

# The Problems and Countermeasures for China's Current System of Medical Insurance Personal Accounts

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## Abstract

*Medical insurance system reform in our country has been pushing a society to plan as a whole and individual account of combining the mode, which one in the moral hazard pay to solve medical problems, enhance the welfare of ginseng protect citizens,for the aging of the population coming accumulation fund of insurance of social medical treatment, medical treatment cost control, of the social medical treatment insurance system sustainable development has played an important role. But in operation of individual account is not strong, range of accumulating narrow, the lack of mutual aid character, and the lack of equity, needs further improvement and development. By increasing the individual account of accumulating, strengthen the role of cost control, expand the range and increase their character of each other aid, will make its role bigger, more with Chinese characteristics.*

**Keywords:** Medical Insurance; PersonalAccount; SocialPooling; Mutual Aid Character; Equity

## 1. Introduction

China's current basic medical insurance fund by fund and individual account, the basic medical insurance premium paid by employees included all individual accounts. The basic medical insurance premium paid by the unit is divided into two parts: One part is used for funds,and the other part is entered into individual accounts. It can thus be seen personal account of medical insurance is a part of the basic medical insurance fund,it emphasizes on property insurance account rather than saving properties; The combination of personal account of medical insurance and social insurance fund, not only pay attention to personal responsibility, but also pay attention to the social mutual aid;It considers both the efficiency, and considering the fairness;Personal account of medical insurance fund for employees only is used for individual medical expenditure, and it is a kind of special account; Medical insurance fund personal accounts owned by individuals,it both can be carried forward to use, also can be inherited by the family.

## 2. The Necessity of the Existence of the Health Insurance Personal Accounts System

Personal accounts are a novelty in the field of health insurance, although there are some problems in the operation, but based on the reasons of the following aspects, personally think that there is the need for medical insurance personal accounts of its existence.

### 2.1 It can Help to Solve the Problem of Moral Hazard in the Medical Pay

From the perspective of social morality, we must recognize the fact that a considerable number of people have a less moral habit, which is not to cherish the things of others and a total lack of resources for conservation awareness, and even individuals may also increase the expenditure of the phenomenon there deliberately. However in the presence of the personal accounts situation, the supply side of health care costs includes individuals, institutions and governments of the three aspects, the demand side of the health care costs includes individuals and hospitals. With the constraints of personal payments, people will plan to use sparingly medical costs, avoid the waste of units and national medical expenditures.<sup>[1]</sup>

On the other hand, the patient will be conscious to oversight hospital, thus curb the arbitrary charges hospitals in a certain extent. The joint efforts of many may contain people's immoral habits in a certain extent.

## **2.2 In Favor of Accumulating Social Health Insurance Fund for an Aging Population Society**

In the design of medical insurance personal account the main consideration is to address the pay crisis that appears in the face of an aging population. If our health insurance system using social health insurance PAYG system, until the time the peak of the population, or an aging society will face a payment crisis. One way to solve the crisis is to increase the contribution paid by the proportion, to raise sufficient funds, but this will make the already heavy burden on individuals and units is more heavily, it do not conducive to social reproduction. Therefore, when the idea was originally designed intended to ease the country on the way through the accumulation of personal account to pay for that time of the crisis.<sup>[iii]</sup>

The accumulating role of health insurance personal accounts plays a stronger role than personal savings in a certain extent, because it excludes the chance of personal arrangements and it overcomes the shortsighted tendency of some members of Society, that it has some mandatory, and shall not be used for other spending. In addition, although medical personal account funds are first for the current health care spending, but there is always a part of the young abled insured little or no health care spending, health care funds are accumulated to personal accounts. After a few years of accumulation, medical personal accounts can achieve considerable quantity, with the ability to cope with the future risk of serious illness pay.

## **2.3 Help to Control the Health Care Costs**

China's medical insurance personal accounts combine with high deductibles of co-ordination insurance and provide personal funds in the account can only be used for medical expenses, balance can continue to be used in the future so that families can even be inherited as a legacy. In this design, the individual may be based on the amount in the account and its economic capacity, within the scope of the following amounts from the pay line, patients have free to select doctors and medical services and patients have the right to choose medical services by price and quality evaluation; Doctors have begun to have an incentive to compete on price. Thus, personal accounts help control health care costs.

In addition, the establishment of personal accounts is also conducive to the formation of a reasonable medical market supply and demand relationship, improving health care resource allocation efficiency, and reducing medical supply and demand sides of excessive supply and excessive consumption behavior. As the title of medical insurance personal accounts owned by individuals, there is a clear personal responsibility for their health care insurance, and strengthen the personal consumption of unreasonable medical expenses of self-restraint, to control health care costs have a certain effect.

## **2.4 In Favor of the Sustainable Development of Social Health Insurance System in China**

Personal account options and establish has played an active role in the transition of publicly funded health care to social health insurance, which greatly eases the economic reform, especially the reform of state workers brought to shock, and makes up for medical insurance Masonic defects so that our social health insurance system can be more sustainable. Meanwhile, the personal account has good portability and is easy to transfer continued insurance relationship.<sup>[iii]</sup> With the acceleration of population movements, people connected to the issue of social insurance continued to flow in different regions have become increasingly prominent, the problems are not solved effectively will become a bottleneck for sustainable development of social security system, while personal accounts of the advantages of portability is an effective solution to this problem.

In addition, pooling funds take place payment difficulties, or even threaten social stability, in accordance with the principles of administrative emergency, a lot of money can be deposited in the personal account balance overall fund expenses, overdraft against the risk aspects play a role.<sup>[iv]</sup>

Reasonable accumulation of personal reserve account funds are insured health resources, to some extent, it can also reduce the intergenerational burden, improve the level of protection and promote sustainable development of medical insurance.

## **3. The Main Problem of Medical Insurance Personal Accounts System Exists**

Although our medical insurance personal accounts played a role in the existing health care system, but there are also running some of the major issues.

### **3.1 The Accumulation Effect of the Medical Insurance Personal Accounts is Not Obvious**

#### **3.1.1 Using and Accumulation Over the Same Period, the Utility of Accumulation is Limited**

In accordance with the provisions of the present system of individual accounts, payment due to the uncertainty of the disease, the payment behavior could occur at any time, even with the same period of accumulation.<sup>[v]</sup> This spending pattern will inevitably affect the effectiveness of accumulation of the personal accounts, so that the amount of accumulated account is very limited, resulting in the accumulation of personal accounts could not be fully pre-or no accumulation, and affect the level of protection of late.

#### **3.1.2 Personal Contribution Rate is Inelastic**

At different ages, the situation of the income, health status and personal burden of the insurance participant is different. Currently individual fixed contribution rate of 2%, which did not fully consider the age, income, personal burden of the insured person, and lack of appropriate incentives, is not conducive the insured person to the accumulation of future medical expenses, and cannot fully exploit the economic potential of different ages, so that part of the life insured missed the best time to accumulate personal accounts, and ultimately affect the amount of accumulation.<sup>[vi]</sup>

#### **3.1.3 The Ability to Increase the Value of Limited Funds**

Increasing the value of the individual account funds currently rely mainly on savings interest income, is a completely natural accumulation style fund growth. In our current capital market is underdeveloped and inadequate, uncertain future inflation rate case, increasing the value of the fund will be greater pressure. Coupled with the uncertainty of the disease, rising health care costs, the future of the aging factors such as increased demand for medical care, only to rely on meager income is difficult to deal with the risk of the fund's future.

#### **3.1.4 The Personal Accumulation Account the Lack of Incentives**

At present China's basic medical insurance total annual individual personal accounts accounted for about 3.2% of total annual wage -3.8%, the majority of the insured amount less accumulated on the account. And because the provisions of the door for personal accounts in line with the basic medical insurance, emergency expenses and expenses pharmacies workers hospitalized personal burden, lack of personal accounts, pays by the individual. This allows the insured person is always first with the accumulation of personal accounts before entering outpatient or co-ordination, it is difficult motivate younger workers, more accumulation of disease-free, to guarantee access to protected when they are sick or old, and the current medical practices are not standardized, drugs artificially high prices, overall health care costs rise, it is difficult to achieve vertical accumulation of personal accounts and obtain the function of mutual benefit.

### **3.2 The Role of Controlling the Cost of Health Insurance Personal Accounts is Limited**

Controlling health care costs not only depend on the demand side constraints, but also need to supply-side constraints. Health care spending is a "black box", and the physician as an expert in this area, we recommend that patients are often convinced they made.<sup>[vii]</sup> The original design of personal accounts does not take into account, there is no corresponding supply-side constraints, leading to their own medical insurance personal accounts of medical expenses for poor binding. Medical insurance personal accounts in part by the social pooling funds of funds included, is not entirely their own money, causing people to cherish the extent of personal cash account funds is far from strong. So the accumulated funds stimulate the people to further medical spending in a certain extent. Medical insurance personal accounts is not conducive to the accumulation of excessive play a role in controlling health care spending, but may stimulate health care spending. In Shenzhen, who has accumulated a large number of medical insurance fund personal accounts of young workers, but increased the unnecessary medical spending.<sup>[viii]</sup>

### **3.3 The Fund of Medical Insurance Personal Accounts is not Joint Relief**

The fundamental purpose of health insurance is to establish a risk-sharing mechanism, for the money of patient's health for the patient who needs treatment, reducing the latter to survive the difficulties brought about by the disease.

ILO “comments and suggestions on the reform of China's social security system” that the new health insurance system in the presence of a negative impact many aspects of medical insurance system of personal accounts in very critical, that this will health insurance large part of the funds designated to accumulate in individual accounts under the name of the way, does not make transfer payments for health insurance fund sick people from healthy people, cannot be transferred from the rich to pay for the poor, this is bound to exacerbate the current health insurance system inequality (inequality between men and women, inequality between generations, between people of different income inequality), and increase the risk of vulnerable groups in society in terms of health care.<sup>[ix]</sup> Our medical personal accounts as part of the basic medical insurance fund, the first attribute with basic medical insurance is the basic medical insurance fund would play the role of Freemasons. Requires basic medical insurance fund is used in people who need it most. Provisions of the existing system of personal accounts for part of the clinic, where the risk is not personal medical expenses, personal cash to pay these costs fully capable of resolving without funds to pay. China's current pay range of personal accounts system requires very unreasonable, cannot play the role of Freemasons, leading to reduced supply current fund, co-ordinate pressures, do not let personal account to play a more effective role in the health risk of the insured person.

### **3.4 The Unfairness of Medical Insurance Personal Accounts**

Lack of Freemasons, cannot reflect social justice is a serious flaw personal accounts. Currently accounts for personal criticisms are mostly concentrated here. Unfair basic medical insurance personal accounts not only in health services utilization is not fair, but also in financing and pay line delineated areas.<sup>[x]</sup> In terms of financing, although the insured pay the same proportion, but the higher income groups will not have to pay according to the proportion of the burden, while lower-income people to pay even less money will result in a relatively large burden on the employer Unit 6% of total wages of workers to pay the basic medical insurance is unfair, different units vary greatly benefit funds assigned to individual accounts will be a big gap, and this gap will show a growing trend.<sup>[xi]</sup> In the pay line, the unified pay line for the high-income class is no pressure because sufficient funds in their personal accounts, and strong ability to pay them. For the low-income population, and this standard is too high, their meager funds, causing some people even have health insurance is difficult to enjoy medical services.

## **4. Countermeasures to Improve our Health Insurance Personal Accounts**

Under the premise of the current health insurance system, in order to improve our health insurance personal accounts and the role of health insurance personal accounts, it is necessary to account for the personal use of medical insurance and other aspects of reform.

### **4.1 Enhancing Accumulation of Medical Insurance Personal Accounts**

To enhance the accumulation of personal accounts of health insurance, individual health insurance can account system for structural adjustment. That is the original personal account to pay medical section and paid segment starting as one, to form a new individual payment segment, and the patient have the decision to choose a self-insured or pay for individual segments and pooling funds to pay co-payments paid in cash.<sup>[xii]</sup> This approach can further strengthen the freedom of the insured person's medical disposable personal account, and help to strengthen the role of the medical accumulate personal accounts. In the event of medical expenses paid in cash and more personal, individual accounts would accumulate more; less personal cash, personal accumulation account less. Each person can decide to accumulate or use personal accounts according to their economic situation. The more fully pay personal, personal accounts play a role in the accumulation of the more fully. Currently, some experts have proposed to improve the insured person's medical contribution rates to stimulate the accumulation of personal accounts. This approach may not be feasible. Because people prefer to hold money special psychological, improve the ratio of the insured person's contribution will undoubtedly weaken currency loans insured person holding a special preference, especially those healthy, younger insured person is unacceptable. And this is just a new personal payment in the original section of the system carried out structural adjustment, and no increase in the proportion of the burden of the insured person. Therefore, increasing the burden on the insured and the insurance unit problem does not exist.

### **4.2 Enhancing the Cost of Medical Insurance Personal Accounts Controlled Role**

You can improve the management of health care spending from the supply side and the management of health insurance personal accounts of two aspects, enhancing the role of health insurance personal accounts to control costs.

#### **4.2.1 Strengthening the Accumulation of Medical Insurance Personal Accounts**

To strengthen the management of health care providers and constraints, first the implementation of the settlement of the total budget for medical expenses, and guide medical institutions active control irrational consumption, and to restrain excessive consumption by individual doctors; Second, strengthen the supervision of medical services and review of medical expenses; Third, different levels of medical institutions restructuring, reducing the number of high-grade hospitals and specialists, to avoid over-supply-induced demand generated; Fourth medicine is practiced separately, avoiding drugs to support medical phenomenon.

#### **4.2.2 Strengthening the Management of Health Insurance Personal Accounts**

Medical insurance personal accounts as a part of the mandatory basic medical insurance system, strengthening the management responsibilities of government is also applied basic medical insurance for individual accounts. Currently, strengthen the management of personal accounts will be recovered as soon as one is a personal bank account management, unified management by the insurance agencies; Second, strengthen the supervision of outpatient treatment and verification of medical costs, prevent medical institutions induced demand, taking account funds.<sup>[xiii]</sup>To do this, first is to strengthen advocacy efforts to change the concept of the insured, the insured's fully aware of the account management in order to strengthen the protection of their interests will not be harmed. To the five social insurances enter into a management systems of unified computer, information management to achieve the unity of the beneficiaries, reduce costs of personal account information management. You can also consider three accounts of social security (pension, health care, housing fund) merged into one comprehensive account, saving management costs.

#### **4.3 Enhancing the Mutual Benefit of Health Insurance Personal Accounts**

China's current system of health insurance is drawing on personal accounts of Singapore Insurance Savings Plan some successful experience in personal accounts, combined with China's specific national conditions evolved. Singapore's insurance savings plan for improving our health insurance personal accounts, and enhancing health insurance personal accounts mutual benefit of enlightenment.

##### **4.3.1 Allowing the Use of Funds to Purchase Health Insurance Individual Account Reinsurance**

Social insurance institutions, commercial insurance agency should pay for the cost of basic medical insurance individual portions (deductibles, co-pays part of the pay line, above the cap, catalog expenses) and design more supplemental insurance products.<sup>[xiv]</sup> Social health insurance agencies agreed with the approval of the insured person on the basis of their personal accounts handled by a variety of supplemental insurance. This personal account to play the role of Freemasons reinsurance way through, when the insured person has health risks, limited cost to play a greater role to resist risks, in line with the principle of maximizing social welfare.

##### **4.3.2 The Medical Insurance Personal Accounts and Combine Preventive Care**

For the current health of the population in individual accounts will become "shopping card" phenomenon, some experts have proposed the promotion of health insurance in the health insurance personal accounts using the recommendations. At present, China's medical insurance system is primarily a disease of insurance, no compatible preventive care functions.<sup>[xv]</sup> Compared with sickness insurance, health insurance is a more positive way to protect. Only good grasp of preventive health care, sick people would be less, the total cost of health insurance can really come down, also in line with the people-oriented institution building requirements. Currently, many countries have been translated from the sickness insurance to Medicare health insurance.

#### **4.4 Strengthen the Perfection of the Other Measures**

To make a good medical insurance personal account also need to improve the development of some of the appropriate supporting measures. For example, the need to maximize the coverage of medical insurance to cover all staff as much as possible, diversify risk; looking into the social pool fund balances of funds and effective way to increase the value; strengthen the government's health care for vulnerable groups responsibility.

### **5. Conclusions**

The reform of health care system and the development of personal accounts are necessary. Repositioning personal account functions and adjusting individual account management are inevitable choiceto solve problems. Only by constantly improving it, promoting it, and guiding it, the advantages of medical personal accounts to fully play out, is consistent with China's national conditions.

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