

POLICY AND PRACTICE UPDATES

Private Hospitals: the Wenzhou Experience

Source: Economy Observer 2010-12-18

http://www.chinadaily.com.cn/hqss/jiankang/2010-12-20/content_1420998.html

Private hospitals are embracing the best opportunity of development in history, according to Guan Weili, president of the Wenzhou Private Medical Association and the Chief Executive Officer of Kangning Hospital. Guan predicts that if this round of medical reform can be promptly and properly executed, private hospitals in Wenzhou and even in China could soon outperform their public counterparts. Previously, private capitals were set apart from the medical industry. In Wenzhou, private hospitals are usually small, sparsely distributed, low end focused, and lacking government support. Recent government policies promised to provide more financial support to private hospitals and more tax benefits for private investors in the medical sector.

The experience in Taiwan has demonstrated that opening the hospital market to private capital can improve the welfare of the public, and owners of private hospitals are preparing for the new opportunities.

Public Hospital Reforms: Will Conglomeration Work?

Source: 21st Century Economic Reporter 2010-12-21

<http://www.21cbh.com/HTML/2010-12-21/xOMDAwMDixMTcxOQ.html>

At the end of 2009, Zhenjiang became the pioneer city to kick off China's public hospital reform, followed by several east coast cities. They attempted to consolidate the resources of several member hospitals to form a conglomerate, hoping to achieve higher efficiency. The consolidation allowed public hospitals to divert their patients to primary care facilities for basic medical care, which led to a 15% deduction in medical cost for patients when they seek services in community hospitals.

However, that reform is now facing a bottleneck. Challenges arise from the complicated interactions between the government, the Bureau of Health and the boards of the member hospitals. In addition, the assets of the member hospitals could not be easily determined; impeding shareholding system reform. Profit allocation is also an issue in need of resolution.

For public hospital conglomeration to be successful, we need to achieve the following three goals: 1) to distinguish the supervising body from the hospital daily operation system, 2) to reach optimal medical assets allocation, and 3) to facilitate cooperation between various medical institutions. The first goal aims to improve the conglomerate's external system, while the second and third goals aim to build better internal management systems.

Health Care Planning Lags behind Industrial Growth

Source: 21st Century Economic Report 2011-01-01

<http://www.21cbh.com/HTML/2011-1-1/1NMDAwMDixNDA1Nw.html>

Pharmaceutical industry has been regarded as one of the most promising emerging industries in China. With improved living standards and accelerated population aging, biotechnology and healthcare industries have become increasingly critical to China. After launching the 12th Five-Year Plan in last November, various official documents have been issued to accelerate the structural adjustment of pharmaceutical industry.

During a recent interview, Yu Mingde, the Associate Director of Biologist and Medical Committee of the National Development and Reform Commission (NDRC), stated the achievements in the past 5

years, also the challenges facing the country today. Specifically, he commented on the important roles of the healthcare reforms and the entry of multi-national pharmaceutical firms into China. He also expressed his concern that medical industrial growth will always outstrip health care planning, so it is imperative that NDRC should constantly adjust their plan and provide better guidance to the development of the nation's health care.

The Launching of Chongqing Medicine Exchange: A New Approach to Medicine Procurement Reform

Source: 21st Century Economic Report 2011-01-05

<http://www.21cbh.com/HTML/2011-1-5/zMMDAwMDIxNDMzMw.html>

Chongqing Medicine Exchange, launched on Sep 29 2010, is the first of its kind in China. "As a government-led third-party platform, Chongqing Medicine Exchange establishes the first drug transaction system that combines information, trading, clearing, and settlement services. A proactive trial in reducing drug prices and curbing corruption in health care will also be carried out within this framework", said Huang Qifan, the mayor of Chongqing.

The Exchange will use screen trading, and provide services for manufacturers, businesses, and healthcare institutions. Price index based on bid prices will be released, complete with product information provided by manufacturers, so that distributors and hospitals can directly negotiate with suppliers. A higher level of information transparency and fewer intermediaries will help build an efficient medical price searching mechanism. In addition, the Exchange is also responsible for transaction settlement and product delivery, providing an important link in stabilizing prices of non-essential medicines.

The establishment of the Exchange marks a milestone in the local pharmaceutical market reform, and serves as a model for the central government to reform the national medicine delivery system. "It is a major reform in the pharmaceutical market. It urges governments to invest more in public health and promote reforms of public hospitals", said Liu Gaoqing, Chairman of the Exchange.

Ten Years of Healthcare Reform in Shanghai

Source: 21st Century Economic Reporter 2011-01-22

<http://www.21cbh.com/HTML/2011-1-24/5OMDAwMDIxNzg5OA.html>

The year 2011 marks the tenth anniversary of the healthcare reforms in Shanghai, which pioneered in separating the hospital management from government supervision. To meet the challenges of defining property rights, Shanghai introduced a new organization named Shen Kang to supervise the hospital assets invested by public finance and private sources.

One distinguished achievements of Shen Kang is the implementation of full cost accounting system to analyze revenue and cost, helping hospitals to optimize their asset allocation. In addition, Shen Kang helps identifying reasons for financial losses, and providing credentials for financial subsidies. Shen Kang is also active in establishing cooperation with major foreign medical groups and raising private capital investments. Its goal is to integrate public hospital technology and private sector funds with foreign company management expertise, to produce a better health care system.

Insufficient Government Funding Leads to Dilemma between Public Hospital Reforms and Essential Medicine Policy

Source: 21st Century Economic Report 2011-02-16

<http://www.21cbh.com/HTML/2011-2-17/5OMDAwMDIyMDc5OQ.html>

The first plenary session of the National Healthcare System Reform Conference held by the state council on February 15, 2011 has reiterated the focus on implementing the essential medicine

system, reinforcing the public hospital reforms, and coordinating the development of five key areas of the reform.

Based on the timetable of public hospital reform, the essential medicine system will be implemented at the primary care level by the end of 2011, with the public hospitals reform entering a key stage. However, due to the limited financial support from the central government, carrying out the two tasks simultaneously might be difficult.

Based on recent research, the implementation of the two reform campaigns at the primary care level has not been successful. Hospital administrators constantly complain about the loss of revenue from the essential medicine reform and the lack of financial resources for the public hospital management reforms. Under the current policies, it is also not clear how best to support and encourage privately owned hospitals to enter the medical care deliverer market.