

China's population aging and health system reform

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**“Well-being in Ageing Societies: Perspectives
from China, Germany and Japan”**

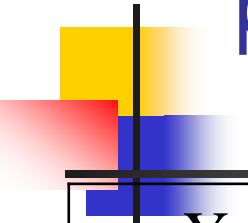
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China's Demographic Transition

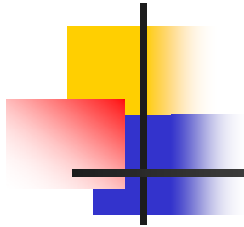


- China's dramatic fertility decline since the 1970s and continued increase in life expectancy lead to population aging.
- Elderly 65+ accounted for 8.9% of the total population in 2010 Census, 9.2% in 2012.

Total size and age structure of the population as reported by census

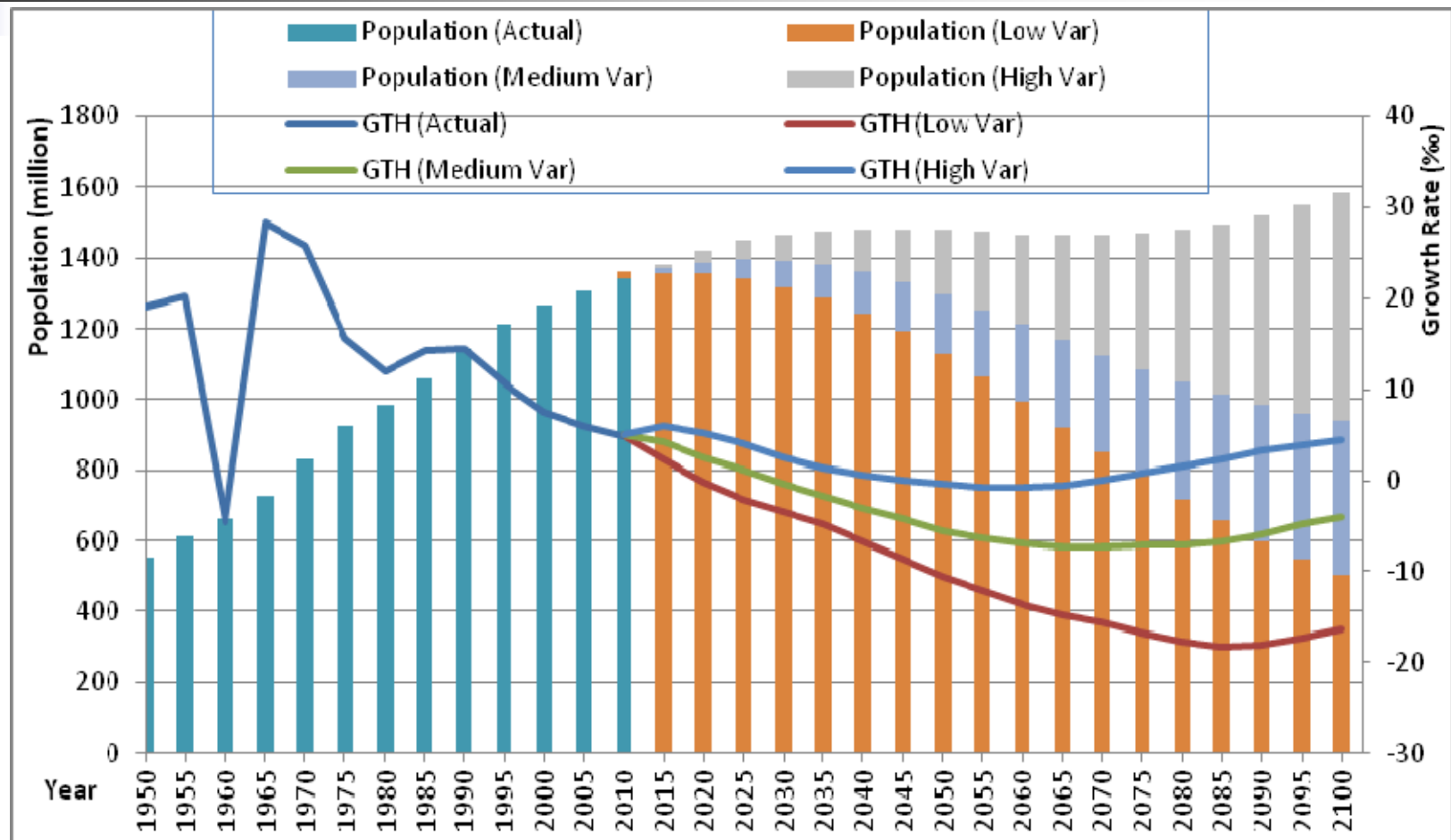


| Year | Total (million) | Aged 0-14 (%) | Aged 15-64 (%) | 65 and older (%) |
|------|----------------------------|---------------------|----------------------|------------------------|
| 1953 | 594.35 | 36.28 | 59.31 | 4.41 |
| 1964 | 694.58 | 40.69 | 55.75 | 3.56 |
| 1982 | 1008.18 | 33.59 | 61.50 | 4.91 |
| 1990 | 1133.68 | 27.69 | 66.74 | 5.57 |
| 2000 | 1265.83 | 22.89 | 70.15 | 6.96 |
| 2010 | 1339.72 | 16.60 | 74.53 | 8.87 |

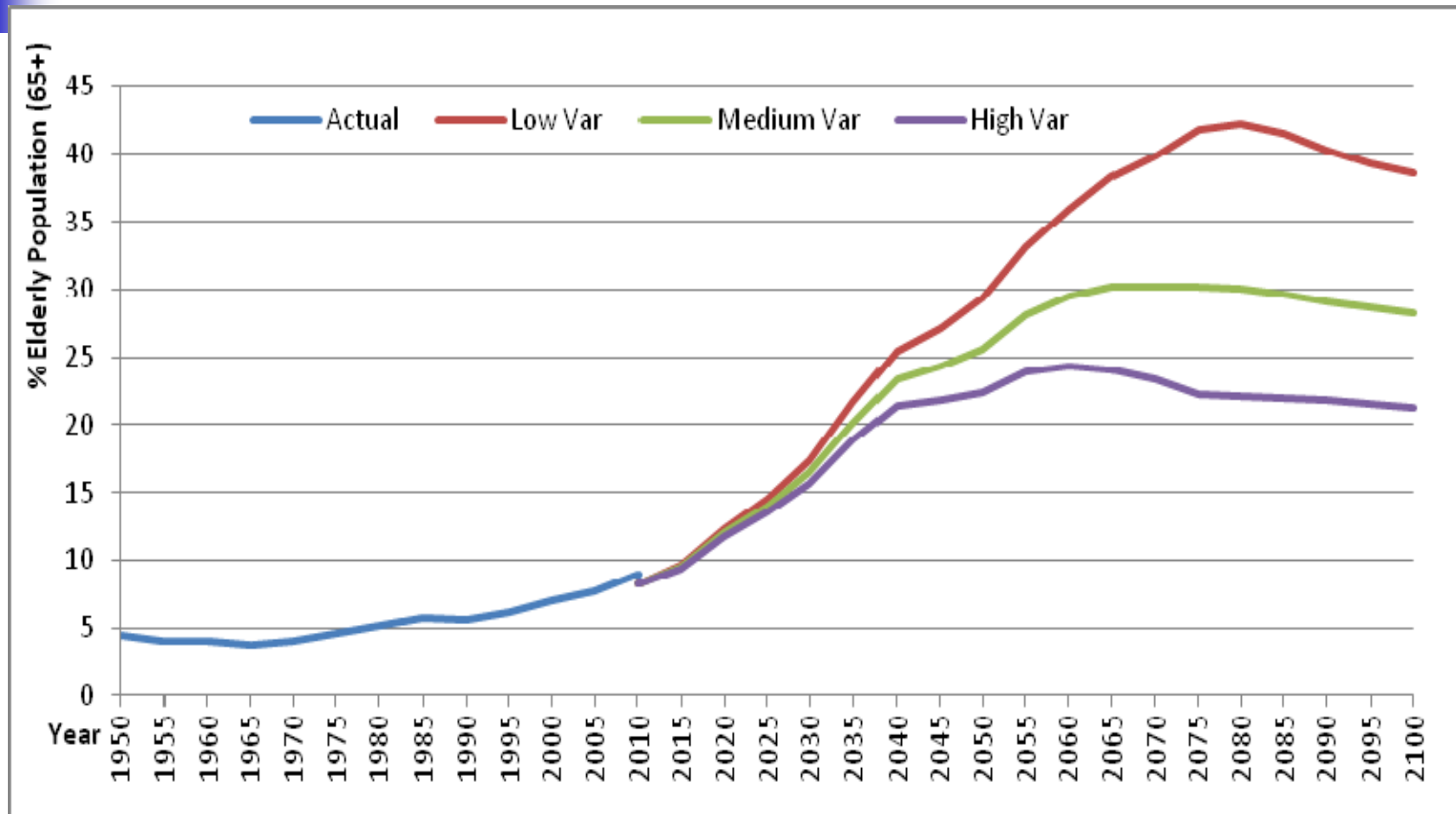


- China's elderly 65+ would account for, respectively, about 25%, 30% and 40% of the total population around the mid-21 century as projected by the high, medium and low variants of UN Projections.

China's actual (1950-2010) and projected (2010-2100) population changes



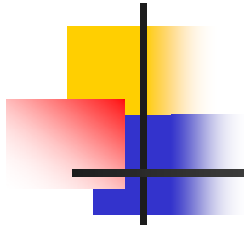
China's actual and projected population aging (1950-2100)



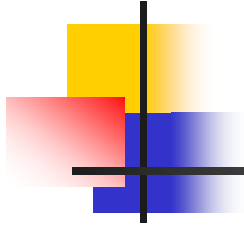


Epidemiologic Transition

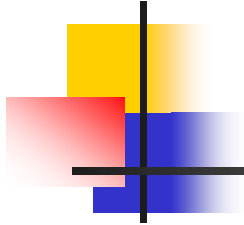
- Population aging and rapid change in lifestyle with higher incomes and improved living standard over the past three decades of rapid development have resulted in “epidemiologic transition” in both urban and rural areas.
- The major causes of death have shifted toward increasing prevalence of non-communicable diseases (NCDs).



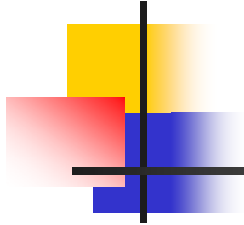
- A recent survey finds that 11.6 percent of Chinese adults (14.3% of urban adults and 10.3% of rural adults) had diabetes in 2010. By comparison, it was only one percent in 1980.
- China's morbidity of diabetes (11.6%) was already higher than that of the USA (11.3%).



- The changing lifestyle featured by high calories (sugar, fat and salt) intake, the lack of physical laboring and exercises and etc. are the major causes of such high incidence of diabetes and other NCDs.
- 70% of the diabetes patients were not aware of their morbidity.



- The epidemiologic transition indicates the critical importance of preventive intervention than the curative measures, which tend to be more costly and less effective.
- But how to motivate the providers to engage in preventive services remain a challenge to the country's health system.

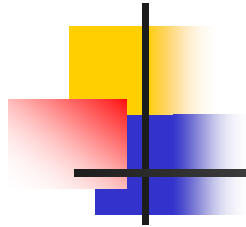


- Public health insurance funds are collected and administered/ managed by local governments
- In the present there are three major social health insurance programs: Social Health Insurance for Urban Workers and Staff; Social Health Insurance for Urban (non-working) Residents, and New Cooperative Medical Scheme (NCMS) for rural residents.
- Payment to the providers are in general based on “fee for services” (FFS).

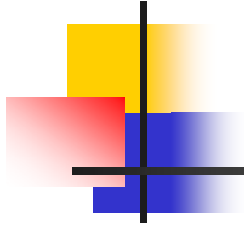


Price distortion and motivation to generate revenues

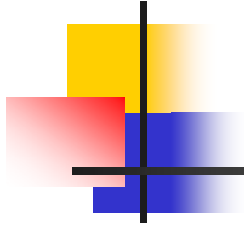
- In the country's health system, there have been a long-time practice of over-pricing of drugs and high-tech check-ups at the cost of under-pricing of labor services of medical personnel.
- Hospitals have to derive most of their revenues from services provision and drug sales. The incomes of medical workers are closely linked to the revenues of the hospitals.



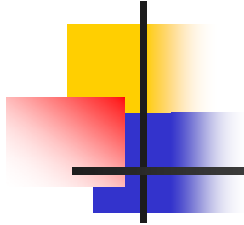
- Price distortion and mal-designed financing lead to mal-practice such as over-prescription of drugs, high-tech check ups and other profitable services.



- Drug cost account for over 50 percent of the total health expenditures in China, compared to about 5-20 percent in developed countries and about 15-40 percent in developing countries.
- Over-pricing of high-tech medical tests leads to over investment and over use of these expensive equipments. In Urumqi, the capital of China's northwestern province of Xinjiang, There are more CT scanners in the city than in the whole country of Belgium.



- In the meantime, there has been a under-provision of physician/nursing services. The poor services and the absence of accountable institution to settle disputes between the providers and patients have contributed to the increasing tension between the two parties.
- The lack of appropriate division of labor among the primary, secondary and tertiary hospitals result into inefficient use of health resources.



- Preventive interventions are more efficient and of critical importance for healthy and active aging.
- Under the current system, however, providers have little incentive to do it.
- The health system reform should give high priority to preventive care.



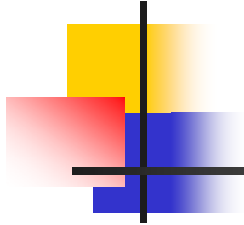
Increased need for long-term care

- Older elderly 75+ are more likely to need long-term care. The total cost on long-term care will increase dramatically, given the increase in both the number of patients and the costs per patient.



The declining role of family as care-giver

- China's baby boomer cohorts (born in 1950s and 60s) will enter old-age in the coming two decades, they have much fewer children than their parents.
- An increasing number of older elderly will live with only their spouses or live alone (widowed).

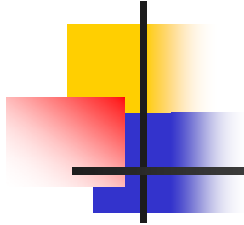


- Among the three tiers of the health care facilities, the primary care facilities have more externalities by the nature of “public goods”/“merit goods” of their services.
- By comparison, the services of the tertiary hospitals tend to be “private goods”.
- The services of the secondary care facilities are between the two.

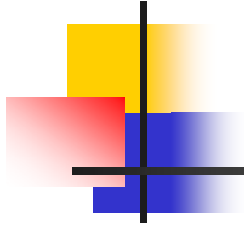


Policy suggestions

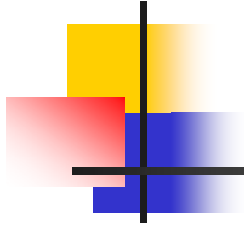
- The government should play a more important role in the financing of the primary and secondary providers.
- The government should motivate the primary/secondary care providers to be more engaged in preventive care.
- For instance, more weights should be given to the work and outcomes of preventive services in the evaluation of performance of primary health care providers.



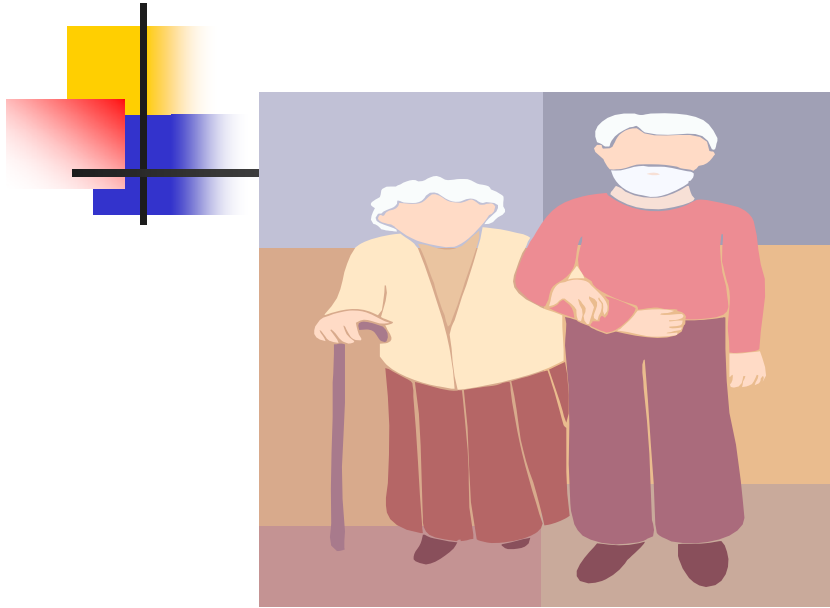
- Ask the insurees to choose one of the primary health center for their services.
- Provide insurees with more incentives to seek for health care at the primary/secondary health facilities, through measures such as lower deductibles/co-payment.



- Extend the preventive care to the non-traditional health care fields such as promoting good practice in physical exercises (e.g., “Taichi boxing”).
- Highlight and duplicate the good practice of primary/secondary providers.
- Supplement the conventional payment methods with “pay for performance” based on the health indicators of the residents the primary providers serve.



- The tertiary hospitals can continue to be financed by social insurance and other insurance programs.
- Eliminate gradually the price distortion in health sector, and consequently the related mal-practice.



Thank you very much!