



THE HONG KONG  
POLYTECHNIC UNIVERSITY  
香港理工大學

COLLEGE OF PROFESSIONAL AND  
CONTINUING EDUCATION  
專業及持續教育學院



# Health Care Reform and Sustainability

**Finding new pathways to ensure  
the financial sustainability of  
China's medical insurance system  
for urban employees**

Dr. Sabrina Luk

# Finding new pathways to ensure the financial sustainability of China's medical insurance system for urban employees

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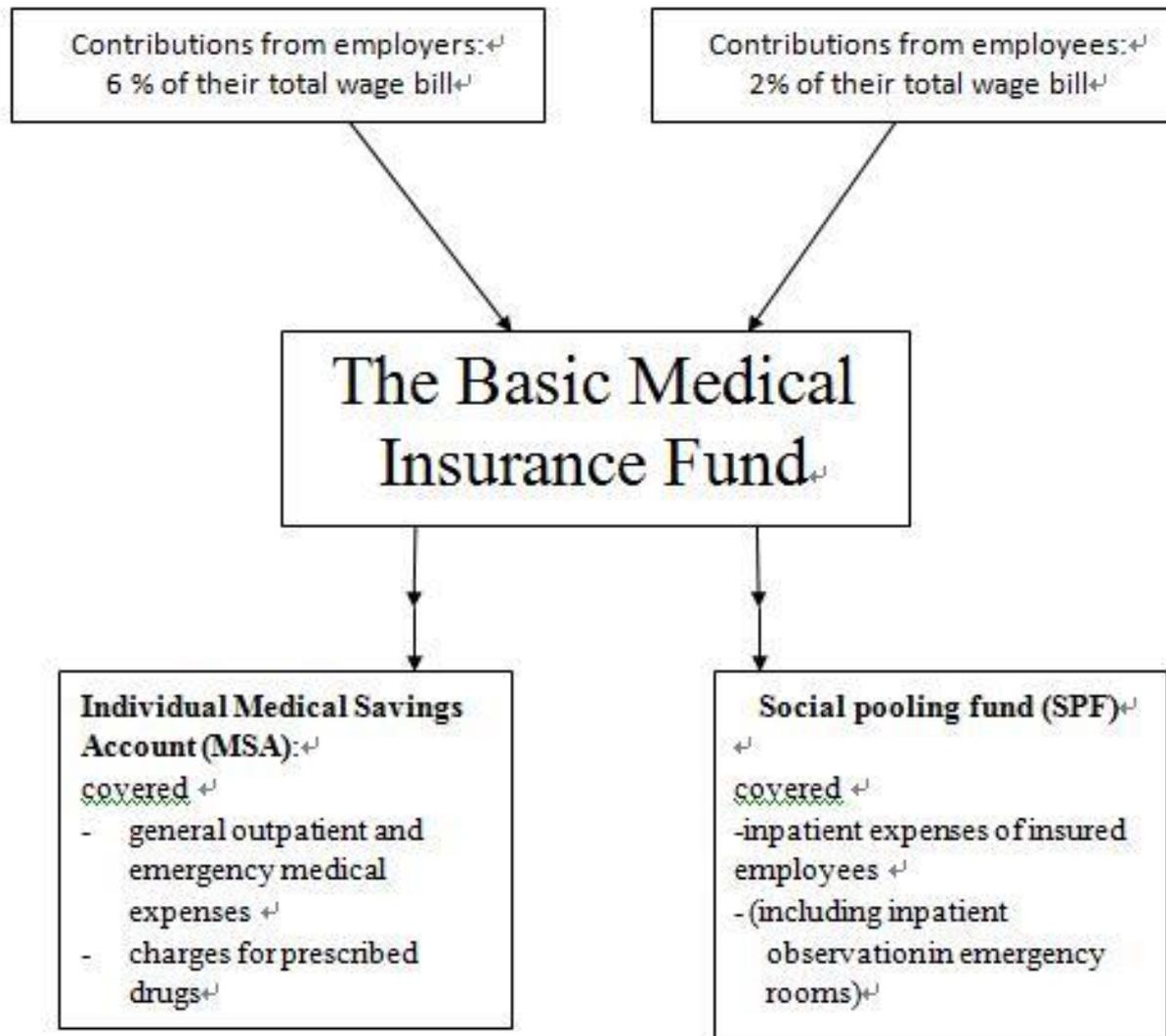


## The Urban Employee Basic Medical Insurance (UEBMI)



- Since 1998, a mandatory insurance program, the Urban Employee Basic Medical Insurance [城鎮職工基本醫療保險] has been implemented to cover medical costs incurred in outpatient treatment and hospitalization services.
- Due to the rapid growth of China's elderly population and rising medical costs, the Chinese government faces increasing challenges to establish a responsive and financially sustainable medical insurance system in order to respond to changing needs and demands.

# The Urban Employee Basic Medical Insurance (UEBMI)





# Problems that Plague the UEBMI System

- 1. ageing population + shrinking workforces  
→ the depletion of the UEBMI fund.

(2009 – 2014)

the annual average growth rate of the number of retiree participating in the UEBMI: 5.6%

the annual average growth rate of the number of employees participating in the UEBMI: 5.1 %

- \* Retirees : no premium contribution is required.
- \* Retirees' medical expenses: 3 time higher than that of incumbent employees
- Shrinking workforce = shrinking premium contribution

# Problems that Plague the UEBMI System



- 2. supply induced demand (供方誘導需求) +  
‘feeding hospitals by selling drugs’ (以藥養醫)  
→ rising medical expenses

China: drug prescriptions account for 40-50% of  
hospital revenues

Europe: medicines account for <15% of total healthcare  
expenditure

# Problems that Plague the UEBMI System



- 3. widespread health insurance fraud (騙保行為)
  - a) committed by health care providers  
e.g.: public hospitals, doctors
  - b) committed by patients
  - c) jointly committed by the collusion of doctors and patients (醫患合謀)

Example: a hospital in Hainan Province was indicted in RMB 20 million medical insurance fraud (2009-2012) by using the health insurance information of 1,812 patients to falsify drug prescription record and inpatient record

# Ways to Ensure the Financial Sustainability of the UEBMI System



- 1. promulgate state law specific to health insurance fraud
  - clearly state the operation standard and basis for the investigation and punishment on activities related to health insurance fraud
  - criminalize health care fraud
  - significant penalty for hospitals that involve in ongoing and large scale health insurance fraud

# Ways to Ensure the Financial Sustainability of the UEBMI System



- 2. Reduce drug prices
- (a) Increase the transparency of the centralized medicine procurement system
  - avoid the problem of price collusion among drug company
- (b) *2015 Opinions on Implementing Drug Price Reform* was jointly (the National Development and Reform Commission and other ministries)
  - the government would greatly reduce its direct intervention in drug prices and let market competition determine drug retail price

# Ways to Ensure the Financial Sustainability of the UEBMI System



- 3. restraining health providers' moral hazard
- (a) 2014: *Opinions on Further Strengthening the Supervision and Management of Medical Services for the Basic Medical Insurance*
  - establish health insurance data and surveillance system that can monitor and analyze the number of patients, drug prescription and drug expenses.
  - Penalties for violation: refusing to pay the bills for services provided in medical institutions, temporarily suspending settlement of health insurance claims and ordering rectification within a prescribed time period or terminating service agreement (Ministry of Human Resources and Social Security, 2014).
  - (b)

# Ways to Ensure the Financial Sustainability of the UEBMI System



- 3. restraining health providers' moral hazard
- (b) the zero-markup policy for essential drugs (藥品零加成)
  - Under the zero-markup policy, public hospitals abolish the 15 per cent mark-up they charge on drug sales
  - but are compensated by
    - (i) increasing charges for consultation, hospital beds, surgery and medical tests and
    - (ii) receiving government subsidies.
  - Mixed results??
- reduce the financial burden of patients
- hospitals have deficit



The End

Thank you!