



EU-China Social Security Reform Co-operation  
Project

**Field visit Report**  
Medical Insurance Urban Dwellers Jilin  
province

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**Abbreviations:**

|       |  |
|-------|--|
| MoLSS | Ministry of Labour and Social Security       |
| MoH   | Ministry of Health                           |
| NDRC  | National Development and Reform Commission   |
| PLSSB | Provincial Labour and Social Security Bureau |
| LSSB  | Labour and Social Security Bureau            |
| SIA   | Social Insurance Agency                      |
| RCMS  | Rural Cooperative Medical System             |
| PTF   | Project Task Force                           |
| BMI   | Basic Medical Insurance                      |
| DRG   | Diagnosis Related Groups                     |
| TCM   | Traditional Chinese Medicine                 |
| HIS   | Hospital Information System                  |
| TORs  | Terms of References                          |

## **Introduction**

This report covers the period between 22 May 2007 and 25 May 2007, the first field visit of the “Fast Track Work Plan” activity: analysis of the Medical Insurance Urban Dwellers. During the reporting period we accomplished field visits to Jilin Province, (Changchun and Jilin municipalities).

The strengths during this period were as follows:

The local authorities like PLSSB, LSSB and Municipalities Changchun and Jilin City were fully prepared during the reporting period and expert from the PTF Ms. Wang Chengyu assists the ITAT and PSO member to develop the analysis of the Medical Insurance “Urban Dwellers” successfully.

The ITAT where invited to present the first set of ideas in terms of cost containment and approaches in Europe. Around 15 people of the PLSSB, LSSB and Municipal Medical Insurance participated at the presentation (Annex 1).

## **Executive Summary**

The development and establishment of the Medical Insurance “Urban Dweller” Changchun and Jilin City fills up the last gap in coverage of the population in urban areas. The contribution collection in Changchun City is subsidised for five groups of the population by the local governments. Presumably the cities will reach their target population by the end of 2008.

Services packages are defined only for inpatient care and outpatient care is excluded. The three list of service are adapted from the basic medical insurance and deductible and ceiling lines are arranged. There is no subsidy system for poorest and vulnerable to reduce the burden of medical costs for treatment. Still the burden is very high for this group of population. A risk pooling system is still not available and not considered by the local governments.

The enormous growth of the insurance schemes creates administrative problems for the medical insurance Changchun and Jilin City while the staffing quote never changed. The authorities of the medical insurance pointed out that they need more staff and a better qualification of them in terms of IT hardware and software support and medical experience. Even the IT system needs to be upgraded.

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# **Analysis of the Medical Insurance System “Urban Dwellers” in Changchun City**

## **1** Establishing a Basic Medical Insurance System for Urban Dwellers

The primary mission of the medical insurance reform in Jilin province is to establish a basic medical insurance system for urban dwellers, that is, to build a social medical insurance system to commensurate with the Socialist Market Economy and establishment of the harmonious Society, guaranteeing the basic medical needs of urban dwellers in accordance with the abilities of public financing and individuals to bear the costs of such a system.

The principles for the establishment of a basic medical insurance system for urban dwellers are as follows:

- λ the benefits level for the medical insurance system shall be commensurate with the level of financial ability and development at the primary stage of harmonious society;
- λ all urban dwellers which do not belongs to another medical insurance scheme shall be covered by the basic medical insurance urban dwellers system, which shall be administered by local authorities;
- λ the costs of the medical insurance contributions shall be jointly borne by the urban dwellers and subsidies by the local government;
- λ and, the basic medical insurance funds will be social pooling.

## **2** Coverage of the Medical Insurance “Urban Dwellers” and contribution collection

All urban residents like ordinary residents, students of elementary and secondary schools and migrant workers shall be covered by the basic medical insurance system. The decision whether to include the urban dwellers in the medical insurance “Urban Dwellers” has been made by the local governments of the municipality Changchun City by the end of the year 2006.

The urban residents shall be registered by the community social insurance agency according to registration of the public security office. The community social insurance agencies receiving

an updated register of the public security bureaus. The medical insurance is effective from the registration for one year and service will be available after two month after the registration.

The initial pilot started on 8<sup>th</sup> May 2006 and covered two districts in Changchun city. On 1<sup>st</sup> September 2006 the municipal medical insurance enrolled the scheme in the whole city and by the end of the year 2006 110.000 urban residents are covered. The Medical Insurance registered by mid of May 2007 682.000 urban residents at the current situation. However, the medical insurance try to reach 1.1 Million by the end of the year 2007 and like to cover the rest of the population, around 400.000, by the end of the year 2008.

In principle, the basic medical insurance fund shall be pooled at the prefecture level above (including prefectures, cities at prefecture level, autonomous prefectures and leagues), or at county (municipal) level, shall adopt the pooling at municipal level. All the urban residents shall participate in the medical insurance “Urban Dwellers” in accordance with the principle of local administration, where unified policies shall be applied and funds shall be collected, used and administered in a unified manner.

Urban residents shall pay the medical insurance contributions as a type of premium. The premium is divided into three categories:

- Ordinary urban dwellers 200 RMB per head per annum
- Students of elementary and secondary schools 45 RMB per head per annum
- Migrant workers 120 RMB per head per annum

Within the three categories the local governments decided to subsidies five target groups:

| <b>Target group</b>                            | <b>Definition</b>   | <b>Subsidies</b>   |
|--|---|--|
| 1 Ordinary urban dweller                       | Families below the minimum living standard allowance                                  | 100 RMB Municipal level<br>100 RMB District level  |
| 2 Ordinary urban dweller                       | Disabled population with defined difficulties   | 80 RMB Provincial level<br>80 RMB Municipal level  |
| 3 Ordinary urban dweller                       | Elderly population >age 60  | 50 RMB Provincial level<br>50 RMB Municipal level  |
| 4 Students of elementary and secondary schools | Students of elementary and secondary schools  | 5 RMB Provincial level<br>5 RMB Municipal level  |
| 5 Ordinary urban dweller                       | Laid of worker<br><br>Laid of worker women >age 40<br><br>Laid of worker men > age 50 | 80 RMB Employment promotion support fund<br><br>120 RMB Employment promotion support fund<br><br>120 RMB Employment promotion support fund |

The bureau of civil affairs set up the minimum living standard allowances and they identifying the families are sending a list to the medical insurance. As for Changchun city they identified 37.000 people.

### 3 Deductible and ceiling line standards of the Medical Insurance “Urban Dwellers”

The municipal city Changchun established the medical insurance “Urban Dweller fund, which is to be composed of a social pooling fund. Urban Dweller in Changchun City doesn’t receive an individual account. All the contribution premiums by the urban residents and subsidies of the local governments shall go into the social pool fund.

The scope for payments for the pooling funds and the other medical insurance funds shall be respectively defined and the funds shall be separately accounted for and not be commingled. The deductible line and the ceiling for the payment from the pooling funds are defined as follows:

Medical expenses below the deductible line shall be paid by individuals, while expenses above the deductible line and below the ceiling are mainly paid from the pooling funds, while individuals shall also pay certain percentage of the expenses. The specific deductible line, ceiling and below the ceiling is determined by the medical insurance urban residents of Changchun City based the income level of the city dwellers and on the principle of balancing medical fund revenues and expenditures.

Deductible line 2007 of Changchun City:

|   | Hospital level      | Deductible |
|---|---------------------|------------|
| 1 | Provincial hospital | 900 RMB    |
| 2 | Municipal hospital  | 600 RMB    |
| 3 | District hospital   | 300 RMB    |

Ceiling line 2007 of Changchun City

|   | Coverage                                    | Ceiling    |
|---|---|------------|
| 1 | Ordinary population                         | 45.000 RMB |
| 2 | Students of elementary and secondary school | 50.000 RMB |
| 3 | Cancer and leukaemia patients               | 60.000 RMB |

1<sup>st</sup> level Medical Insurance reimbursement rates (%) between deductible and ceiling line 2007 of Changchun City for ordinary residents

| Reimbursement level | Hospital level      | %   |
|---------------------|---------------------|-----|
| Up to 5.000 RMB     | Provincial hospital | 30% |
|                     | Municipal hospital  | 40% |
|                     | District hospital   | 50% |
| 5.001 to 45.000 RMB | Provincial hospital | 40% |
|                     | Municipal hospital  | 50% |

|  |                   |     |
|--|-------------------|-----|
|  | District hospital | 60% |
|--|-------------------|-----|

2<sup>nd</sup> level Medical Insurance reimbursement rates (%) between deductible and ceiling line 2007 of Changchun City for students of elementary and secondary schools

| Reimbursement level  | % to all level hospitals |
|----------------------|--------------------------|
| Up to 5.000 RMB      | 65%                      |
| 5.0001 to 10.000 RMB | 70%                      |
| 10.001 to 30.000 RMB | 75%                      |
| 30.001 to 50.000     | 80%                      |

3<sup>rd</sup> level Medical Insurance reimbursement rates (%) between deductible and ceiling line 2007 of Changchun City for students of elementary and secondary schools and serious diseases – tumour/cancer and leukaemia

| Reimbursement level  | % to all level hospitals |
|----------------------|--------------------------|
| 50.001 to 60.000 RMB | 80%                      |

#### 4 Financial administration of the Medical Insurance “Urban Dwellers”

The medical insurance fund “Urban Dwellers” opened a special financial account at the Commercial Bank of Changchun City to be used solely for the purposes specified and misappropriation of the funds shall be prohibited according to fund security standards. The families have to pay their premiums on their name at this bank as well the local financial bureaus have to pay the subsidies on the name of the entitled families and the bank provides the list of contributors to the medical insurance “Urban Dwellers”.

The medical insurance management of Changchun City is responsible for the collection of medical insurance premium, administration of the funds and the payment of benefits, as well the establishment and improvement of budgeting and final accounting system, a financial accounting system and internal auditing system. The administration costs for the social insurance management agencies shall not be drawn from the funds, but be allocated from government budgets at various levels. Furthermore the funds of the different medical insurance scheme should be separated administered and not mixed between them.

The interest accruing on the basic medical insurance funds is to be calculated in accordance with the following means: the interest of the fund collected in the current year shall be calculated on the interest rate of a demand deposit; and, the principle and interest from the prior year on the rate of 3-month fixed deposit. The interest of residual social security funds shall be calculated in accordance with the rate of 3-year deposit of small sum when the specified time arises (i.e. “Ling Cun Zheng Qu”) and at not less than such rate.

Budgeting has become a common practice for medical insurance fund management. Through

analysis on medical expenditure, number of patients, various diseases, pricing of services by designated hospitals in the previous year, factors that are reasonable and unreasonable can be identified to improve the budget of the current year.

The revenues amount to a considerable sum of around 18 Million RMB by the end of 2006 and 1.900 insures received benefit of around 4.006 RMB average cost of hospitalization. The expenditure reached only around 7.6 Million RMB by the end of 2006.

## **5** Provider an benefit packages of the Medical Insurance “Urban Dwellers”

The medical insurance “Urban Dwellers” implemented the system of designated medical institutions (including hospitals practicing traditional Chinese medicine) and pharmacies. The Medical Insurance covers 118 designated medical institutions and 126 designated pharmacists in Changchun City. The hospitals deliver only inpatient care to the urban dwellers while outpatient care is not covered by the medical insurance scheme.

The Ministry of Labour and Social Security, in collaboration with the Ministry of Health and the Ministry of Finance has issued the guidance on the application of the List of Drugs, the List of Medical Treatment Services that are covered reimbursable by the medical insurance, as well as the List of Standards to be met by medical service providers. The principles are to make medical services and drugs to meet the clinic needs and the demand of patients, to be secure and effective, priced at a reasonable level with easy access and ensured market supply. The Medical Insurance “Urban Dwellers” adapted the three lists from the BMI “Urban Employees and the PLLSB will implement new three lists during the current year.

### **Financial Settlement**

Medical insurance hospitalization administration of Changchun City adapted different financial settlement practice with medical service providers. This includes fee for service, payment by disease and fixed maximum amount payment etc. The local government of Changchun City took over the same regulation for the medical insurance “Urban Dwellers”.

Fee for Service: medical services rendered by hospitals are covered subject to the lists for medical treatment and drugs that are covered by medical insurance.

Fixed Amount Payment: based on the factors of the number of admitted patients in the previous year, the diseases and medical costs etc, unit hospitalization expenses could be determined. This method of payment often goes for pre-payment to the hospitals. The medical insurance fund normally sets aside 5-20% on monthly or quarterly basis and it will be fully

paid after annual assessment. If the hospitalization cost of a particular service provider is higher than the predetermined cost, then the service provider can be paid only with the predetermined cost, with the difference to be covered by the service provider. If its actual hospitalization cost is lower than the predetermined cost, then the service provider will be paid with the actual amount of medical expenses plus a certain percentage of the difference as its rewards.

Payment by disease: Based on the medical treatment that is needed for a specific disease, payment amount would be determined in connection with Case payment system. In many localities, radiological and chemical treatment for malignant tumor, kidney dialysis, anti-rejection treatment after kidney transplant, hypertension phase III, diabetes, schizophrenia are on the method of payment by disease. However based on the efficacy of medical treatment, the payment level can be varied in different hospitals.

Fixed Maximum Amount Payment: medical insurance administrative agencies shall negotiate with designated medical service providers to determine its maximum annual medical financial payment.

## **6 Organizational structure of the Medical Insurance Administration**

As China is a large country with local economic development imbalances, the central government formulates general policies and principles, while the localities are charged with developing measures that fit to the local context. Through the list of reimbursable medical services and medicine, the administration of designated medical service providers, and the rules on reimbursement and transactions on medical services, medical insurance has been operated in such a way to contain its cost and it goes even further to put medical cost under check (manual check by a physician and supervision of the hospital). The offices running medical insurance are the so-called medical insurance administrative agencies

Managerial staff of the medical insurance hospitalization administration agency of Changchun City (responsible for Work injury and Maternity Insurance):

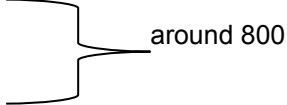
|                             |    |
|-----------------------------|----|
| Planned staff as for 2007   | 62 |
| Current staff as for 2007   | 47 |
| Temporary staff as for 2007 | 16 |
| Requested additional staff  | 40 |

Managerial staff of Social Security Service Stations (Community level) reemployed laid off worker (responsible for all social insurance schemes):

192 Social Security Service Stations (Community level)      3 per agency

Managerial staff of the medical insurance department within the providers:

118 designated medical institutions  
126 designated pharmacists  
(above district level institutions 3-5 staff members)  
(below district level institutions 1 person)



around 800

The administration center of the medical insurance hospitalization is located in the center of Changchun City. The center is renting the office space from the Commercial Bank of Changchun City. The first three floors belong to the center. On the first floor they organized the general service hall for card delivery and other service. But the cards will be distributed as well on the community level. Second floor they organized the registration and contribution collection and on the third they established the reimbursement and accreditation of providers. On the ninth floor they provide general office space and meetings rooms. In the future they will deal with around 3, 1 million insured population of the city Changchun with the exception of the company FAW because they are separated from the Changchun City Medical Insurance Fund which covers around 110.000 employees.

As for the medical insurance Changchun City is facing a bigger problem in term of staffing the administration center because the figures doesn't changed since the establishment of the basic medical insurance and the other schemes. Nowadays the center has to deal with around 1.95 Million insures and this an increase of around 43,7 %. The staff never changed and the center recruits temporary staff to reduce the workload during peak times. As for now the directors calculates a needs of around 40 people more which seems to be reasonable because the number of insures will increase significantly. ,

## **7 Administrative cost of the medical insurance fund Changchun City**

The administrative cost for the Medical Insurance Scheme which covers:

- Basic Medical Insurance "Urban employees and retirees"
- Subsidies "Public Civil Servant"
- Subsidies "Honoured People and other specific defined groups"
- Medical Insurance "Urban Dwellers"

The Insurance for work injuries/occupational diseases and maternity is as well included.

|   |               |
|---|---------------|
| 20.000 RMB x 50 staff members                 | 1,000,000 RMB |
| 20.000 RMB x 10 Cars                          | 100,000 RMB   |
| Publication, Brochures, Leaflets, etc. (LSSB) | 400,000 RMB   |
| Recurrent cost (excluding renting the Office) | 1,500,000 RMB |
| Maintenance of the network                    | 600,000 RMB   |

The Commercial Bank of Changchun City provides the office space for free to the medical, work injury and maternity insurance scheme of Changchun City. Therefore the local government decided to arrange all financial accounts at this bank.

The administrative costs for the medical insurance staff in the hospitals and pharmacists should be covered by the providers and for the Social Security Service Station is covered by the local government. The whole cost of the medical insurance scheme is covered by the local government.

## **8 Conclusion and recommendations towards the MoLSS, PLSSB and responsible authorities**

### **Coverage**

Changchun district covers around 7.8 Million populations in urban and rural area. 3.1 Million Inhabitants living in the urban and around 4.7 Million in the rural area. By the end of 2007 the medical insurance system will reach around 2.66 Million population of Changchun City – Urban area. The rural population is encouraged to join the RCMS which is maintained by the local bureaus of health.

The Medical insurance system is divided in several separated schemes:

- Basic Medical Insurance – Urban employees and retirees
- Basic Medical Insurance – Urban Dwellers
- Subsidies – Public Civil Servants
- Subsidies – Veterans Red warriors and Class B disabled servicemen and specific defined medical expenses for retirees
- Supplementary Medical Insurance

Each system requires a different registration system collected through different public administrations like bureau of civil affairs, public security bureau etc. and companies and which need specific IT network connections to the medical insurance. The registration system is maintained by the medical insurance separately from the other social insurance schemes with exception of the work injury and maternity insurance.

### **Benefit packages**

The medical insurance scheme of Changchun City adopted the three lists of services from the Provincial Labour and Social Security Bureau (PLSSB). The local government decided to use the three lists equally between the different medical insurance schemes. There are no differences between the medical insurance funds and they are using the same IT approach on reimbursement as a synergy effect of those decisions.

First the medical insurance "Urban Dwellers" entitles to the same list of services but only for inpatient care and outpatient care is not covered at all. Second the deductible and ceiling are quite high for the poorest and vulnerable families living below the minimum standard allowances which is paid by the bureau of civil affairs. Those cases could not afford the medical treatment and they are excluded based on their low family incomes because of the inexistence of a risk adjustment system. The coverage of inpatient care leads insureds in any case only into the inpatient care and there is no alternative way in reduction of hospitalization towards outpatient as well the usage of preventive models. Managed care models do not exist at all in the whole system. The services of the medical insurance of urban dwellers could be used after 2 months after registration and payment of the premiums. This regulation is very convenient for the medical insurance fund but for insureds creates another burden to reach needed treatment. This type of regulation should be cancelled from the project point of view and based on European experience and the authority should seriously think of changes towards a unified system and risk pooling even the majority of the funds running a surplus.

### **Organizational structure and administration of the Medical Insurance Scheme**

The basic organizational structure and administration was planned to cover 1.56 Million urban employees and retirees and the coverage increased on 43.7 % without any changes on the organization and the structure. The medical insurance scheme of Changchun City is significantly under staffed and needs urgent more staff in the near future. In particular IT hardware and software experts and more medical personnel in the field of account settlement, reimbursement and controlling of the medical files should be hired. As for the other staff like Social Security Service Stations on the Community level should a training process initiated to upgrade their knowledge.

### **Recommendations:**

1. ***Establishment of a unified system for registration contribution collection in the whole Social Security System to reduce administrative efforts.***
2. ***Development of a risk pooling system as unified system of all medical insurance funds to reduce the financial burden of low income population.***
3. ***Introduction of outpatient care treatment and preventive models to reduce the hospitalization rate of the medical insurance fund***
4. ***Increase the staff of the medical insurance scheme of Changchun City and develop trainings to upgrade the knowledge of the personnel.***