LCQ22: Hospital Authority’s drug procurement and prescription

Following is a question by the Hon Tang Ka-piu and a written reply by the Secretary for Health, Professor Lo Chung-mau, in the Legislative Council today (November 13):

Question:

Regarding the procurement and prescription of drugs by the Hospital Authority (HA), will the Government inform this Council:

(1) whether it knows HA's expenditure involved in drug procurement in each of the past five years, and set out in Table 1 a breakdown by the category of drugs (i.e. (i) general drugs, (ii) anti-novel coronavirus drugs, (iii) cancer drugs (including targeted therapy drugs), (iv) drugs for rare diseases, and (v) other special drugs and self-financed drugs), as well as (vi) other expenditure (including transportation, storage and repackaging);

Table 1

Expenditure involved in drug procurement	2019	2020	2021	2022	2023
(i)					
(ii)					
(iii)					
(iv)					
(v)					
(vi)					
Total expenditure					

(2) whether it knows HA's policies on drug prescriptions to patients (including (i) how to ensure the safety and efficacy of drugs, (ii) how to select drugs and assess their efficacy, and (iii) how to monitor and manage patients' responses and treatment results during the course of drug treatment); the standards and guidelines, etc, that HA follows in formulating such policies;

(3) whether it knows HA's expenditure on drug subsidies in each of the past five years, and set out in Table 2 a breakdown by the type of drugs (i.e. (i) general drugs, (ii) special drugs, and (iii) self-financed items with safety net coverage); whether it has studied if there was any significant change in the relevant expenditure over the period; if it has studied and the result is in the affirmative, of the reasons for the change;

Table 2

Type of drugs	2019	2020	2021	2022	2023
(i)					
(ii)					
(iii)					

(4) whether it has compiled statistics on the expenditure of HA patients on purchasing (i) self-financed drugs (including (ii) self-financed drugs prescribed under the Named Patient Program) in each of the past five years (set out in Table 3); whether it has studied if there was any significant change in the relevant expenditure over the period; if it has studied and the result is in the affirmative, of the reasons for the change;

Table 3

Type of drugs	2019	2020	2021	2022	2023
(i)					
(ii)					

(5) as it is learnt that patients may purchase self-financed drugs from HA, whether the Government knows the standards and guidelines that HA follows in determining the prices of such self-financed drugs (e.g. whether there are specific assessment standards or market price references); whether HA takes into account the financial situation of patients when assessing their need for treatment with self-financed drugs; if so, of the details; if not, the reasons for that;

(6) as it is learnt that patients are currently informed of the prices of self-financed drugs only after being advised that such treatment is necessary, whether the Government knows if HA has plans to make public information on the procurement prices of such drugs, and how it ensures that patients can obtain accurate information on the prices of self-financed drugs, for example, whether it will publish a regularly updated price list of self-financed drugs on a dedicated website or platform, so as to enhance transparency and the public's right to know, and to promote market competition, thereby lowering the prices of such drugs; if so, of the details; if not, the reasons for that;

(7) whether it knows HA's drug procurement strategy, including the typical length of contracts signed with pharmaceutical manufacturers, and whether such contracts contain any terms favourable to patients; whether HA will study collaboration with private healthcare institutions in drug procurement to expand the scale of procurement, thereby further lowering drug prices; if so, of the details; if not, the reasons for that; and

(8) as there are views pointing out that the procurement of patented innovative drugs supplied by a single supplier through open tender is not conducive to lowering drug prices, whether the Government knows the ways in

which HA lowers drug prices when procuring large quantities of innovative drugs; of the annual consumption of and expenditure on the five patented drugs with the largest quantities procured by HA in each of the past five years?

Reply:

President,

In consultation with the Hospital Authority (HA), the consolidated reply to the question raised by the Hon Tang Ka-piu is as follows:

(1) to (4) The healthcare services provided at public hospitals under the HA are heavily subsidised by the Government (with an average subsidisation rate of over 97 per cent of the costs) to ensure that citizens are not denied adequate healthcare due to lack of means. With the persistently ageing population and growing prevalence of chronic diseases in Hong Kong, healthcare demand continues to escalate. To cope with the rising demand for public healthcare services, the HA allocates an enormous amount of resources annually to the provision of healthcare services and drugs in order to provide patients with optimal treatments with high subsidies. To ensure the appropriate use of limited public healthcare resources, the HA has in place a mechanism to introduce new drugs for patients based on clinical evidence and include drugs, having regard to their cost-effectiveness and proven efficacy in the Hospital Authority Drug Formulary (HADF), while also monitoring the utilisation and expenditures of drugs in order to drive their prudent use.

The HA has implemented the HADF with a view to ensuring equitable access by patients to cost-effective drugs of proven safety and efficacy through standardisation of drug policy and drug utilisation in all public hospitals and clinics. The core values underpinning the development framework of the HADF include evidence-based medical practice, rational use of public resources, targeted subsidisation, opportunity cost considerations and facilitation of patients' choice. The HADF currently includes about 1 500 types of drugs which are categorised into four groups: (1) General Drugs, (2) Special Drugs, (3) Self-financed Items (SFI) with safety net coverage (safety net drugs), and (4) SFI without safety net coverage. Among them, General Drugs, Special Drugs used under specific clinical applications, and safety net drugs are heavily subsidised by the Government.

The HA has established mechanisms for regular appraisals of registered new drugs or their indications, as well as review of the HADF (including the inclusion of new drugs and updating of clinical indications of drugs) and the coverage of the safety net. The review process follows an evidence-based approach, having regard to the safety, efficacy and cost-effectiveness of drugs and other relevant considerations, which include international recommendations and practices as well as professional views. Evaluation of drugs is an on-going process driven by evolving medical evidence, the latest clinical developments and market dynamics so as to ensure equitable and effective use of public resources in providing optimal treatment for patients. The professional medical team of the HA provides optimal treatments

to patients based on their clinical needs, monitors their medication responses and treatment effectiveness in a timely manner, as well as addresses any medication-related issues. At the same time, the HA monitors medication usage of the patients, implements risk management and conducts quality assurance testing with a view to ensuring the drugs provided to patients meet requirements pertaining to safety, efficacy and quality standards.

In line with the public healthcare policy to ensure that no one is denied adequate healthcare due to lack of means, the items subsidised by the Government cover medical services and drugs as well as medical items provided by the HA to patients based on their clinical needs and in accordance with the HA's treatment guidelines. In particular, the General Drugs and Special Drugs listed on the HADF, i.e. drugs that have been proven to be suitable and effective for the relevant clinical conditions of the patients, are provided to patients at a highly subsidised standard fee for patients' use. Currently, the relevant standard fee is applicable to Specialist Out-patient Clinics, at $15 per chargeable unit which covers a duration of up to a 16-week supply of each drug item. There are currently no separate charges for General Drugs and Special Drugs prescribed under Accident and Emergency, Inpatient and General Out-patient Clinic services.

For drugs proven to be of significant clinical benefits but are very expensive and excluded from the highly subsidised General Drugs and Special Drugs after the aforementioned evaluation process, patients who have financial difficulties can receive financial assistance provided through the safety net (including Samaritan Fund and Community Care Fund (CCF) Medical Assistance Programmes) for the medical expenses in purchasing those self-financed medical items or drugs.

SFI without safety net coverage are drugs with preliminary medical evidence only, drugs with marginal benefits over available alternatives but at significant higher costs, and lifestyle drugs. Under the prevailing policy, patients who choose to use these drugs have to purchase them at their own expense. That being said, the HA has also centrally purchased these drugs for them to lower the costs and provide patients in need of these items/drugs at cost prices.

The HADF currently includes about 1 500 types of drugs, encompassing approximately 2 700 items, to meet treatment needs. The table below sets out the HA's drug expenditure (including the expenditure on drugs charged at standard fees and SFI) over the past five years:

	2019-20	2020-21	2021-22	2022-23	2023-24
Drug Expenditure* ($ million)	8,102	8,685	9,642	12,451	13,127

*Excludes other expenditures (such as storage and repackaging).

The expenditure for SFI, including those purchased by patients of public

hospitals and those covered by the Samaritan Fund and the CCF Medical Assistance Programmes are as follows (the figures below include subsidies provided under the Samaritan Fund and the CCF Medical Assistance Programmes):

	2019-20	2020-21	2021-22	2022-23	2023-24
Expenditure on SFI (including drugs covered by safety net) purchased by patients of public hospitals ($ million)	2,394	2,716	3,048	3,156	3,446

The total amount of subsidies approved for drug-related applications under the Samaritan Fund and CCF Medical Assistance Programmes, through which drug subsidies are provided to patients, from 2019-20 to 2023-24 are as follows:

	Total subsidies approved for drug applications ($ million)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Samaritan Fund	576.1	718.8	753.0	826.7	1,052.2
CCF Medical Assistance Programmes	427.6	719.8	824.5	842.2	868.7

The above figures include the introduction of COVID-19 antiviral drugs and other drugs needed for treating COVID-19 patients in the 2022-23 in response to the epidemic. The main reason for the increase in the total amount of subsidies for drugs covered by the Samaritan Fund and CCF Medical Assistance Programmes is the expansion of the coverage of drugs under the safety net.

(5) The prevailing government policy of public healthcare subsidisation strives to ensure equitable access by patients to cost-effective drugs of proven safety and efficacy. With limited healthcare resources, current subsidisation is oriented towards drugs that are widely used by a large number of patients in general in higher usage volumes (i.e. the General Drugs and Special Drugs). To this end, the HADF includes a wide range of drugs for treating various acute and chronic diseases, including drugs for cancer and chronic diseases. The General Drugs and Special Drugs are provided to patients at standard fees. On the contrary, for drugs that have been proven to have significant clinical benefits but are very expensive and therefore, less cost-effective, the HA has all along offered subsidies to patients who meet specific clinical criteria and are facing financial difficulties through the safety net (i.e. drugs covered by the Samaritan Fund and the CCF Medical Assistance Programmes). The number of drugs that patients have to pay out-

of-pocket is small, while the vast majority of HA patients can access the required drugs at standard fees.

If a patient requires SFI, doctors or pharmacists can check the drug prices through the internal clinical information system and inform the patient of the overall cost of the prescribed course of treatment on a need-to-know basis, thus allowing the patient to consider the treatment options. Where the patients require SFI from the HA, the drugs will be provided to the patients in need based on a cost-recovery principle.

If the HA patients wish to apply for subsidies of drugs covered by the Samaritan Fund or the CCF Medical Assistance Programmes, they have to fulfil the identity requirements, specific clinical criteria for the needed drugs and pass the means test. The attending doctor, based on the patient's clinical conditions, will make his/her professional assessment as to whether the patient meets the clinical criteria for applying for subsidy. If the criteria are met, the doctor will refer the patient to a medical social worker, who will conduct a financial assessment to evaluate the eligibility of the patient and the amount of financial assistance. The criteria for financial assessment are based on the patient's household annual available financial resources which serves as an indicator of his/her economic affordability. The patient's share of costs is then determined according to a predetermined progressive calculation table to provide targeted subsidies to the patient. All applications are assessed on a household basis, taking into account the income, expenses and assets of the patient and his/her family members under the same roof who have been included in the financial assessment. If the patient is a Comprehensive Social Security Assistance recipient both at the time of application submission and during the period of receiving treatment with SFI, he/she will receive full subsidies from the safety net.

"The Chief Executive's 2024 Policy Address" has put forward examining the structure and levels of the HA's fees and charges with a view to, inter alia, directing resources to patients who need them most and for those with serious or critical conditions, while increasing support for patients with financial difficulties. The HA is currently conducting the review of its fees and charges in accordance with the mechanism and will submit a proposal to the Government. The Government and the HA will announce the results of the review in due course.

(6) and (7) Regarding drug procurement and pricing, the HA has put in place a robust drug procurement mechanism to purchase pharmaceutical products that meet the requirements through various channels, so as to ensure the safety, quality and efficacy of drugs and safeguard patients' health. At the same time, the HA has all along introduced market competition through centralised tendering and quotation processes to achieve economies of scale. Among the drugs currently used in public hospitals, except for a few drugs with special purposes or used in small quantities, most drugs are centrally procured. Considering the large quantity of drugs purchased, the HA has a certain degree of bargaining power in negotiating drug prices with pharmaceutical manufacturers, thereby enabling the HA to achieve a reasonable level of cost-

effectiveness, streamline the drug procurement process and reduce the time required for drug procurement. Typically, the contract terms range from one to three years.

The HA will continue to implement various measures to streamline the process of introduction of drugs and provide patients with drugs that meet quality and safety standards in a cost-effective manner. Given that drug prices are commercially sensitive information, the HA will not disclose the unit price of purchased drugs in order to avoid jeopardising the fairness in drug procurement. The HA will closely monitor market developments and maintain communication with different stakeholders to promote the diversification of drug supply. On the other hand, the HA will continue to optimise the centralised procurement model for pharmaceutical products and explore the introduction of market competition, in line with the strategic direction of the HA on achieving better procurement efficiency and economies of scale while fulfilling the needs of clinical operations.

It is worth noting that, to achieve the long-term objective of establishing an authority that registers drugs and medical devices under the "primary evaluation" approach, the "1+" mechanism announced in "The Chief Executive's 2023 Policy Address" has come into effect on November 1, 2023 and has been extended to cover all new drugs, including vaccines and advanced therapy products, with effect from November 1 this year, facilitating good drugs for use in Hong Kong. Under the newly established "1+" mechanism, applications for registration of new drugs in Hong Kong, which are supported with local clinical data and scope of application recognised by local experts, are only required to submit approval from one reference drug regulatory authority (instead of two originally). Under the "1+" mechanism, the relevant requirements for local clinical data and recognition by experts for application for registration (i.e. the "+" under the "1+" mechanism) will continue to ensure that all drugs approved for registration fulfil the stringent requirements of safety, efficacy and quality. It will also strengthen the local capacity of drug evaluation and approval, and enhance the developments of relevant software, hardware and expertise.

Since the implementation of the "1+" mechanism, the HA has been reviewing and exploring ways to enhance the effectiveness of updating the HADF in a proactive manner, and to shorten the time required for introducing new drugs and including them in the safety net or as Special Drugs. The HA also encourages drug manufacturers or suppliers to apply for registration in Hong Kong for unregistered drugs that are in sustaineduse. Through the "1+" mechanism, the number of drugs successfully registered in Hong Kong will increase to provide patients and doctors with more treatment choices.

(8) The HA has a procurement mechanism in place for selecting both patented/proprietary drugs and generic drugs. A range of issues are involved in drug patent protection, and the HA actively monitors the status of different patented drugs' patents. When the patents for the relevant drugs expire, the HA will, in a timely manner, introduce generic drugs through open tendering to meet the needs of patients and services. The HA has all along implemented various measures to introduce more cost-effective drugs, better

utilising the limited public resources. The HA has established a "Cost Assessment Panel" to negotiate with pharmaceutical companies, striving to reduce the costs and prices of introducing new drugs, which are mostly patent-protected.

As previously mentioned, given that drug prices are commercially sensitive information, in order not to jeopardise the fairness in drug procurement, it is inappropriate to disclose the expenditures for purchasing specific types of drugs.