

The Role of Private Health Insurance in China's Health Care Financing

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Outline

- Introduction
- Description of Private Health Insurance Coverage
- Determinants of Health Insurance Coverage
- Demand for Private Health Insurance
- Opportunities and Future Challenges

Socio-Economic Background

	1980	1990	2000
GDP (billion RMB)	452	1855	8940
(Real Term, 1980)	452	916	2204
Population (million)	987	1143	1266
Urban (%)	19	26	36
Per Capita Income (RMB)			
Rural areas	191	686	2253
(Real Term, 1980)	191	339	555
Urban areas	439	1387	6280
(Real Term, 1980)	439	685	1548

Source: www.stats.gov.cn

National Health Expenditure

	1980	1990	2000
National health expenditure (billion RMB)	13	74	476
(Real Term, 1980)	13	37	117
Government (%)	36	25	15
Social insurance (%)	40	38	25
Personal (%)	24	37	60
% of GDP	2.9	4.0	5.3
Per capita health expenditure (RMB)	13	65	376
(Real term, 1980)	13	32	93

Source: Zhao Yuxin, China National Health Expenditure Report in 2000

Health Insurance Coverage Distribution, 2003

<u>Urban</u>		<u>Rural</u>	
Public insurance	43.0%	Public insurance	3.1%
Cooperative medical services	6.6%	Cooperative medical services	9.5%
Private insurance	5.6%	Private insurance	8.3%
No insurance	44.8%	No insurance	79.1%

National Health Services Survey in 2003, China Ministry of Health

Estimated Private Insurance Enrollment and Uninsured (2003)

	<u>Urban (million)</u>	<u>Rural (million)</u>
Private insurance	22.5	67.2
No insurance	202.2	640.9

Health Insurance Industry (Revenue and Expenditures from Health Insurance)

	<u>Revenue</u> <u>(billion)</u>	<u>%</u> <u>(1999 base)</u>	<u>Reimbursement</u> <u>(billion)</u>	<u>%</u> <u>(1999 base)</u>	<u>Reim/Rev</u>	<u>Op Ex/Rev</u>
1999	3.65	-	1.10	-	0.30	0.13
2000	6.55	179	1.29	117	0.19	0.14
2001	6.16	169	3.35	305	0.54	0.12
2002	12.24	335	4.99	454	0.41	0.10
2003	24.19	663	6.99	635	0.29	0.09
2004	25.98	712	8.91	810	0.34	0.10

Health Insurance Revenue to Total Revenue

	Health Insurance Revenue/ Total Insurance Revenue	Health Insurance Revenue/ National Health Care Exp.
1999	2.6%	0.90 %
2000	4.1%	1.43 %
2001	2.9%	1.23 %
2002	4.0%	2.15 %
2003	6.2%	-
2004	6.0%	-

Distribution of Life/Health Insurance Industry (2004)

Domestic

China Life Insurance Company	54.57%
Pin An (Peace) Life Insurance	17.00
Pacific Life Insurance	10.68
Other (5 companies)	14.06
Subtotal (8 companies)	96.31

Distribution of Life/Health Insurance Industry (2004)

Foreign

AIA Life Insurance	1.49%
Pacific Antna Life Insurance	0.20
Manulife-Sinochen Life Insurance	0.19
Other (16 companies)	0.81
Subtotal (19 companies)	2.69
Total (Domestic and Foreign)	100.00

Features of Private Health Insurance

1. Insurance premium according to fixed amount benefit reimbursement (i.e. 800RMB per 10,000RMB)
2. Waiting period ranging between 90 days to 180 days
3. Insurance benefit has maximum cap up to 3 times of premium - not affected by patient's actual medical expenditures
4. Some companies reimburse part of premium for those who did not file claims
5. Discontinue renewal for those who had major claims
6. Life insurance first/health insurance as supplement
7. Health insurance limited to age below 60 or 65

Types of Private Health Insurance Products

- Reimbursement (i.e. 250 Yuan per inpatient day)
- Inpatient (with deductible)
- Inpatient/outpatient
- Disease type (i.e. cancer, children with major illness, major medical)
- Payment ceiling
- As a gap for public health insurance (deductible, copayment)

Determinants of Private Health Insurance Enrollment

(Small Cities Household, Survey, n=5626)

- Middle age group (40-60) (OR: 2.80)
- Employed in private enterprise (OR: 1.18)
- College education (OR: 2.38)
- High income group (top 3rd quartile, OR: 1.65)
(top 4th quartile, OR: 2.10)
- No statistical association between public health insurance ownership and private health ownership

China Insurance Management and Regulation Act (June 15, 2004)

- Approval Review (minimum capital)
- Financial and Risk Supervision
- Premium Rate Setting
- Benefit Package/Products
- Consumer Right Protection
- Auditing
- Dispute Settlement Procedures

Demand for Private Health Insurance (Contingent Valuation/Individuals Willingness-to-Pay Analysis)

Choice of three types of insurance coverage:

Catastrophic illness	0.43
Inpatient	0.49
Outpatient	0.24

Demand for Private Health Insurance (Willingness-to-Pay)

- Random Effect Logistic Regression -

(Small Cities Household, Survey n=2675)

- Insurance premium (-)
- Male (+)
- Age 15-40 (+)
- Employed in private sector (+)
- College education (+)
- Income (+)

Price Elasticities of Demand for Private Health Insurance

	<u>Elasticity</u>	<u>Mean Premium</u>
Catastrophic Illness Coverage	-0.27	125 Yuan
Inpatient Coverage	-0.34	140 Yuan
Outpatient Coverage	-0.41	87 Yuan

WTO and Health Insurance Industry in China

- Joined WTO in 2001
- Passage of Foreign Insurance Company Regulatory Law, 2002
- Allowed joint venture up to 50% ownership before 2004
- Allowed joint venture up to 51% by 2004

Opportunities

- Large uninsured population available, particularly in small/medium size urban cities (100,000)
- Work with major private enterprise and joint venture employers to improve risk pooling
- Joint venture between Chinese and foreign insurance companies to gain management experience
- Develop networks between insurance companies and providers to contain cost and monitor quality
- Design good insurance business models to sustain the insurance program

Future Challenges

- Insurance companies need to provide major financial risk protection
- Insurance companies need to provide comprehensive coverage, avoid disease specific and indemnity
- Need government regulatory agencies to monitor benefit package design, financial reports
- Need to train more insurance management professionals
- Need more consumer education