

LCQ9: Planning for retirement and health protection

Following is a question by the Hon Shiu Ka-chun and a written reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (July 11):

Question:

Last year, the Secretary for Labour and Welfare (the Secretary) pointed out that in some two decades to come, there would be about one elderly person (i.e. a person aged 65 or above) in every three Hong Kong people, and that any retirement protection measure should have due regard to fiscal sustainability, in order not to impose a heavy burden on public finances and the next generation. Regarding the planning for retirement and health protection, will the Government inform this Council:

(1) of (i) the latest projected elderly population, (ii) the projected expenditure for the Elderly Health Care Voucher Scheme and (iii) the projected expenditure on public healthcare services, in each year from now to 2066;

(2) among the elderly persons, of the respective numbers and percentages of those receiving the Comprehensive Social Security Assistance, the Old Age Allowance, the Normal Old Age Living Allowance (OALA) and the Higher OALA in each year from now to 2066, as well as the respective percentages of such expenditures in public expenditure;

(3) as the Secretary indicated earlier that as far as OALA was concerned, public annuities would not be counted as assets but the monthly payouts received would be regarded as an income, whether the authorities have estimated (i) the number of elderly persons who will participate in the public annuity scheme each year from its launch to 2066 and (ii) the number of elderly persons who are ineligible for OALA owing to their receipt of monthly payouts from the public annuity scheme, as well as the amount of public expenditure saved as a result; if so, of the details; if not, the reasons for that; and

(4) as the Commission on Poverty pointed out in its consultation paper published in 2015 that elderly expenditure in 2064-2065 would be two to four times of that in 2014-2015, and the Working Group on Long-Term Fiscal Planning pointed out in its report published in 2014 that a structural deficit could strike in as early as 2021-2022 under the public service enhancement scenario, of the measures to be put in place by the Government to ensure that retirement and health protection is financially sustainable in the long run?

Reply:

President,

Having consulted relevant bureaux and departments, my reply to Member's question is as follows:

(1) In respect of elderly population projection, with the availability of up-to-date benchmark population data from the 2016 Population By-census, the Census and Statistics Department released in 2017 the latest set of population projections covering the period from 2017 to 2066. The mid-year population projections of elderly persons aged 65 and above (excluding foreign domestic helpers) are at Annex.

In respect of the Elderly Health Care Voucher (EHV) Scheme, according to information provided by the Food and Health Bureau (FHB), the EHV Scheme was launched on a pilot basis in 2009 to subsidise elderly persons to use private primary healthcare services. The EHV Scheme became a recurrent programme in 2014. At present, each eligible elderly person aged 65 and above is provided with an annual voucher amount of \$2,000. As at the end of June 2018, over 1.09 million elderly persons had made use of EHV (around 87 per cent of the eligible elderly population). Expenditure for the EHV Scheme has increased from \$49 million in 2009-10 to \$1,697.5 million in 2017-18. The estimated expenditure for 2018-19 is around \$3,156 million. As the population ages, even if the operational details of the EHV Scheme remain unchanged, it is expected that the expenditure involved will rise as the elderly population increases.

In respect of public healthcare services, the Hospital Authority (HA) is the major provider. According to information provided by the FHB, the overall recurrent subvention to the HA amounts to \$61.5 billion in 2018-19. Starting from this financial year, the Government will increase the recurrent funding for the HA progressively on a triennium basis having regard to population growth and demographic changes. Under this triennium funding arrangement, the additional full-year recurrent provision will be \$10.83 billion with effect from 2020-21. In estimating the overall operating expenditure of HA and the funding required, the model adopted by the Government and the HA is based on the population of Hong Kong, taking into account factors such as the overall demographic and age distribution, and the increase in service costs as a result of changes in the modes of service delivery with the introduction of new medical technology. In finalising the subvention for the HA, the Government will take into account a number of factors, including the population growth and ageing in Hong Kong, the demand for public healthcare services, the need for service enhancement and the Government's overall fiscal position. The Government will continue to liaise closely with the HA in its overall consideration of the level of subvention to the HA.

(2) In respect of expenditure on social security for elderly persons (including the Old Age Allowance and Old Age Living Allowance (OALA)), according to information provided by the Office of the Government Economist, based on the aforementioned population projections and 2018 price levels and after taking into account the two OALA enhancement measures (i.e. relaxing

the asset limits of Normal OALA and implementing Higher OALA), it is crudely estimated that the average recurrent government expenditure on social security for elderly persons would be around \$60.9 billion per annum during the 49-year period between 2018 and 2066.

It must be noted that the above estimation covers an extremely long period of time and hence the relevant figure is subject to significant limitations and uncertainties. In addition, the Government does not possess accurate information on assets owned by elderly persons (e.g. cash, bank deposits, values of shares and investment funds, etc) and cannot estimate their eligibility for receiving social security. There will inevitably be a discrepancy between the above crude estimate and the eventual figure.

(3) According to information provided by the HKMC Annuity Limited, public response has been generally positive since the announcement of the HKMC Annuity Plan. In addition, to dovetail with the Plan, while the Social Welfare Department will count the payout provided under the Plan as monthly income under OALA (including both Higher OALA and Normal OALA), the one-off lump-sum premium payment placed with the Plan will not be counted as asset, unless an recipient surrenders or partially surrenders an annuity scheme; and in such cases, the surrender value (if any) will be regarded as his/her asset under OALA.

Whether elderly persons participate in the Plan launched by the HKMC Annuity Limited is a matter of personal choice. At this stage, it is difficult to estimate the number of applicants for the Plan or the Plan's impact on the number of OALA beneficiaries.

(4) According to information provided by the Financial Services and the Treasury Bureau, based on the Medium Range Forecast conducted in the 2018-19 Budget, the Government will have an overall surplus from 2018-19 to 2022-23. The fiscal position of the Government is healthy in the medium term. On the premise of ensuring the health of public finance, the Government will continue to adopt forward-looking and strategic financial management principles in optimising the use of surplus to invest for Hong Kong and relieve our people's burdens.