Commentary

Catastrophic health insurance, an institutional tool against the financial risks of illness for susceptible people

Ye Li*, Qunhong Wu

Department of Social Medicine, Health Management School, Harbin Medical University, Harbin, Heilongjiang, China

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The economic burden of diseases has become a constraining factor affecting the performance of the global health systems [1-4]. The high medical expenses of major illnesses have resulted in catastrophic health expenditures and led to poverty for many families. In China, catastrophic medical insurance scheme was implemented in 2016 [5] for both urban and rural residents, as a supplement to the basic medical insurance system. According to the universal coverage framework recommended by WHO [6], China has achieved population-wide coverage of the catastrophic medical insurance, but it’s coverage on both healthcare service and health cost still needs further confirmation.

A study published in The Lancet Regional Health – Western Pacific provides a good evidence for assessing the effectiveness of catastrophic medical insurance in China [7]. The study compared the changes of health expenditure before and after the implementation of catastrophic medical insurance in Tongxiang, China, and draws three conclusions:

First, the rapid expansion of catastrophic medical insurance population coverage increases the utilization of health services, especially the utilization of urban high-quality medical services by rural residents. This finding confirms that the catastrophic medical insurance in China has lowered the threshold of health service utilization and reduced its inequitable gap between urban and rural areas.

Second, out-of-pocket payments as a percentage of total health expenditures is declining after enrollment in catastrophic medical insurance. However, the economic protection of catastrophic medical insurance for inpatient and outpatient services is inadequate. Deconstructing the increase in out-of-pocket payment, the contribution of outpatient out-of-pocket payments is found to be greater than that of inpatient payments. It provides ample evidence that the catastrophic medical insurance focused on inpatient services, but ignored the fact that some major chronic diseases require outpatient services to supplement treatment.

Third, this study provides the direction for the next step in health reform of catastrophic medical insurance in terms of improving the coverage for outpatient services and controlling medical expenses. The rapid increase in medical expense has offset the health dividends of universal insurance coverage. In the absence of medical expense control, expanded health insurance coverage might increase the financial burden of illness on residents. Payment reform is considered as the effective incentive to control medical expenses. By transforming fee-for-service into a combination of payment methods such as diagnosis-related groups [8], induced demand and over-medication behaviors brought about by moral hazard on the supply side of health service will be regulated.

In addition to providing incentives to control medical expense at external level, it is fundamental to strengthen the internal top-level design of the catastrophic medical insurance. To further reduce out-of-pocket spending, the next phase needs to focus on providing targeted and differentiated compensation strategies for susceptible populations. How to accurately identify the susceptible population, including sensitive risk people and potential risk people, is a technical challenge. Out-of-pocket payments do not take into account the role of household’s capacity to pay for disease burden sharing. Catastrophic health expenditure and impoverishment by medical expense, as comprehensive indicators recommended by WHO, have more policy implications for catastrophic medical insurance assessment. By measuring catastrophic health expenditure for insurance beneficiaries with different socio-demographic, family, disease and spatial characteristics, the comprehensive characteristics of susceptible people with independent factors or overlapping factors can be clearly mapped out to customize different tiers of inclined compensation schemes [9], pro-

* Corresponding author.
E-mail address: liye8459@163.com (Y. Li).
viding targeted improvement paths for further system design of catastrophic medical insurance.

Enriching funding channels and achieving a high level of coordination are conducive to the sustainable development of catastrophic medical insurance. The rise of aging population and the high medical expenses arising from the high prevalence of chronic diseases will put a continuous pressure on the catastrophic medical insurance funds. The funding needs to be gradually increased along with the economic development and health utilization in different regions. The government, society and individuals should take a role to help to form a diversified funding pattern and to build a multi-level major illness protection system.

Catastrophic medical insurance has made a remarkable progress on achieving population-wide universal health coverage in China. Faced with changes in population structure, health service demands and China’s poverty reduction goals, China’s catastrophic medical insurance is constantly making dynamic adjustments to improve its economic protection function. Precisely targeting the failure links and susceptible groups is the key to the further improvement of catastrophic medical insurance.

Declaration of Competing Interest

The authors declare that there is no conflict of interest.

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