A Comparative Analysis of Medical Insurance Payment Methods between China and the United States

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ABSTRACT

This article is an inductive analysis on the reform background, application development and the implementation effect of Chinese and American medical insurance payment methods. On the basis of the comparative analysis of insurance payment methods between China and America, and by learning from the foreign experience, the precondition of payment methods reform is put forward in our country, the precondition is to establish a set of multilevel medical security systems and to perfect relevant medical liability system. The implementation of medical insurance payment methods should be combined with our national condition, and follow the phased development ideas from FFS to PPS, from single payment to mixed payments by regions.

INTRODUCTION

For a long time, the rapidly growing medical expenses have become a common challenge faced by the whole world; the payment method has become an important way to control medical expenses and to ensure the safe running of medical insurance fund. On March 14, 2012, China’s State Council printed and distributed Notification about the plan and implementation of deepening reform of the medical and health system during the 12th Five-Year Plan period, which put forward that we should accelerate the improvement of health care system covering all people, carry out reforms and improve the medical insurance payment system.

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The 2013 National health work conference which was held on January 7 in Beijing deployed the medical and health priorities of 2013, fully implemented the Guiding Principles of the 18th National Congress of the CPC and continued to deepen medical reform as the focus of health sector. In China’s present medical reform, the medical insurance payment methods reform is still at a groping stage, whereas, the medical insurance payment methods in the United States have been explored and developed for years so that much experience which provides reference for our country has been accumulated. By comparatively analyzing different payment methods of the medical insurance systems between China and America, this paper provides new leads to China’s medical insurance payment methods reform, and it is of far-reaching practical significance to the fully promote the deepening reform of medical and health system and the effective control of medical expenses.

COMPARATIVE ANALYSIS ON MEDICAL INSURANCE PAYMENT METHODS BETWEEN THE US AND CHINA

American medical expenditure is the largest in the world, after years of market development, American health care industry and medical insurance industry have formed a mixed medical insurance system consisting of three major sections. The first is the government’s public medical system, which includes three social medical insurances: Medicare, Medicaid and CHIP; the second is the employer-based medical insurance which plays an important role in American medical insurance; another is the commercial medical insurance, which are mainly bought by individuals in the market. In the market-oriented commercial medical insurance system, American government mainly takes charge of social medical insurance, regulates medical behavior and ensures medical efficiency through health insurance legal system and the related regulation legal system to improve its efficiency.

Compared with American market-oriented commercial medical insurance system, China’s medical insurance system is dominated by the government. After years of development and improvement, China now has initially formed a medical insurance system consisting of four public health insurances. These are: New Rural Co-operative Medical System, the basic medical insurance system for urban workers, the basic medical insurance system and social medical aid for urban residents, and the commercial medical insurance purchased by individuals. With the development of medical reform in recent years, medical insurance system, mainly consisting of basic medical insurance system for urban workers and basic medical insurance system for urban residents, has been gradually established throughout the country. Social Insurance Law (the draft) also defined the position of these two systems in the basic medical insurance[1]. But overall, China’s medical insurance
legal system still needs to be strengthened. Absence of regulation still exists in the execution of medical insurance legal norms, and the development and perfection of medical security system still need more perfect, relevant, and legal liability system to cooperate.

There are many kinds of payment methods in American medical insurance system, but the predominant one is the fixed-fee prospective payment system (PPS). In the year of 1983 and the year of 1992, the United States was the first country to use DRGs (Diagnosis-related groups) and RBRVS (Resources-based relative value scale) in its health care plan. DRGs classified the name of the disease diagnosis into 467 groups based on the name listed in the international classification standards of disease diagnosis. Then it works out the standard fee of each group according to the related data of hospital expenses, so the standard fee is paid to hospital in advance, and every year the standard fee is adjusted with the change of price index, medical and technological progress and other factors; RBRVS is a relative value standard payment method based on resource. The doctors are paid in advance according to the price list worked out by “the relative value expense ratio based on the resource input”, thus the doctors’ service standard and wage level are made to regulate doctors’ fee for service.

For a long time, the medical insurance payment methods in our country are post payment system dominated by item-based payment. The state or the national medical price control department formulates the guiding medical price, the medical institutions and the medical insurance organization determine the charging standard of medical service after negotiation, the medical institutions provide medical service according to that standard and the insurance institutions pay medical fees as it actually costs. However, with the emerging of the disadvantage of item-based payment, that is, the rapid rise of medical expenses, trail programs have been carried out across our country in order to explore the most suitable payment method. During the 8-year implementation of DRGs from 1983, the growth rate of American hospital’s total expense in its health care plan decreased from 18.5% in 1983 to 5.7% in 1990, and the growth of operation fee decreased from 14.5% in 1984 to 6.6% in 1992. But American medical insurance has long been relied on the market and neglected the public good and welfare of medical service itself, which leads to American government’s lack of effective supervision and policy guidance on the behavior of medical workers when dealing with the rise of medical expenses and the insufficiency of insurance. Excessive marketization of medical insurance directly causes many problems emerging in American medical health and medical insurance, besides, because the mixed system of medical insurance is complex and difficult to manage, the management cost has become the fastest-growing part in American medical expenses.

The DRGs payment methods implemented by America in the 1980s have
effectively controlled the excessive growth of medical expenses. As a developing country, China has implemented item-based payment methods for quite some time, and the medical expenses grew excessively as a whole. Before 1995, medical expenses had increased by 27% per year[8]. With the advancing of medical insurance reform—‘two pilots of Zhenjiang and Jiujiang’ in 1995—all parts of the country began to carry out the corresponding medical insurance payment methods reform combined with its own development, the growth rate of national medical expenses has gradually dropped to below 20%[9]. It proves that DRGs can effectively control medical expenses in some degree, alleviate the doctor-patient contradiction and improve the level of medical management at the same time.

REFERENCE AND ENLIGHTENMENT TO CHINA

First, give full play to the leading role of the government, develop commercial medical insurance and supplementary medical insurance when perfecting the social medical insurance, preliminary forming a medical security system participated by both the government and the market. Second, increase government’s investment on basic medical insurance, carry out medical security of different levels according to the different groups of people in medical security system, and establish a multilevel medical security system gradually. Third, positively encourage social capital to set up non-profit medical institutions according to law and promote the diversification of investing entities, in order to further improve the medical security system of our country. Last, coordinate the government and social capitals, strengthen the supervision on social medical service.

Based on the gradual improvement of medical security system, further perfection of medical liability system is an important precondition for transforming from post payment system to prospective payment system and effectively implementing medical insurance payment methods reform. On one hand, the government regulates doctors’ behavior and strengthens medical institutions’ sense of responsibility through legislation, thus reducing the medical negligence in medical service internally and insuring that patients’ interests be protected; on the other hand, clear and define the responsibility of the health administrative department on dealing with medical negligence and strengthen social supervision on medical institutions, in order to promote medical institutions to take effective measures to improve the quality of medical service, thus strengthening the standardized management from the outside and effectively preventing the occurrence of malpractice.

On one hand, the total prepaid payment system can make sure that the government designates the total allocated amount and controls the increase of medical expenses from macro perspective; on the other hand, diagnosis related
groups (DRGs)-based payment method and capitation-based payment method can regulate the quality of medical service at the micro level. Therefore, we can choose different payment methods according to different types of medical service: for the primary basic medical service, we can adopt capitation-based payment method to guarantee the accessibility of medical service and to expand the coverage of medical service, thus improving the health level of all the people and ensuring social benefits; for the special complicated cases, we can choose service item-based payment method to maximize hospital’s efforts of quality improvement, so as to achieve better therapeutic effects; and for diseases easy to diagnose and with relatively fixed treatments, we can choose DRGs, because the fee is basically fixed in the same diagnosis group, so we can reduce the medical expenses effectively. Mixed use of a variety of payments can not only meet the medical needs of different patients and reduce their burden, but can also enable hospitals to better carry out medical service, thus achieving government’s goal of social benefits-maximization when effectively compensating public hospitals.

Since medical-related liability system is not yet perfect, service item-based payment methods will still exist for some time. We cannot replace FFS by PPS directly. So on the basis of continually improving item-based payment method and the related supporting system, we should positively explore the prospective payment system based on DRGs and global budget, and complete the smooth transition from FFS to PPS and from single payment system to mixed payments system by stages. At present, as global budget payment method has been explored and implemented across the country and has gained much experience, the specific policy of global budget has developed according to the practical condition of different areas and has achieved good implementing effects. Thus we can continue to supplement and improve it on the existing basis. After that, with the continuous improvement of total budget and the perfection of relevant liability system, we can gradually adopt the mixed-payment system which includes capitation and DRGs, in order to ensure the quality and efficiency of service and effectively control medical expenses at the same time, and to better achieve comprehensive social benefits.

The current medical research in our country is still in the developing stage, and the situations are different in various areas, so the medical insurance payment methods reform cannot be accomplished overnight. Only when one is matured, can we carry out the next. At the start of the reform, we can learn from the DRGs payment method in the US, establish a medical payment system corresponding with the disease-classification system, then select some common diseases whose expenses is easy to control from the basic medical service and pilot them in some areas. For example, we can choose the eastern developed areas to carry out the payment pilot of DRGs on cardiovascular disease, then gradually promote it in the whole nation, to further provide a good foundation for the medical insurance
payment method transformation from FFS to PPS. Meanwhile, we should constantly summarize problems existed in the implementing process and evaluate the effects of implementation so that when finding out the suitable solutions, we can promote it on national scale. In recent years, the trial of DRGs payment has been carried out in many cities one after another on a small scale, or as a supplementary payment method, both of them have achieved good results. Therefore, DRGs payment can be the main developing trend of the mixed payment system in our country in the future. But at the same time, the practicing pilot also requires medical institutions to make full preparations: on one hand, make full use of evidence-based medicine approach to build the clinical pathway of different diseases, and lay a good medical foundation for DRGs payment\(^{10}\); on the other hand, improve the level of management and the level of diagnosis and treatment in medical institutions to really guarantee the quality of medical service.

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