China’s Health Care System Reform Efforts

Presentation at the China Forum:
Reimagining China

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Overview of Presentation

- Comparative studies United States and China
- International comparisons
- China’s health care system
  - Current system
  - Reform plans
  - Challenges
Comparative Studies
How are we different?

- American System:
  - Patient privacy and confidentiality
  - Massive documentation of medical records
  - Separation of the physician component
  - Hospitals not reimbursed extra for pharmaceuticals
  - For Profit co-exist with Public and Private
Comparative Studies
How are we different?

- **Chinese System:**
  - Heighten concentration on population
  - Use of traditional and Western medicine
  - Take care of elderly in children’s homes
  - Employees stay with one facility over time
  - Leadership is extremely important
We are Becoming More Alike

- Marketplace system model being formed
- Separation of for profit and not for profit hospitals
- Hospitals becoming more productive, efficient and cost conscious
- Hospital Administrator as a Profession
- Malpractice claims
## Comparing the World

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<th>IM&lt;5</th>
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<th>Govt % All</th>
<th>WHO CWF</th>
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Life expectancy at birth

Data from World Health Organization\textsuperscript{46}
China Overall Facts

- Has ¼ of the world’s population (1.3 billion)
- Dramatic economic, social and political changes
- Social/human development has not kept pace
- Disease burden shifting from communicable to noncommunicable and injuries
- Shift from rural to urban, income up
- High inequities (80% government health spending is for 20% of population who are located in urban areas)
- Increased wealth brings opportunities
China’s Health Care System

- Inadequate funding due to population size
- Healthcare resources very limited
- Fragmented system of services and payment
- Insurance only covers basic services, much fraud
- Reimbursement system flawed so must rely on pharmaceutical sales
- Doctor bonuses for over prescribing and doing unnecessary tests
- String of hospital scandals
  - Former head of FDA, Zheng Xiaoyu, executed last year for accepting bribes from drug companies to speed approval
China’s Health Care System Facts

- 49% of Chinese say they can not afford to see a doctor when they become ill
- 70% of Chinese have no medical insurance
- Chinese like big hospitals and take records with them
- Chinese pay dearly for overpriced and over-prescribed drugs and hi-tech medical procedures
- C-section rates 50-70%
- 58% of China’s health care expenditures come from out-of-pocket
EXHIBIT 2
Composition Of Total Health Spending In China, By Source, 1978-2002

<table>
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<tr>
<th>Percent</th>
<th>Out-of-pocket health spending</th>
<th>Social health spending</th>
<th>Gov’t health appropriation</th>
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Winnie Yip and William C. Hsiao,
The Chinese Health System At A Crossroads,
Health Affairs, Vol 27, Issue 2, 460-468

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Healthcare Reform in China

- Twenty years searching for a new health care direction and specific reform plan
- Commenced rebuilding healthcare system in 2005 after admitting previous attempts unsuccessful
- Government pledges “to have all people in urban and rural areas to enjoy basic medical care and health services by 2020.”
  - Vice-Minister of Health Gao Qiang at the 17th National Congress
- Centers on the “coordinated and parallel” reform of medical services, insurance and supplies systems
- Prevention, primary care and community health foci
- Encourage greater participation of private capital and the expansion of health insurance
At the Crossroads for Reform;
General Direction from the 17th National Congress

1. Government guides, hospitals manage
2. Pharmaceuticals separated from hospitals
3. Hospitals divided into public and private
4. All hospitals divided into for profit and not for profit entities
At the Crossroads for Reform;
General Direction from the 17th National Congress

5. Gatekeeper concept to focus on community health centers and screen admissions to hospitals
6. Full transparency
7. Rural cooperative medical insurance system expanded
8. Coordinated and parallel reform of medical services, insurance and supplies system
Urban Medicare

- Large hospitals must support community health centers with facilities and manpower
- A “medical unity platform” for data-sharing set
- Firms told to establish basic insurance with costs shared with workers but many ignore order
- Pilot medicare program for the elderly and children being promoted
- Typically participant pays 300 Yuan ($43 US) premium and the government pays 1100 Yuan ($157 US) for the year
- Local governments taking lead
New Rural Cooperative Medical Insurance System

- Initiated in 2003, voluntary
- Offers farmers basic healthcare coverage
- Covers 720 million rural residents (82.8% of the rural population)
- Participants pay 10 Yuan ($1.50 US) and government (state and local) contributes 40 Yuan ($6 US) per year
- Participant is reimbursed 10 to 65% of their medical expenses up to 30,000 Yuan ($4286 US) depending on province
- National government taking lead
Promises

- Additional 1 to 1.5% GDP to go to health care
- Trying to decide on market oriented reform or government led reform
- Traditional medicine incentives to hospitals
- American insurance companies beginning to set up businesses in China
- Address other international reform issues
Steps to International Health Care Reform (from Commonwealth Fund)

1. Guarantee Affordable Health Insurance Coverage
2. Implement Major Quality and Safety Improvements
3. Emphasize Primary, Preventive, and Patient-Centered Care
4. Increase Transparency and Reporting on Quality and Costs
5. Expand the Use of Interoperable Information Technology
6. Reward Performance for Quality and Efficiency
7. Encourage Public-Private Collaboration to Achieve Simplification, More Effective Change
Challenges

- Cost and prices going up alarmingly
  - Weaknesses in provider system
  - Regulatory and enforcement system flaws
- Large out of pocket costs
- Safety and quality concerns
- Keeping technology current
- Traditional way of doing things
Recent Developments

- Much more transparent due to SARS and Bird Flu scares
- Tainted foods (infant formula), drugs
- Sichuan earthquake demonstrated vulnerability and rapid response
- Need care for the aging population (currently less than 1% are in facilities)
- Government sets big stimulus plan which includes new health care spending over 2 years
Thank You / Xie Xie

- Questions?
- Contact information/copy of presentation
  - Lrubino@earthlink.net
- Chinese Proverb
  - May you live in interesting times
  - May you come to the attention of those in authority
  - May you find what you are looking for