



Boao Forum for Asia Annual Conference Summary (No. 60)

Boao Forum for Asia Institute

March 26th, 2017

Session 37

Healthcare Reform: Cracking the Hard Nuts

Time: 1:30 p.m. to 3:00 p.m., March 26th, 2017

Venue: ICC, Level 1, Dong Yu Grand Ballroom A

Moderator:

-TIAN Wei, Host, China Global Television Network (CGTN)

Panelists:

-Haruhiko HIRATE, Corporate Officer, Takeda Pharmaceutical Company Limited

-Omar ISHRAK, Chairman & CEO, Medtronic

-Roberta Lynn LIPSON, CEO, United Family Healthcare

-Gordon LIU, Yangtze River Scholar Professor of Economics, National School of Development, Peking University

Key points:

- The separation of hospitals and pharmaceuticals has been implemented for many years, but the actual results are not satisfactory.
- We need to change the current management system. We should encourage doctors to leave the first-grade hospitals and solve the problem of “going



up” and “going down”. In this way, many current healthcare problems can be solved.

- Since the doctors’ job is not well paid, they don’t want to take the time to treat patients but simply prescribe many drugs. We need to change the payment system so that doctors are willing to take the time to see patients. Doctors can make money as long as they spend time on patients. The government will no longer need to intervene in pharmaceutical business and hospitals.

Synopsis:

China’s healthcare reform has entered the most difficult stage. The balanced allocation of healthcare resources, solution of hospitals making profits from selling pharmaceuticals and effective control of the price hike of medical expenses are the biggest concerns to the public. They are also the key to the success or failure of the healthcare reform.

On December 27, 2017, the “*Plan for Deepening the Reform of Medical and Health System in the ‘13th Five-Year’ Period*” was officially issued. The success of China’s overall healthcare system will have great influence on China’s economy and society.

This session held in-depth discussions on China’s medical problems from many angles, such as shortage of high-quality medical resources, hospital and pharmaceutical separation, private capital, income of doctors and so on. Experts in the domestic and foreign medical fields offered suggestions and solutions on how to break through the predicament in China’s healthcare reform.



Difficulty in Seeing a Doctor-to Meet the Medical Needs of more Patients, We Must Change the Management System

In China, large hospitals are always crowded with patients but we find few patients in the community clinics. Haruhiko HIRATE believed that the government should build a basic medical system. Patients who have a fever or cold can go to the basic medical clinics to get treatment instead of going to hospitals.

Roberta Lynn LIPSON noted that China and the United States have different medical training systems. In the United States, after 4 years of basic medical study in college, students need to work as a resident in the hospital for just one year before they can become family doctors. In China, students need to make a decision on whether to become a doctor at the age of seventeen or eighteen. This is very difficult. China should do a good job in basic medical staff training and improve the quality of basic medical workers.

Gordon LIU believed that meeting the medical needs of more patients involves the transformation of Chinese medical system. To give patients access to basic medical services in community clinics, we not only need to promote community clinics, but also need to ensure these clinics have a lot of good doctors. China has three million professional doctors; most doctors are keen to work in the first-grade hospitals. This is not the doctors' fault. This phenomenon is caused by a number of institutional reasons. If we change the existing management system, encourage doctors to come out from the top three hospitals to solve the "up and down" problem, then a lot of medical problems can be solved.



Private Capital Will Bring Competition to Improve the Overall Level of Health Care

Haruhiko HIRATE noted that hospitals treatment diseases and save lives and governments run the country. Just as insurance companies encourage people to do more exercises, governments can also encourage market behaviour and energize the vitality of medical market so as to reduce governments' burden in this respect.

As for private capital entering the medical industry, both Haruhiko HIRATE and Roberta Lynn LIPSON believed that competition is always good. If the private capital enters the medical industry, it will bring more effective medical methods, returns and better salary system. It is hard for private investors to invest in the medical industry.

To Cancel the Medicine Markups in All hospitals Nationwide

Haruhiko HIRATE said that China's medical problem is reflected in the fact that doctors mainly benefit from selling medicine. The healthcare reform in Japan in the 1960s has already separated treatment and medicine. The hospitals only prescribe drugs but do not sell them. Patients go to an independent pharmacy to take the medicine. The hospitals will not get any benefit from selling medicine. The doctors are only responsible for medical diagnosis and treatment. China needs to make improvement in many aspects step by step to achieve the change of the whole medical system.

Omar ISHRAK believed that China's healthcare reform is at its primary stage and still has a chance to do it well from the beginning. Omar ISHRAK is optimistic about china's situation. He believed that we must make a roadmap for the salary system based on the result and get it done within a certain timeframe.



On December 27, 2017, the State Council published and issued the “*Plan for Deepening the Reform of Medical and Health System in the ‘13th Five-Year’ Period*”, which involves a series of concrete measures to eradicate the phenomenon of hospitals benefiting from selling medicine, and the difficulty and high expenses in seeing a doctor. Roberta Lynn LIPSON expressed her appreciation. She noted that to achieve this goal, we need to coordinate the interests of all stakeholders and ”revolutionize” the system. For example, we can stipulate that the profits of hospitals cannot exceed a certain number when pricing medicines.

Gordon LIU noted that hospitals get profits mainly from selling medicine because there was something seriously wrong with the doctor’s salary system in the past. If the doctor does not prescribe drugs, then he or she can make extra money. Gordon LIU noted that the healthcare reform plan for the 13th Five Year Plan Period made it very clear that all the hospitals in should cancel the medicine mark-ups nationwide and separate hospitals from medicine. This is an arrangement that China’s State Council made for the coming five to ten years. China should find a way to provide satisfactory medical services for patients--the medicines that doctors prescribe should be necessary but not redundant. There must not be drug abuse. At the same time, we need to make sure that hospitals can survive.

Encourage Doctors to Obtain Income through Improving the Level of Diagnosis and Treatment

Experts at the forum all agreed that the change of payment system is key to China’s healthcare reform.

Haruhiko HIRATE believed that we must guarantee the income of doctors in the first place; otherwise there will be no good doctors. In Japan, the incomes



of doctors are usually two or three times that of ordinary businessman. What's more, they also enjoy great social status. Only in this way will doctors take the initiative to comprehensively learn medical knowledge. If these cannot be realized, then the doctors will try to make money through other channels.

While advancing the healthcare reform, the government should encourage doctors to improve themselves in diagnosis and treatment. Gordon LIU noted that if we have a good salary system, then this problem could be solved. He pointed out that at the moment, the priority should be the management of prescribed drugs, and then we should pay for the time that doctors spend on the patients, namely the diagnosis and treatment fee. If doctors can make more money by spending more time in treating the patients, then they will be more willing to do so. We should create a mechanism for doctors to make money by “investing their time”.