

Health Care Reform- The Details

Human Resources October 2009

Growing public criticism of soaring medical fees, lacking access to affordable medical services, poor doctor-patient relationships and low medical insurance coverage compelled China to launch a new round of reforms. After more than two years of internal discussions and external consultation, China's State Council issued on September 10, 2008, an amended draft guideline of medical and health care system reform to solicit public opinion. The question and answer period closed on November 14, 2008.

On April 6, 2009, the State Council unveiled a comprehensive set of health care reform guidelines and established a three-year goal of covering 90 per cent of the Chinese population by 2011 and achieving universal health care by 2020. The reform plan clarifies the government's responsibility in saying that it plays the dominant role in providing public health and basic medical services. It aims to return to nonprofit national health care, an idea that was largely abandoned in the 1980s. Through the reform, the country hopes to be able to provide basic health care services covering both rural and urban residents. The reform consists of four key pillars:

- Public health service;
- Medical treatment;
- Medical insurance; and
- Medicine supply.

The three-year plan comprises an investment of RMB850 billion (approximately US\$124 billion) into the health care system, with five major priorities:

- Improve basic medical insurance;
- Establish a basic prescription drug system;
- Expand the network of local-level hospitals and clinics;
- Improve the access to and equality of public health services, and
- Initiate pilot programs to reform select public hospitals.

More detailed plans addressing various aspects of the reform agenda will be released later this year.

Employer's impact

- In the immediate future, employer-sponsored supplemental benefit plans should not be affected, except that dependent coverage may become less expensive to provide.
- If successful, prescription drug price control initiatives will lead to lower claims costs for employers and less out-of-pocket expenses for individuals.
- More and improved community-level hospitals and clinics will be developed to provide easier access to care, but it will take some time for patients to trust the facilities and professionals at the community level.
- Reforming the large public hospitals will be very difficult, since the operation and prescription patterns are closely linked to the survival and financial performance of those hospitals.
- As the scope and reach of social medical insurance increase, total government expenditures will inevitably increase over time or social medical pools may eventually run deficits.

Private-sector development in commercial insurance and health care services will be key to stimulating competition and promoting innovative products and services.