SOCIAL HEALTH INSURANCE IN CHINA: GETTING THE INCENTIVE RIGHT

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Executive Summary

1. China has introduced social health insurance schemes since the 1990's, covering more than 1.2 billion people or 95% of China's population by the end of 2011. In 2010, various social insurance plans took up 24% while out-of-pocket payment accounted for 36% of total health expenditure.

2. Social health insurance schemes in China have a few peculiarities. First, all social insurance schemes in China are managed by the local government. Second, the central government and lower level governments provide subsidies to some of these schemes according to the number of enrollees. Third, enrollment into many social health insurance schemes is voluntary.

3. The reform agenda for social insurance has been set for years between 2012 and 2015. These social health plans will have universal coverage, with increased subsidies from the government. Commercial insurers are encouraged to play a role while reimbursement rate for patients will also be increased.

4. The government also announced recently that full portability of social insurance schemes across regions will be implemented gradually. To achieve these goals, pilot projects are being conducted in many localities.

5. The future development of social health insurance, given the limited role of social insurance to protect patient financially and improve service quality, is still in question. Few issues remain to be addressed. First, the financial coverage is still low. Second, the surplus of social insurance funds is very high, reflecting inefficiency in allocation.

6. Third, the implementation of the full portability of social insurance is fraught with difficulties. Fourth, private insurance schemes which are complementary or supplementary to social insurance plans are under-developed. The incentive of social insurers is the key to understanding these issues and to implement future policy targets.