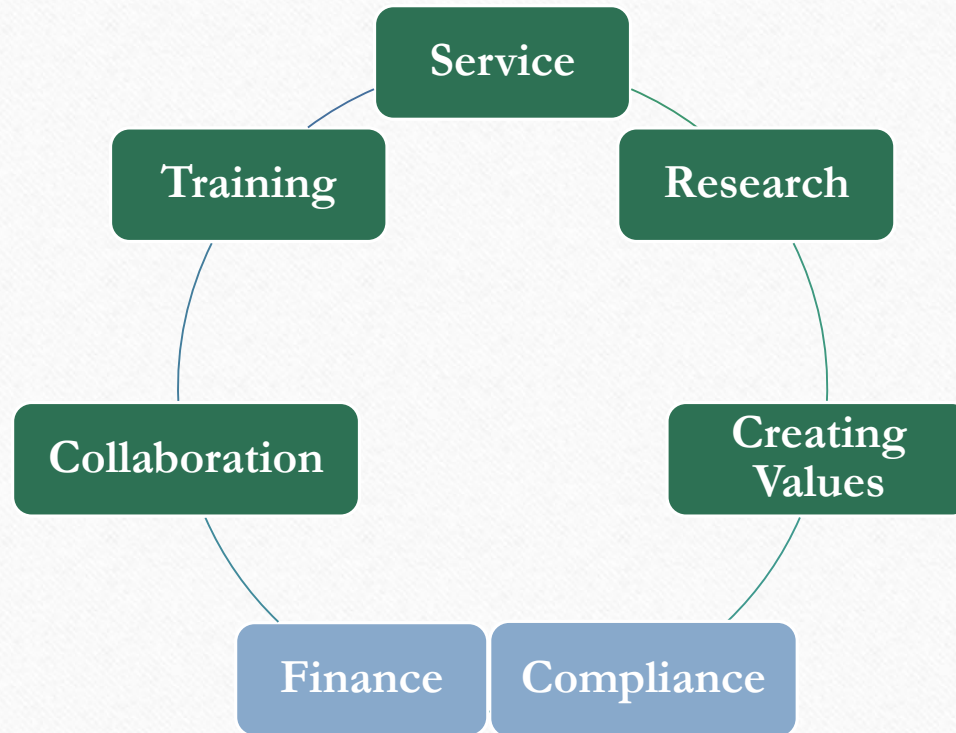
Contract Management Actions

Category of actions	Schedule	FHB	Operator / CMH Company
Control on Core Management Team (CMT)			
4 Termination of Appointment	<p>Unsatisfactory performance by the CMT</p> <p>Individual / Team</p>	Both through contract management and as CMH Board members	Change individual member or whole CMT
5 Step-in arrangement		To execute its authority in sending Management Team to take over the duties from the original CMT	Assist & facilitate change in Management

Contract Management Actions

Category of actions	Schedule	FHB	Operator / CMH Company
Control on Performance (ii)			
6 Performance Guarantee (PG) as required	Unsatisfactory performance as stipulated in the tender	To execute PG requiring another party to provide <u>services and obligations for the Operator</u> according to the terms under the contract	Facilitate execution of PG
7 Termination of Contract		To terminate the contract with Operator in advance, short notice or immediate	To facilitate transition

Performance Assessment



Performance Assessment

	Category	Sub-category	Sub-group	Sub-set
A	Service	① Patient Service	(i) Quantity	--
			(ii) Quality	(i) Patient experience
				(ii) Hospital inspection
		(iii) Patient safety		
		② Management	Board assessment	
		③ Staff	(i) Staff assessment	
			(ii) Staff attrition	
			(iii) Staff vacancy	

Performance Assessment

	Category	Sub-category
B	Training	① Internal staff training
		② Basic CMP training post
		③ Advanced CMP training post
		④ University undergraduate training
		⑤ Post-registration training programme for related CM & WM professionals

Performance Assessment

	Category	Sub-category
C	Research	① Research fund
		② Research programmes in CMH
		③ Utilization of Clinical Trial & Research Centre
D	Collaboration	Collaboration on service, training and research with CMCTRs or other organizations
E	Creating Values	Programmes for promoting CM and health education
F	Finance	Financial viability
G	Compliance	① Contract compliance
		② Legal compliance

Thank you