

Health Reform in China: where it's heading?



Gordon G Liu, PhD

Peking University

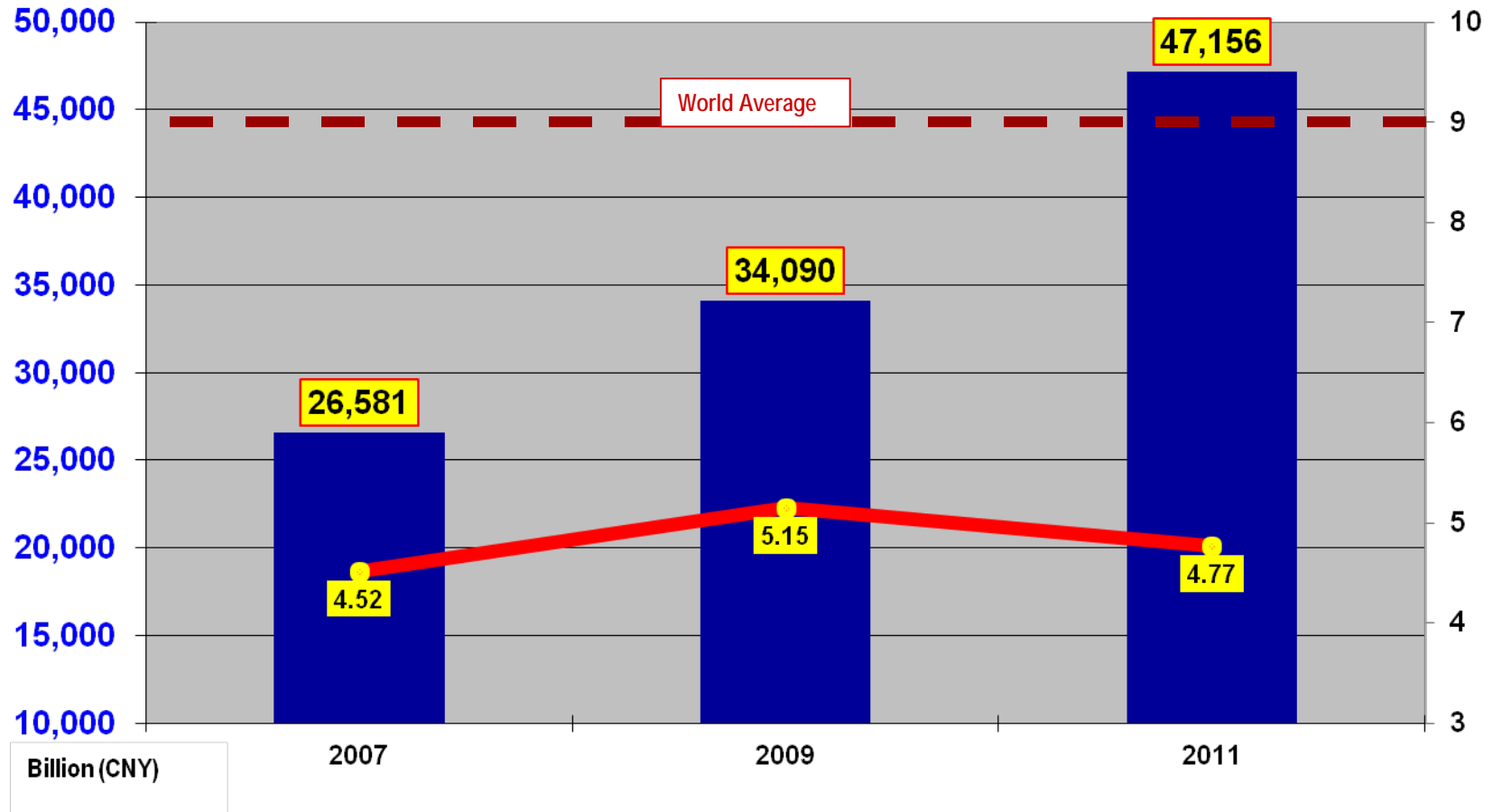
Guanghua School of Management

ggliupku@gmail.com

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The Actuarial Profession and Social and Economic Development

Economy and GHC in China



Major Healthcare Problems in China

□ Cost of Care

- Costly care, particularly for tertiary inpatient care, relative to individual income
- Due to poor insurance coverage; supply shortage

□ Quality of Care

- Inappropriate treatment, particularly for over prescribing (+50%)
- Due to poor regulatory drug policy; mispricing-led incentives

□ Access to Care

- Supply shortage relative to increasing demand, leading to severe barrier to inpatient care, and poor capacity + little time for treated patient
- Due to state-led market monopoly and top-down approach for resource allocation, especially for medical profession

The State Reform: Phase I – Five Major Initiatives (2009-2011)

- ❑ Building social insurance for all
- ❑ Promoting equal public health measures
- ❑ Establishing the essential drug policy
- ❑ Improving community-based healthcare facility
- ❑ Piloting the reform of public hospitals

The Phase II Reform: Three Major Follow ups (2012-2015)

A Central Piece of The State 12th 5-Year Plan

The Universal Health Insurance
The State Essential Drug Policy
The Public Hospital Reform

On the Universal Health Insurance

- **Three major insurance programs (+95% coverage)**
 - The MHRSS-led Urban Employee Basic Medical Insurance (UEBMI)
 - The MHRSS led-Urban Resident Basic Medical Insurance (URBMI)
 - The MOH-led Rural Cooperative Medical Medical Insurance (NRMBI)

- **Reform Policy Update (4Is)**
 - Increase public premium contribution (from RMB120 to RMB360), leading to policy payment up from 50% to 75% by 2015
 - Integrate the three insurance programs (starting with management followed by policy benefits)
 - Increase the role of commercial insurance agencies (for both primary and supplementary programs)
 - Initiate payment reforms: FFS to Capitation, DRG, and Global Budget

On the Essential Drug Policy

- The Universal Medical Insurance and the Drug List (IDL, 2009)
 - IDL A=(349 western + 154 TCM)
 - IDL B=(791 western + 833 TCM)

- The State Essential Drug Policy and the Drug List (EDL, 2009)
 - The goal: to rationalize drug utilization for better quality and cost effectiveness
 - EDL=(205 western + 102 TCM)
 - Remove 15% profit markups

- Reform Policy Update
 - Mandated in all public primary facilities, purchasing EDL-based services from private facilities
 - Recommended for higher tier facilities
 - Challenge: to find appropriate distribution policies for quality-driven outcomes (tendering, pricing, prescribing)

On the Public Hospital Reform

- **Total Supply Capacity Building**
 - Internal Reform: organizational changes for right incentives and focus, more towards public health and essential care;
 - External Reform: market policy changes for competitive entry and growing support, more towards tertiary/specialized care (20% private beds by 2015);

- **Optimizing Market Structure**
 - Changes from cost-based to value-based pricing; payment reform
 - Free-up doctors to allow multiple-sites practicing as societal asset

- **Policy Update**
 - Changes in revenue sources: service charges, 15% markups, and public subsidy
 - Changes in hospital management: no government intervention in presidency;
 - Changes in financing: prohibiting bank borrowing-based expansion