

# Canceling “Hospital's Reliance on Drug Sales”: China has Entered the Most Difficult Stage of Public Hospital Reform

Jing Xiao<sup>1</sup>, Tao Huang<sup>2,\*</sup>

<sup>1</sup>Department of Urology, Beijing Friendship Hospital, Capital Medical University, China

<sup>2</sup>Department of Nutrition, Harvard School of Public Health, Boston, USA

## Email address:

tahuang@hsph.harvard.edu (Tao Huang)

## To cite this article:

Jing Xiao, Tao Huang. Canceling “Hospital's Reliance on Drug Sales”: China has Entered the Most Difficult Stage of Public Hospital Reform. *Science Journal of Public Health*. Vol. 3, No. 3, 2015, pp. 373-374. doi: 10.11648/j.sjph.20150303.21

---

**Abstract:** The announcement of the next “5-year health reform plan” is accelerating public hospital reform in China. After more than three years of exploration and practice, China's reform of public hospitals has entered the most crucial stage. This paper summarizes the recent advances on China's public hospital reform, the existing problems and challenges and future directions for hospital reform in China.

**Key words:** Drug Sales, China, Public Hospital Reform

---

## 1. Introduction

The announcement of the next “5-year health reform plan” is accelerating public hospital reform in China [1]. After more than three years of exploration and practice, China's reform of public hospitals has entered the most crucial stage [2, 3]. Cancelling the “hospital's reliance on drug sales” is a symbol of this reform and means that the reform has started something substantial. On July 1<sup>st</sup>, 2012, 5 public hospitals in Beijing took the lead in implementing a policy abolishing drugs price addition, which opens the most difficult and critical stage of China's reform of public hospitals.

## 2. The Achievements of China's Public Hospital Reform

In the past three years, China's public hospital reform began to explore an institutional breakthrough by transforming the government-run hospital to the government-managed hospital[4]. The government was unable to pay for all medical resources due to the country's financial situation therefore; various medical compensation mechanisms were being explored. However, different provinces used different forms of payment and achieved the national basic medical insurance, which indeed reduced the medical burden of people.

## 3. What are the Existing Problems and Challenges

Although previous achievements have been made, the biggest public hospital reform challenge is “the hospital's survival relying on drug sales”. There still has been no breakthrough. Public Hospitals relying on drug sales increased the burden of patients and affected the public nature of the hospital, subsequently causing the medical bribery [5]. Patient frustration led to incurring wrath towards hospitals and doctors, thus, patients attacked doctors frequently. All of these problems have negatively affected the next generation of medical students, who hope to devote themselves to medical career [6].

## 4. Ongoing Hospital Reforms

At present, Beijing is taking the lead in the reform including the following four aspects: 1) the attribution and operation were separated at the government level. And the hospital authority was established; 2) reform the legal system of hospital, the council and the professionalism of the president was established. The hospital corporate governance structure was established; 3) president responsibility system and the board of supervisors system strengthened decision-making, execution, supervision mechanism through the council system.

After the reform, the hospital executes president responsibility system under the leadership of the council, where some council members are from the society. The hospital authority sends supervisors to participate in hospital's meeting, decision-making, execution and supervision, mutual checks and to balance the rights of the operating mechanism. 4) Cancelling the drug price addition and setting up established medical service-allows the hospital to no longer rely on drug sales to survive. Cancelling 15% of drug addition allowed the registration fee, the diagnosis fee, the treatment fee, the set up of the medical service fee and the medical service charge to be covered by medical insurance. Medical and drug fees ran separately for more than one year. The hospital successfully shifted the profits of drug sale to the medical service charge. Now that the hospital and drug fees are completely separate, there are no interest relations anymore. Therefore, the hospital image and the operation mechanism of hospital were greatly improved.

## 5. The Existing Problems Caused by this Reform

The price of drugs in the reformed big public hospital are cheaper than the community hospital, which results in a problem that the patients with chronic diseases who need long-term medication go to the big hospitals just for medicine. Therefore, the community hospital loses its original function. China's economic development is not balanced, the gap between city and village is still big, and it is difficult to have one health policy to cove the whole nation [7]. Thus the reform of the medical system shall be carried out step by step through improving both the public hospital management and the model of "hospital' survival relies on drug sales".

## 6. Future Directions for Hospital Reform in China

The announcements of the next 5-year health reform plan for sure will accelerate public hospital reform in China. It is quite important to align hospital activities with the overall goals of the national health reform to achieve equal access to quality care [8, 9]. However, we are facing lots of challenges ahead. What is the future for public hospital reform in China? 1) Completely canceling "hospital's reliance on drug sales" and increasing government investment in public hospitals at the same time; 2) All hospitals jointed the medical group that allows patients to access to diagnosis and treatment available

in the public hospital. For example, Beijing Friendship Hospital agreed with 13 members of the unit, and set up "Beijing Friendship Medical group" to promote doctors practicing multi-point care, to send specialists to community health stations. Furthermore, to promote the medical image of the public hospital the following were completed; inspection of information sharing, the medical community health - patient information network construction, community resident doctor training plan and continuous education plan for general practitioners were developed. 3) encouraging both domestic private capital and foreign capital to enter the medical market to set up wholly owned or joint venture hospital [10]; 4) increasing the diversity of medical supplies, and gradually eliminating the differences in medical supplies between town and country.

---

## References

- [1] Wang, H.H., China's new health department: progress and priorities. *Lancet*, 2014. 384(9945): p. 733-4.
- [2] Chen, Z., Launch of the health-care reform plan in China. *Lancet*, 2009. 373(9672): p. 1322-4.
- [3] Hu, S., et al., Reform of how health care is paid for in China: challenges and opportunities. *Lancet*, 2008. 372(9652): p. 1846-53.
- [4] Wang, C., et al., Health care in China: improvement, challenges, and reform. *Chest*, 2013. 143(2): p. 524-31.
- [5] Yang, Z. and D. Fan, How to solve the crisis behind Bribe for Chinese doctors. *Lancet*, 2012. 379(9812): p. e13-5.
- [6] Jie, L., New generations of Chinese doctors face crisis. *Lancet*, 2012. 379(9829): p. 1878.
- [7] Zhang, X., et al., Analysis of government investment in primary healthcare institutions to promote equity during the three-year health reform program in China. *BMC Health Serv Res*, 2013. 13: p. 114.
- [8] Barber, S.L., et al., The hospital of the future in China: China's reform of public hospitals and trends from industrialized countries. *Health Policy Plan*, 2014. 29(3): p. 367-78.
- [9] Zhou, Y. and L.J. Li, Transformation of the Chinese medical and health development: from the perspective of the public hospital reform. *Chin Med J (Engl)*, 2012. 125(16): p. 2933-41.
- [10] Blesch, G., Great walls of China. Massive new hospital just one of thousands to be built in next several years. *Mod Healthc*, 2010. 40(4): p. 32-3.