Health Reform in China: where it’s heading?

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Keynote Speech at the IAA Meeting in HK 2012-5-7
The Actuarial Profession and Social and Economic Development
Economy and GHC in China

- 2007: 26,581 Billion (CNY)
- 2009: 34,090 Billion (CNY)
- 2011: 47,156 Billion (CNY)

World Average: 9
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