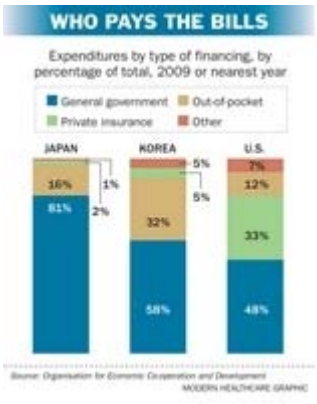
Modern Healthcare

Article published February 25, 2012

Eastern perspectives



China works on its version of reform; more Asian hospitals seek accreditation

By Jaimy Lee
Posted: February 25, 2012 - 12:01 am ET
Tags: Accreditation, International, Medical Tourism, Regular Feature

As China moves forward with its own form of healthcare reform, the traditional methods in which hospitals are paid to provide care are changing.

The Chinese government is expanding basic healthcare coverage to millions of new patients as part of a policy that also aims to encourage significant foreign and private investment in China's healthcare system for the first time. At the same time, physicians and the mainly government-owned hospitals are faced with modernizing the traditional ways in which Chinese patients have paid for their healthcare.

China undertook its own form of healthcare reform in 2009, a move that aims to provide basic coverage to 90% of the Chinese population and make the country's hospitals more fiscally responsible. In addition, the government announced a new policy in 2010 that intends to increase private and foreign investment in hospitals in China.

“As China becomes more wealthy, there will be demand for payment mechanisms and hospitals that provide high levels of service,” says Dr. Ronald Ling, PricewaterhouseCoopers' healthcare leader in Asia.

The majority of Chinese residents receive care at government-owned public hospitals. The recent reform initiative ensures that the hospitals will be paid for treating patients who previously paid out of pocket, but they are now required to undergo a review process to justify the care a patient received, says Dr. Rabi Sulayman, a pediatric cardiologist and director of the international program at Advocate Hope Children's Hospital in Oak Lawn, Ill. Sulayman travels to China up to three times a year as part of Hope Children's partnerships with Peking University People's Hospital, Guangzhou Children's Hospital and Nanjing

Children's Hospital.

“In many ways, it mirrors the healthcare reform that is going on in the United States: How do you make those patients have access to good healthcare?” Sulayman says. “In essence, the hospitals are acting like private institutions and they are mandated by the government, and encouraged very seriously, to make the bottom line and not lose any money.”

Even with the $125 billion-equivalent that the Chinese government allotted for reform, the confluence of traditional payment practices and the sheer size of the Chinese healthcare system pose particular challenges. Sulayman says that hospitals routinely have 1,000 beds, while some healthcare facilities have up to 4,000 beds.

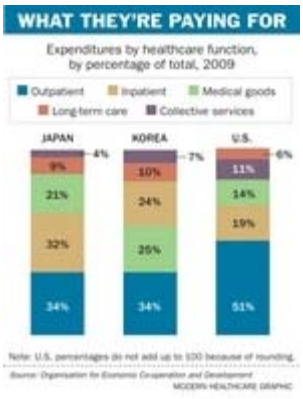
Unlike the somewhat similar healthcare systems of Japan, South Korea and Taiwan, China's system has traditionally limited the involvement of the private sector with the government retaining control over provider rates and a hospital's access to medical technology. Ling says that less than 10% of China's hospitals are owned by the private sector.

“That's another interesting issue around healthcare reform,” Ling says. “When you look at most of the other Asian countries and even the OECD average, the percentage of penetration of private care is clearly lower than average in China.”

The Organisation for Economic Co-operation and Development tracks economic, social and environment issues in 34 countries, including Japan and Korea. The OECD does not track China but is often used as a benchmark for comparing healthcare systems around the world.

Chinese hospitals rely on a patient's length of stay in the hospital, which determines reimbursement, and drug sales, which often provide hospitals with a much-needed source of income. Traditionally, public hospitals in China have earned income from medical service charges, drug markup income, and government subsidies, but as national budget allocations have dropped, hospitals are relying more on income from drug markups, according to a 2011 report from the Center for Strategic and International Studies, a Washington-based think tank. McKinsey reported in 2010 that drug markups make up more than 40% of a Chinese public hospital's revenue.

“There is clearly concern by the government and the healthcare system in China that pharmaceuticals are being prescribed in ways which may not be completely medically necessary and are being prescribed in order to generate revenues for hospitals,” Ling says.



In addition, patients often make “under-the-table” payments to ensure access and care by the best doctors.

“The issue in China is that the price by the patient is sometimes not very transparent for various reasons,” Ling says. “The additional payments which patients make to doctors are not recorded in the system but are part of the culturally accepted practices in most Chinese hospitals.”

The practice contrasts with the healthcare systems in Japan, South Korea and Taiwan, where patients have co-insurance rates of about 30%, says Gerard Anderson, a professor of international health and director of the Center for Hospital Finance and Management at Johns Hopkins Bloomberg School of Public Health, Baltimore.

Patients in those countries “are aware and feel it is appropriate” to pay a portion of a medical bill, he says.

The hospital markets in Japan, South Korea and Taiwan employ a mix of public and private hospitals although Taiwan's hospitals are mainly owned by the private sector. In addition, the governments in those countries set provider rates using a fee schedule.

Japan and South Korea are two of the lowest spenders on healthcare of the countries that OECD surveys each year. In 2009, South Korea's total health expenditure as a share of gross domestic product was 6.9%, while Japan spent 8.5% of its GDP on health expenditures. In comparison, the OECD average was 9.6% and the U.S. spent 17.4%. In China it was only 4.6% in 2009.

The fee schedule keeps provider rates and technology costs low. Hospitals charge about one-tenth of what they would in the U.S. but physicians are able to make up the costs in volume, Anderson says.

Paul Chang, managing director of the Joint Commission International's Asia Pacific office, says the number of accredited hospitals and healthcare facilities in Asia has grown by 20 to 25 facilities each year since 2009.

“We've seen a huge pickup and huge growth in the numbers over the last four to five years,” he says.

The program has accredited about 105 sites in the Asia Pacific region since 2001.

“Some of the top-tier hospitals as well as the ambulatory-care facilities are trying to differentiate themselves from other organizations and they also want to have some sort of external validation of the high quality of care that they are delivering,” Chang says. “Some of the facilities in Asia are also very focused on the affluent patient market or the foreign patient market and having JCI accreditation is a very useful means of providing assurance and gaining the trust of these patients.”

Hospitals in countries such as China and South Korea that are seeking to attract affluent foreign patients or the people employed by multinational companies that provide private insurance often look to accreditation as a tool for differentiation.

Markets where medical tourism is prevalent, such as Singapore, Taiwan and Thailand, have the largest number of accreditations. Thailand has 16 accredited hospitals and Singapore has 14. Taiwan and South Korea each have 11.

In Japan, there are two accredited hospitals. The administration at Kameda Medical Center in Kamogawa City has promoted the 925-bed hospital as a destination for medical tourism for the past five years, but interest in Kameda's medical tourism services has been limited, says John Wocher, the medical center's executive vice president of operations.

Of the 780 non-Japanese patients who visited Kameda last year, only 5% traveled from outside Japan for care.

“We're promoting more than most medical centers are, but we're not getting a lot of support from the government, like what is happening in other countries,” Wocher says. “There's a lot of opposition here in Japan, both among the citizens and the medical community, about why we are trying to lure foreign patients into Japan.”

Even though some Japanese citizens and physician groups have opposed making Japanese hospitals a

medical tourism destination, the Kameda Medical Center administration says there is an opportunity to cater to foreign patients, including affluent Chinese.

“The most attractive market for us right now, which is very, very difficult, is China because of proximity,” Wocher says.

In 2011, Japan introduced its first medical visa, which eases the rules for some foreign patients seeking entry to the country for medical purposes.

Wocher says the visa allows patients including affluent Chinese to travel to Japan for medical check-up trips, which are also referred to as “executive physicals” and may consist of PET and CT scans or a colonoscopy.

Wocher says that while none of the private hospitals in Japan have for-profit status, medical tourism could lead to improved care for Japanese patients if the hospital funneled medical tourism profits back into the hospital.

But cultural beliefs about what it means to provide care are still of concern.

Critics of medical tourism in Japan believe that “if we start doing business with foreign patients, we're making a profit off of someone else's misfortune and illness, and therefore that's not a very honorable way to make money,” Wocher says.

Today's Headlines

Illinois hospital evacuates patients in wake of tornado Jackson CEO plans to cut over 1,000 jobs Natural Molecular Testing names CMO Blue Shield of Calif. says IPA violated contract
More Headlines