

## (BN) China-Style Obamacare for 1 Billion People Saves Little Wang

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By Bloomberg News

Sept. 11 (Bloomberg) -- Toddler Wang Xiaobu was struck down in July by a motorcycle outside her home amid the rice terraces of Languan, a village deep in the mountains of the poorest part of Guizhou, China's poorest province.

The 3-year-old was rushed by her parents past chicken coops and duck pens to the village clinic, a home doubling as a bare-bones dispensary. Xiaobu's bloodied head was bandaged by an attendant who lacked the skills and equipment to stitch her wound or check for internal bleeding.

Four years ago, the story would probably have ended there, with Xiaobu's parents -- unable to afford even to fix their broken mobile phone -- taking her home to recover or die. Instead, the biggest health-care overhaul in history meant government subsidies would now cover almost half their daughter's medical bills, so they bundled Xiaobu into a borrowed van and raced 75 miles (120 kilometers) to the city hospital.

As U.S. President Barack Obama struggles to implement reforms that will extend health coverage to more of the estimated 50 million uninsured Americans, China's 1.4 billion people are experiencing a revolution in care. Chinese leaders are betting that better, more affordable medical treatment will help defuse social tension, as well as boosting economic growth by freeing up savings set aside for possible health crises.

The benefits are flowing to people like Xiaobu -- normally a happy girl who enjoys hide and seek and picking flowers, said her mother Mei, as she waited outside her daughter's ward in Qiandongnan People's Hospital two days after the accident.

### 'Never Cries'

"She usually never cries," said Mei, standing in the mud-spattered slippers she wore when her daughter was hit. "She was bawling non-stop the whole way here."

Before the Wangs were covered by the government's health-insurance plan, the 4,000 yuan (\$654) hospital bill would have been beyond the farming family's reach. Instead, the out-of-pocket expense for the toddler's treatment and four-day hospital stay was reduced to 2,400 yuan, which the Wangs were able to scrape together with help from friends and neighbors.

Reform rose to the top of China's political agenda after two events highlighted how health care had failed to keep pace with decades of double-digit economic growth. In 2003, the outbreak of severe acute respiratory syndrome, or SARS, killed hundreds and threatened a global pandemic. China's exports slumped as businessmen avoided the country, focusing attention on the link between physical and economic health.

### Rural Gap

Then a 2005 study, widely covered in state media, showed the failures of China's pay-as-you-go health care and a widening gap between urban and rural services. Seventy percent of rural patients who were referred to hospital for admission didn't get treatment because they couldn't afford it.

The latest round of health reform aims especially to help poor rural families like the Wangs, who are more vulnerable to catastrophic medical bills. While almost half of city-dwellers had some coverage, only 13 percent of farmers and the hundreds of millions of migrant workers did, according

to the 2005 report by the Development Research Center of the State Council, China's top government body.

A year later, the then President Hu Jintao declared that all citizens should have access to affordable, essential medical care. And three years after that, implementation of the reforms began.

"Health care is something that touches everyone," said William Hsiao, professor of economics at the Harvard School of Public Health, and an adviser to the State Council on the overhaul.

Governments "that try to maintain public support of their people have to deal with health care."

By some broad measures, China has an enviable record for a developing economy. Life expectancy was 76 years in 2011, seven years more than in 1990 and 11 years longer than in India, according to the World Health Organization in Geneva.

### SARS Legacy

China has spent the equivalent of \$180 billion since 2009 to transform its health-care system. By 2010, the percentage of the population covered by three principal insurance programs had more than tripled from 2003. For the first time, more than 800 million people, 99 percent of a rural population that includes migrant workers, have access to basic insurance.

"The sheer increase of the population covered is an enormous achievement," said Lawton Robert Burns, professor of health-care management at the University of Pennsylvania's Wharton School.

On the flip-side, extending insurance to all China's citizens is getting rapidly more expensive. Rising incomes and an aging population have led to an explosion of diabetes, heart disease, cancer and other chronic conditions associated with rich diets and a sedentary lifestyle.

### Disease Burden

China may host almost a third of the world's diabetes sufferers, according to a report published last week in the Journal of the American Medical Association. Based on projections from the most comprehensive nationwide survey for diabetes ever, there are 114 million adult sufferers, 22 million more than previously estimated.

Health spending per person is already increasing about 11 percent a year. That's the fastest pace in the Asia-Pacific region and more than triple the speed of countries in the Organization for Economic Co-operation and Development, according to Mark Pearson, head of health for the Paris-based agency representing the world's richest nations.

Government spending on health was \$155 per person in 2011, from \$19 in 2002, according to WHO data.

The government needs its reforms to work.

Instead of spending on flat-screen televisions, denim jeans and handbags, Chinese are squirreling away savings to pay for anticipated health expenses.

### 'Brake on Growth'

"Lack of universal financial protection is a brake on economic growth," said Joe Kutzin, WHO's coordinator of health-financing policy. "Many engage in 'precautionary savings,' setting aside money, just in case."

That practice is frustrating Premier Li Keqiang's efforts to make China less reliant on investment that's been the main driver of economic growth for the past decade.

The government's extra spending is luring companies to the market and worsening an added challenge for Li: corruption.

About half of doctors admitted taking kickbacks from drug companies, a 2012 survey by the Chinese Medical Association showed. They inflate bills with unnecessary procedures and drugs, says

Liao Ran, a Berlin-based senior program coordinator for East Asia at anti-graft group Transparency International.

### GSK, Sanofi

In July, Chinese investigators accused GlaxoSmithKline Plc of using cash and sexual favors to bribe doctors and health officials to promote sales, and said they were expanding their probe to other foreign drugmakers. Sanofi, Eli Lilly & Co. and Novartis AG have since been ensnared in the scandal, sometimes through accusations leveled in the Chinese media.

Johnson & Johnson, the world's biggest maker of health-care products, was last month ordered to pay 530,000 yuan in compensation to a distributor after a Shanghai court found two of its units guilty of monopolistic practices.

The government also expanded the list of key medicines on which it caps the price it will pay.

The drive to contain costs threatens profit margins for global companies that have flocked to a pharmaceuticals market forecast to be the biggest after the U.S. by the end of the decade. Drug sales will soar from \$48 billion last year to \$315 billion in 2020, says London-based research firm GlobalData, when China aims to make health insurance coverage universal.

"China is ahead of Obamacare, as they are dealing with two problems at the same time: the uninsured population and health-care cost inflation," said Harvard's Hsiao.

### Attacks on Doctors

Besides inflating medical costs, corruption has eroded confidence in the system, leading to sometimes violent protests.

Attacks on doctors by disgruntled patients have been increasing since 2008, according to a survey released by the Chinese Hospital Association last month.

Outside Qiandongnan People's Hospital, where Xiaobu was treated, a blue and white police booth was installed in May.

There are now six guards stationed there at all times, compared with just one before, said Chen Wu, the duty officer.

"Security is much better now, so there are no incidents," Chen said.

Pinned to a hospital bulletin board was a notice from its top official, Fang Xiaobin, setting out anti-graft steps including tougher oversight of drug and equipment purchases and medical-ethics classes. Also a poem that read, in part:

"Lust for the wealth of others brings a doctor peril;

"Seeing only gains and ignoring the risks is certain to breed corruption.

"Low or high, our salaries all come from the blood and sweat of the People."

For the Wangs, at least, the reforms have already delivered. Xiaobu received intravenous antibiotics, her head was stitched and she was X-rayed and CT-scanned to check for internal injuries beneath her abrasions and swollen face.

"Our daughter is better now," said her mother, as she cradled Xiaobu's 5-month-old brother in the hospital gardens.

"If we didn't have the insurance, it would all have been too expensive for us."

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