

Report No. 47 of the Director of Audit — Chapter 5

HOSPITAL AUTHORITY: MANAGEMENT OF OUTSTANDING MEDICAL FEES

Summary

1. The Hospital Authority (HA) is a statutory body established in December 1990 to manage all public hospitals (hospitals) in Hong Kong. For the financial year 2006-07, the Government's recurrent subvention to the HA is estimated to be \$27,761 million. The HA is accountable to the Government through the Secretary for Health, Welfare and Food.

2. Under the existing system of medical fees and charges (fees), eligible persons (EPs) are entitled to use public medical services which are heavily subsidised at about 96% of the full cost. EPs are: (a) holders of the Hong Kong Identity Card; or (b) children who are Hong Kong residents and under 11 years of age; or (c) other persons approved by the Chief Executive, HA. Non-eligible persons (NEPs – i.e. persons who are not EPs) also have access to public medical services. However, they have to pay fees set on a full-cost recovery basis. Both EPs and NEPs can obtain medical services as private patients from hospitals. These services are charged at the market rate which should at least be at full cost.

3. In 2005-06, the fee income of the HA amounted to \$1,607.7 million. As at 31 March 2006, the amount of fees owed by patients was \$130.4 million. In 2005-06, fees written off by the HA amounted to \$43.9 million.

Audit review

4. The Audit Commission (Audit) has recently conducted a review to examine the economy, efficiency and effectiveness of the management of outstanding fees by the HA.

Collection of outstanding fees by hospitals

5. Audit visited five major hospitals between December 2005 and April 2006 to ascertain the management of outstanding fees at the hospital level. Audit notes that there is scope for improvement in various areas.

6. **Hospitals' initiatives to improve collection of fees.** Audit noted that some hospitals had developed their own initiatives to improve the collection of fees. *To maximise the impact of these good initiatives, Audit has recommended that the Chief Executive, HA should evaluate the effectiveness of the hospitals' initiatives and develop good practice guidelines for dissemination among all hospitals.*

7. **Recovery of outstanding fees by telephone.** Audit's examination of the recovery of outstanding fees by making telephone calls to patients revealed that some hospitals had not kept proper records of calls made. Hospitals took an average of 97 days to make the first telephone calls to the patients after they were discharged from hospitals. *Audit has recommended that the Chief Executive, HA should issue guidelines to hospitals on maintaining proper records of telephone calls made to patients, and on the time-frame for hospitals to make telephone calls to patients.*

8. **Forwarding of unsettled cases to Hospital Authority Head Office.** In 2005-06, hospitals had forwarded 42,000 unsettled cases to the Hospital Authority Head Office (HAHO) for further recovery action. Audit noted that in 35,598 (85%) cases, the time span for forwarding to the HAHO was more than six months, and in 12,228 (29%) cases, it was more than 12 months. *Audit has recommended that the Chief Executive, HA should take measures to ensure that hospitals forward unsettled cases to the HAHO in a timely manner.*

9. **Arrangement for settlement of fees by instalments.** The HAHO has not laid down guidelines on situations where payments by instalments are allowed, and the assessment procedures to be followed. As a result, some hospitals have not used such arrangement whereas some hospitals have been using it more frequently than others. *Audit has recommended that the Chief Executive, HA should devise and promulgate formal guidelines and assessment procedures for the payment of fees by instalments.*

Collection of outstanding fees by Hospital Authority Head Office

10. **Write-off of outstanding fees.** It is the HA's practice that upon receipt of unsettled cases from hospitals, the HAHO will, for accounting purpose, write off the outstanding fees. Audit noted that the write-offs had been approved according to the delegated authority. However, the recording of write-offs was often made before the approval was obtained. *Audit has recommended that the Chief Executive, HA should issue guidelines to HAHO staff to ensure that unsettled fees are only written off from the accounting records after an approval has been obtained.*

11. **Issue of warning letters to defaulters.** Each month, the HAHO issues warning letters to a number of defaulters. Basically, defaulters are selected from those who: (a) owed an amount per case that falls into a Category I or Category II debt (Note); and

Note: *The HA has internal guidelines which define the range of outstanding amounts of medical fees that constitutes Category I debts. Outstanding fees exceeding the maximum amount of Category I debt are considered Category II debts. For confidentiality reasons, these amounts are not disclosed in this report.*

(b) have received the final notices from the HA. In 2005-06, of the 3,900 cases which met the two criteria, the HAHO had not issued warning letters in 1,744 (45%) cases which amounted to \$9.7 million. Audit's analysis indicates that it is desirable for the HAHO to increase the number of warning letters to be issued. Audit also notes that, as compared with the large number of cases with less than Category I debts, the number of warning letters issued to those defaulters who owed such debts is insignificant. *Audit has recommended that the Chief Executive, HA should consider increasing the number of warning letters to be issued.*

12. ***Unsettled cases with Category I debts.*** The HAHO took an average of 270 days to file a claim with the Small Claims Tribunal (SCT) to recover outstanding fees. *Audit has recommended that the Chief Executive, HA should take necessary measures to expedite the filing of claims with the SCT.*

13. ***Unsettled cases with Category II debts.*** Audit's examination revealed that the time span, which ranged from 170 to 248 days, for seeking legal advice on fee recovery by the HAHO was long, and that there were some private patient cases of which the amounts of deposits were insufficient to cover the hospital fees. *Audit has recommended that the Chief Executive, HA should consider setting a time-frame within which legal advice should be sought, and remind the Hospital Chief Executives to demand, if necessary, a higher amount of deposit from private patients.*

14. ***Manpower requirement of collection team.*** There are only two staff (i.e. the Accounting Supervisor and Clerk II) who are more actively involved in collection of outstanding fees at the HAHO level. They have to deal with a large number of unsettled cases including undertaking all sorts of recovery actions which are often laborious and time-consuming. *Audit has recommended that the Chief Executive, HA should review the manpower requirement of the HAHO collection team.*

15. ***Performance management.*** Audit notes that the HAHO has published limited performance indicators on the collection of outstanding fees. *Audit has recommended that the Chief Executive, HA should: (a) identify and develop more efficiency and effectiveness indicators to assess the performance of the HA's collection of outstanding fees; (b) set targets for the performance indicators developed; and (c) publish the result against the performance indicators and targets set.*

Use of public medical services by non-eligible persons

16. ***Remedial measures.*** The increasing use of public medical services by NEPs has put heavy pressure on the frontline staff of hospitals. It has also caused a significant increase in bad debts. The Health, Welfare and Food Bureau (HWFB) and the HA had considered possible measures to address the problem. Since 1 September 2005, the HA has implemented an obstetric package for NEPs. In January 2006, it was also decided that the HWFB would complete before June 2006 the drafting instructions for the necessary legislative amendments to effectuate the proposed measure that an NEP defaulter could be prevented from re-entering Hong Kong. However, since January 2006, the HWFB has

re-considered the proposed measure. A decision was not yet reached as to whether it should be implemented by legislation or through administrative means. *Audit has recommended that the Secretary for Health, Welfare and Food should expedite the review of the implementation of the proposed measure and report the decision to the Legislative Council Panel on Health Services.*

17. ***Encouraging non-eligible persons to purchase travel insurance.*** In 2005-06, there were unsettled cases with Category II debts that involved NEPs from the Mainland who had accidents during their stay in Hong Kong. *To minimise the incidence of bad debts arising from hospitalisation of Mainland visitors, Audit has recommended that the Secretary for Health, Welfare and Food should, in consultation with the Commissioner for Tourism, consider taking measures to promote the idea that Mainland visitors should have travel insurance for their visit to Hong Kong.*

Measures to minimise need for recovery and write-off of fees

18. ***Frequent defaulters.*** Audit noted that for the five years ended 31 August 2006, about 161,000 EPs and 37,000 NEPs had defaulted on payment of fees, amounting to \$99 million and \$223 million respectively. Some of these patients had frequently defaulted on payments. Audit also notes that hospitals do not have adequate measures to help identify frequent defaulters. *Audit has recommended that the Chief Executive, HA should further enhance the HA system to help identify defaulters when they attend medical treatments or are admitted to hospitals, and consider devising cost-effective measures to pursue settlement of outstanding fees from frequent defaulters.*

19. ***Surcharge on overdue fees.*** The HA does not impose a surcharge on overdue fees. In February 2006, the HA considered imposing a surcharge on such fees. However, up to the end of June 2006, no further progress was made. *Audit has recommended that the Chief Executive, HA should, in consultation with the Secretary for Health, Welfare and Food, expedite the HA review of the imposition of a surcharge on overdue fees.*

20. ***Incorrect addresses.*** Audit noted that hospitals had different practices in meeting the address proof requirements. In February 2006, the HA decided to improve the accuracy of addresses through strengthening the verification of address records during registration. However, as at the end of June 2006, there were no detailed plans on how the verification could be implemented. *Audit has recommended that the Chief Executive, HA should standardise hospitals' practices on address proof requirements by establishing a comprehensive set of guidelines for hospitals to follow, and work out how the verification of address records is to be implemented.*

Response from the Hospital Authority and the Administration

21. The HA and the Administration have agreed with the audit recommendations.

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