

# VIEWPOINT

## SOME VIEWS ABOUT THE HIGH COST OF MEDICAL CARE IN CHINA

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**Abstract.** Since China began its reform and opened up to the outside world, medical technology and treatment have improved greatly, but the cost of medical care has increased, causing an increasing burden on the Chinese people. We attempted to find reasons for the high cost medical treatment. These included: 1. the high cost of new drugs and high medicine rebates; 2. the bonus distribution system in the hospitals; and 3. over use. We provides some suggestions to control these high costs, such as controlling the price of new drugs, controlling the medical examination fee and punishment for causing high cost.

**Key words:** medical care expenses, China

### INTRODUCTION

Since China began its reform and opened up to the outside world, medical technology and treatment have improved greatly. At present, some unhealthy trends have begun to appear in the medical trade which hinders its further development. According to media reports, about 70% of people are not satisfied with their medical status, especially with increasing medical costs. She explored the reasons of the high cost medical care in China and suggest countermeasures to control medical costs.

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### REASONS FOR HIGH MEDICAL COSTS

In China, the number of new drugs invented by businesses themselves is limited (Xiao and Zheng, 2008). Businesses often develop “new drugs” through changing medication formulations, dosage forms and compounding substances. “New drugs” entitle a business to set their own price for it (Tang and Xiong, 2002). The business usually sets a high price for the “new drugs”. They promote the “new drugs” by giving large medicine rebates to doctors (Zhu and Zheng, 2008). This is one reason why medical expenses are high. The doctor may not be familiar with drug components for a short time after the drug is renamed. This may result in repeated administration. This not only increases the economic burden on the patients, but also leads to adverse reactions due to overdose

of the medication.

Hospitals also increase the cost of medical expenses. In China, the government does not support hospitals financially adequately, so hospitals have to increase income through development, and the allocation mechanisms of the hospital are associated with income (Yao and Rui, 2008). Under this situation, a bonus distribution system is the most effective method for increasing income. All kinds of economic indicators of the hospital are associated with income. Instead of trying to cut expenditures, the hospital puts an emphasis on increasing income. Each department needs to be income generating for the hospital. To accomplish this, departments charge more and charge for materials consumed. When patients are ill physicians may perform numerous examinations, some of which may be unnecessary, before starting treatment.

For some illness, an inexpensive treatment may be available, but the physician may choose the expensive one to receive a medication bonus. This phenomenon represents a problem within management. The government department that supervises medical institutions uses income as an evaluation indicator for hospitals.

The system of bonus linked to income contributes significantly to increases in hospital revenue. On one hand, it solves the capital problem of hospitals but on the other hand, it increases utilization of equipment, resulting in an increased cost to society and results in waste (Guo, 2005). In recent years, the system of bonuses linked to income has been regarded as an effective method for increasing hospital income. This is the subconscious message given by the government which results in high medical costs.

Physicians are trusted by patients due

to their status in society, but some physicians do not follow professional ethics in search of increased income (Ruan, 2008). Physicians will often choose medicine with a large rebate, so the phenomenon of high prescription prices is common, cheap antibiotics do not sell well. This leads to high medical costs.

## COUNTERMEASURES

In the pharmaceutical market place there are many new drugs, but the pharmacological action of some new drugs is similar. This may cause some patients to unknowingly overdose on the medication if taken with another similar medication. To prevent this problem the government should not approve medication with the same pharmacological mechanism. Second, the relevant departments of the government should strictly control the prices of new drugs by checking the real cost of the new drug, not passively allowing the price provided by the business. Third, the sales price should be fixed based on cost to manufacture plus a markup ratio. The sale price of the drug should also include transport costs, drug loss costs, custody fees, loss costs, and the cost of taxes. Fourth, government procurement through public tendering can effectively reduce the drug price (Tan, 2008). If these measures were carried out, the drug price would be lower, and the cost of medical care would be lower. The abuse of medical testing is common and difficult to solve. Patients know nothing about medicine, some doctors order unnecessary tests to gain more bonuses. The income from medical testing is higher than from medication. To solve this problem, we propose the following measures. First, government procurement of medical equipment can reduce the cost of testing. Second, with improved produc-

tion levels the prices of medical equipment will be lower. This can reduce the cost of medical care to patients and can solve the problems of waste of medical equipment and unnecessary testing. Third, the relevant departments of the government should set up medical standards of care for different diseases to control costs. Fourth, hospitals should avoid repeat medical testing of patients.

Every year patients pay unnecessary medical costs, which go into the pockets of hospital administrators and doctors. Such unethical behavior should be punished. To solve this problem, the government should carry out ethics education of medical personnel, and set up a system to enforce appropriate medical conduct, and strengthen supervision of medical corruption (Guo, 2007). The evaluation index for hospitals should not only include the income, but medical quality and social responsibility. Hospital leaders can establish a medical audit team composed of health care workers, pharmacists and finance staff. The task of the team would be to audit the rationality of prescriptions and medical testing. The audit results for each worker would be associated with promotions.

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