Social Science & Medicine 96 (2013) 277–284

Contents lists available at SciVerse ScienceDirect

Social Science & Medicine

journal homepage: www.elsevier.com/locate/socscimed

Consumer choice among Mutual Healthcare Purchasers: A feasible option for China?

Weiwei Xu*, Wynand P.M.M. van de Ven

Institute of Health Policy and Management, Erasmus University Rotterdam, The Netherlands

ARTICLE INFO

Article history:
Available online 5 December 2012

Keywords:
China
Consumer choice
Mutual Healthcare Purchasers (MHPs)
Chinese health insurance sector
Healthcare reform
Risk equalization

ABSTRACT

In its 2009 blue print of healthcare reform, the Chinese government aimed to create a competitive health insurance market in order to increase efficiency in the health insurance sector. A major advantage of a competitive health insurance market is that insurers are stimulated to act as well-motivated prudent purchasers of healthcare on behalf of their enrolees, and that consumers can choose among these purchasers. To emphasize the insurers' role of purchasers of care we denote them, as well as other entities that can fulfil this role (e.g. fundholding community health centres), as 'Mutual Healthcare Purchasers' (MHPs). As feasible proposals for creating competition in China's health insurance sector have yet to be made, we suggest two potential approaches to create competition among MHPs: (1) separating finance and operation of social health insurance and allowing consumer choice among operators of social health insurance schemes; (2) allowing consumer choice among fund-holding community health centres. Although the benefits of competition are widely accepted in China, the problematic consequences of a free competitive health insurance market – especially in relation to affordability and accessibility – are generally neglected. To solve the problems of lack of affordability and inaccessibility that would occur in the case of unregulated competition among MHPs, at least the following regulations are proposed to the Chinese policy makers: a 'standard benefit package' for basic health insurance, a 'risk-equalization scheme', and 'open enrolment'. Potential obstacles for implementing a risk equalization scheme are examined based on theoretical arguments and international experiences. We conclude that allowing consumer choice among MHPs and implementing a risk equalization scheme in China is politically and technically complex. Therefore, the Chinese government should prepare carefully for a market-oriented reform in its healthcare sector and adopt a strategic approach in the implementation procedure.

Introduction

In the blue print of the Chinese healthcare reform ("Opinions of the State Council of China on Deepening Health Care Reform") in 2009, the Chinese government explicitly states that one of the goals of the reform is to make healthcare affordable and accessible for every citizen (State Council of China, 2009). One of the major actions of the government has been the expansion of the basic social health insurance, aiming at a universal health insurance. Since 2009, the Chinese government has significantly increased healthcare investments (by 850 billion RMB over three years; approximately 109 billion euro, August 2012 exchange), a large share of which has been made in the health insurance sector (State Council of China, 2009; Yip & Hsiao, 2008). As a result of this enormous additional investment, 96% of the population was covered by various types of social health insurance by July 2010 (Hu, 2010).

Currently there are two major insurers responsible for fund collection and operation of the three social health insurance schemes in China: the Ministry of Health (MOH) and the Ministry of Human Resource and Social Security (MOHRSS). The MOH and its local branches (local health authorities at the county-level) are responsible for the New Rural Cooperative Medical Scheme (NRCMS). The MOHRSS and its local branches (local health insurance bureaus (HIBs) at the city level) are responsible for the Urban Employees' Basic Health Insurance (UEBHI) and the Urban Residents' basic Health Insurance (URBHI). The NRCMS and the URBHI are voluntary health insurance schemes for rural population and urban unemployed respectively. The premiums of these two schemes are paid directly by the enrolees to the insurers. The

* Corresponding author.
E-mail addresses: xu@bmg.eur.nl, xuweiwei12@gmail.com (W. Xu).

0277-9536/$ – see front matter
http://dx.doi.org/10.1016/j.socscimed.2012.11.029

government encourages the enrolment in the two voluntary insurance schemes by substantial government subsidies (to a larger extent for the NRCMS than for the URBHI). The UEBHI is a mandatory health insurance scheme for urban employed people. The premium is collectively paid by employers and employees, the share of which depends on local regulations and the age of employees. There is currently no consumer choice of either the type of social health insurance schemes or the insurer. In principle, consumers can only be enrolled in a specific insurance scheme (according to their residence status and employment status) with a specific local insurer (according to their place of residence). With the NRCMS and the URBHI consumers can only choose to be enrolled or not, and not to choose among different insurance schemes.

Although the coverage rate of social health insurance has risen significantly in the past decade, it is questionable whether currently the major social insurers are efficient in providing health insurance. In fact, there have been some critics about the high level of financial reserves (deposit) of the social health insurers: it was reported that some insurers' financial reserves exceeded their one-year total premium revenue in the previous year (Lu & Wang, 2010). At the same time, co-payments for the social health insurance schemes are still high: the out-of pocket payments (OOPs) that individuals pay directly to healthcare providers at the point of service, still amount to approximately 50% of the total health expenditure (You & Kasuki, 2011). In other words, even though the health insurers collect more funds than necessary, they neither lower their premiums nor upgrade their products (i.e. by providing more comprehensive benefit packages than is currently the case or lowing co-payments). The social health insurers are also criticized as not acting as prudent purchasers of care because they basically contract with all public healthcare providers (in practice no selective contracting), and initiate very little quality monitoring or programs aiming at quality improvement/control of their contracted health providers (Yip & Hanson, 2009).

The Chinese government is planning to create competition within its health insurance sector in order to increase efficiency (State Council of China, 2009). Theoretically speaking, allowing consumer choice among health insurers is one option to give the insurers incentives to be efficient and to act as prudent purchasers of care. In practice, there are several countries with competitive health insurance markets, for example the Netherlands, Germany, Israel and Switzerland. In the Netherlands, it was found that the profit of health insurers was lowered due to competition (van de Ven, Schut, & Hermans, 2009). In the 2009 blue print of the Chinese healthcare reform, the Chinese government mentioned that private insurers would be encouraged to enter the social health insurance market, and market mechanisms would be introduced among social health insurers (State Council of China, 2009).

A major advantage of a competitive health insurance market is that insurers are stimulated to act as well-motivated prudent purchasers of healthcare on behalf of their enrolees, and that consumers can choose among these purchasers. Currently the individual consumer in China is in a weak position as a purchaser of healthcare because of the information asymmetry between the consumer and the provider of care (which may result in supply-induced demand) and because of a lack of information about the quality of healthcare. In addition, at the time that care is needed the consumer often is not in the position to compare the price and quality of the relevant providers of care. To emphasize the insurers' role of purchasers of care we denote them, as well as other entities that can fulfil this role (e.g. fundholding community health centres), as 'Mutual Healthcare Purchasers' (MHPs) (Bevan & van de Ven, 2010). Without proper regulation competition may induce serious side-effects especially for high-risk individuals, such as unaffordability and inaccessibility of insurance, and to a certain extent inaccessibility to healthcare if MHPs have incentives to avoid contracting healthcare providers with good reputation of treating certain diseases. These problems are announced as the major problems to be solved by the Chinese healthcare reform (State Council of China, 2009). Based on the experiences in many settings with competitive health insurance markets, the regulations to prevent these problems should not be underestimated by the Chinese government.

This paper aims to: (1) raise the awareness of Chinese policy-makers regarding the possible side-effects of allowing consumer choice among MHPs; and (2) discuss the principles and practice (including the international experience) of a risk equalization scheme, which is a method to ameliorate these side-effects.

The key research question is: *How could China solve the problems of unaffordability and inaccessibility that are likely to arise if consumer choice among MHPs is introduced?*

In addressing this research question, the following sub-questions are considered:

- What feasible ways of creating consumer choice among MHPs can be identified?
- What are the advantages and disadvantages of (these ways of) allowing consumer choice among MHPs in China?
- Which measures have been taken to address the side-effects of competition in the health insurance sector in other settings (i.e. countries) with a competitive health insurance market, such as, Belgium, Germany, Israel, the Netherlands, and Switzerland?
- What lessons can China learn from the international experience in order to create consumer choice among MHPs without the problems of unaffordability and inaccessibility?

Section 2 discusses the two potential options for creating consumer choice among MHPs in China, analyses their possible advantages and disadvantages and considers solutions to problems that are likely to arise. Section 3 reviews and analyses several other countries' experience of addressing the problems of unaffordability and inaccessibility of health insurance. Section 4 considers relevant lessons for the Chinese healthcare sector. Finally, Section 5 presents our conclusions and discussion.

Potential options for, and consequences of, creating consumer choice among Mutual Healthcare Purchasers in China

Two potential options for creating consumer choice among MHPs

As mentioned above, the role of MHPs could be played by various entities. Government agencies are chosen to act as MHPs in the UK (local health authorities) and in countries with National Health Insurance such as Taiwan and Korea (health insurance bureaus). For profit or non-for profit private health insurance companies act as MHPs in countries such as the Israel, Germany, the Netherlands and Switzerland. Healthcare providers act as MHPs or are involved in purchasing care with various schemes, for example the fundholding Primary Care Trusts (PCTs) in England, and different Health Maintenance Organizations (HMOs) in the US.

Although all the above mentioned entities can become MHPs in theory, it would be difficult to introduce consumer choice of MHPs in China in any abrupt way. Because healthcare is a semi-collective good, constituted on democratically established social rights, reform advocates not only have to overcome the various technical problems associated with any reforms, but also have to deal with substantial powers of veto against their reforms (Immergut, 1992). If the stakes of a policy program are high, as in the case of healthcare, actors may prefer to stick to their established