

The Impact of Medical Insurance Reform on Rural Residents' Consumption -- Taking Sanming Medical Reform as An Example

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Abstract. China is currently in an unprecedented era of tremendous change, and expanding domestic demand has become an important strategic direction for the country's economic development. In this process, the impact of medical insurance on consumption is becoming increasingly prominent, while the development level of the rural consumer market, as a field with huge potential, still needs to be improved. Taking Sanming's medical reform as an example, this important medical reform measure has had a profound impact on rural residents' consumption. According to the data from the Statistics Bureau of Sanming City from 2012 to 2023, it can be seen that medical reform has effectively reduced the medical burden on rural residents by reducing excessive medical treatment. This not only improves the quality of life of rural residents, but also increases their disposable income, further stimulating the vitality of the rural consumer market. It can be said that healthcare reform has played an immeasurable role in expanding the rural consumer market and promoting rural economic development.

Keywords: Sanming medical reform; rural consumption; medical burden; medical insurance reform.

1. Introduction

In the current era of great change, it is the inevitable way to combine expanding domestic demand with deepening the supply-side structural reform, and the key to expanding domestic demand is to tap the rural consumer market [1]. By the end of 2024, the rural population in China will be 465 million, representing 33% of the country's total population. Since the 18th National Congress of the Communist Party of China, the construction of rural infrastructure has improved, and scientific and technological innovation advances in rural areas, which significantly enhances the consumption capacity and quality of life for rural residents. However, rural residents' consumption is still impacted by many uncertainties, the most critical is the impact of uncertainty resulting from health shocks on rural residents' consumption expectations [2]. The medical security system, as one of the components of the social security system, can largely reduce the response of rural residents to this uncertainty, thereby increasing the consumption level of residents [3]. As one of the components of the medical security system, basic medical insurance can provide protection for the consumption of rural residents and stabilize their consumption expectations. The current urban-rural integration of basic medical insurance enhances the level of protection for rural residents and reduces the gap between urban and rural residents in access to medical insurance compared to the previous separation of urban and rural medical insurance.

However, the uncertainty resulting from the health shocks weakens the role of medical insurance, and the phenomenon of "poverty caused by illness" and "poverty returning due to illness" of rural residents remain unresolved. Issues "difficult access to medical services" and "high medical costs" persist. The current medical insurance system fails to provide higher security for rural residents or stimulate the consumption potential of rural areas to a greater extent. To address this issue, China has carried out multiple reform explorations in the field of medical security in recent years. Among them, Sanming Medical Reform, as an important practical attempt, provides valuable reference for us in the reform path of health expenditure, drug supply guarantee, and medical staff salaries.

Based on the statistical data of rural per capita living consumption expenditure and per capita health care expenditure from 2010 to 2022 of Sanming Municipal Bureau of Statistics, this study attempts to analyze the changes in rural residents' consumption after Sanming Medical Reform. Firstly, it will point out the shortcomings of medical insurance, and then it will analyze the changes in rural residents' consumption after Sanming medical reform in detail, combined with the specific measures of Sanming medical reform, supplemented by data proof. The purpose of this study is to provide policy reference for stimulating the consumption potential of rural residents, further promoting the experience of Sanming Medical Reform, and making it play a greater role in the construction of China's health cause by analyzing the impact of Sanming Medical Reform on rural residents' consumption.

2. Research on Medical Insurance

In the 1990s, due to the lack of government investment in hospitals, hospitals need to be responsible for their profits and losses. Patients hope to improve the treatment effect without increasing medical expenses, while doctors tend to minimize expenditure and maximize benefits, resulting in prominent patient contradictions. At the same time, the income of doctors is linked to the income of drugs, examinations, consumables, etc., which not only causes the problem of falsely high drug prices [4], but also causes excessive medical treatment problems such as "serious treatment of minor diseases" and prolonged hospitalization under the guidance of doctors' demand, resulting in an unreasonable rise in the overall medical expenses, the residents' self-payment burden (the proportion of annual self-payment medical expenses in annual income) does not reduce, and even the expenses reimbursed by medical insurance cannot offset the increased expenses due to excessive medical treatment, resulting in the residents' medical burden cannot be effectively alleviated [2]. In addition to the contradiction between doctors and patients and the problem of excessive medical treatment, the problem of multi-management of the medical and health system further aggravates the inefficient operation of the medical system. At present, the medical and health system presents a situation of "water control in Kowloon". Medical treatment, medical insurance, and medicine are related to health, development and reform, staffing, finance, and other departments. In the face of major problems, it is difficult for the competent departments to form a unified opinion, resulting in the problem of low efficiency but high cost, which leads to the income of the medical insurance fund being unable to cover the expenditure [4]. The above problems show that there are major problems in the current medical insurance and new changes are urgently needed.

3. Research on Medical System Reform -- Taking Sanming City as an Example

In 2012, Sanming Medical Reform was carried out in Sanming City, Fujian Province, from three aspects: medical care, medical insurance and medicine. The reform, led by the government and based on public hospitals, clarified the responsibilities of personnel in various departments, expanded and sunk medical resources, reformed the performance appraisal mechanism, optimized the income structure of hospitals, reformed the salary system of medical staff, eradicated the soil of medical corruption, and achieved the result of "people get tangible benefits, hospitals get development, and doctors are encouraged", which greatly weakened the problem of excessive medical treatment and high drug prices caused by the government's increasing medical expenditure year by year, and played a key role in alleviating the problem of rural residents' fear of consumption. In March, 2021, General Secretary Xi Jinping visited Sanming General Hospital and fully affirmed the experience of Sanming Medical Reform. In July 2021, the general office of the State Council issued the key tasks for deepening the reform of the medical and health system in 2021, and the experience of Sanming Medical Reform was officially extended to the whole country [5].

3.1. Medical Reform: Implement the Main Responsibility of the Government for Running Hospitals

At the beginning of Sanming Medical Reform, Sanming City faced problems such as the penetration of medical insurance funds and chaos in the field of medical circulation, Sanming municipal government is problem-oriented, people-oriented, and based on public welfare-oriented public hospitals. It continues to increase investment in health care, with an average annual growth of 12.1%. Sanming municipal government should not only solve the problem of medical treatment for the masses, but also control the unreasonable growth of medical expenses, and ensure the reasonable income of medical staff. It should comprehensively deepen the reform of the health industry with government forces as the lead and government expenditure as the bottom line [6].

The promotion of Sanming Medical Reform has a certain impact on the consumption of rural residents. The continuous increase in health investment significantly improves the medical facilities and service level of public hospitals in rural areas. According to the statistical data of the Sanming Health Commission, the number of beds in public hospitals reached 13,919 in 2020, an increase of 50.4% compared with 9,253 in 2017; In 2021, the number of doctors and nurses in township health centers reached 32,298,000, an increase of 23.6% compared with 26,121,000 in 2016. The improvement of the medical environment not only reduces the medical burden of rural residents but also reduces the risk of rural residents becoming poor and returning to poverty due to illness to some extent. It also has a positive impact on the overall consumption level by improving their consumption confidence. According to the relative income hypothesis put forward by Duesenberry, consumption is related to the whole economic environment. After the overall medical environment is improved, the medical burden of rural residents will be reduced, and consumption will be improved in the short term. However, due to the "ratchet effect", it is difficult to reduce the consumption level [7]. Therefore, this reform measure can promote the consumption level of rural residents to a certain extent.

3.2. Medical Insurance Reform: Reform the Medical Insurance System and Payment Methods

Sanming City explored the way of "Three Guarantees in one", and practiced the measures of combining the medical insurance for urban employees, urban residents and the new rural cooperative medical insurance, which plays a positive role in realizing the equity of medical insurance between urban and rural areas [8]. At the same time, Sanming City reformed the DRGs payment method for inpatient services, grouping diseases according to diagnosis, and paying medical services, drugs, examinations, etc. together according to the disease group. This payment method, for medical institutions, sets a payment ceiling. Only when the actual cost is controlled below the payment standard, can the balance of revenue and expenditure be realized. On the contrary, it needs to bear the overspending part by itself, which plays an incentive role for medical institutions to actively strengthen cost control. At the same time, it also gives medical institutions greater management authority, which can reduce unnecessary expenditure and improve resource utilization efficiency through the adjustment of cost structure [9]. These medical insurance system reforms not only improved the allocation efficiency of medical resources but also had a far-reaching impact on the consumption behavior of rural residents by reducing medical costs and narrowing the gap between urban and rural areas.

The implementation of the new system will inevitably bring some impact." Three Guarantees in one" greatly narrowed the gap between urban and rural areas in terms of access to medical insurance and played a positive role in narrowing the gap between the rich and the poor in urban and rural areas. According to the absolute income theory proposed by Keynes, narrowing the gap between the rich and the poor can stimulate consumption, and this integration has greatly improved the consumption enthusiasm of rural residents. At the same time, the reform of DRGs payment method directly reduced the medical burden of residents and alleviated the situation that the income of medical insurance cannot cover the expenses. On this basis, the impact of uncertainty resulting from health shocks on rural residents is reduced, and the consumption of rural residents will naturally increase.

3.3. Pharmaceutical Reform: Implement the Centralized Bidding and Procurement System for Pharmaceutical Consumables

In the "three medical" linkage to break the dilemma of "water control in Kowloon", medicine is the key [10]. Sanming Medical Reform implemented a centralized bidding and procurement system for pharmaceutical consumables. Except that 5% of special drugs can be purchased by themselves after approval, the remaining 95% of pharmaceutical consumables were purchased by the government through centralized bidding, and then distributed to medical institutions, cutting off the unfair interest relationship between medical institutions and drug marketing enterprises, breaking the bad situation of supporting doctors with drugs, and significantly reducing the unreasonable price of pharmaceutical consumables. At the same time, Sanming municipal government will use 30% of the saved drug expenses to improve the level of medical reimbursement, 20% to adjust the price of medical services, and 30% to ensure the payment of medical staff [5]. This measure plays the key role of medical service price adjustment better and further explores an effective reform path.

Breaking the predicament will inevitably usher in a new situation. Firstly, the reduction of drug prices is directly accompanied by the reduction of the medical burden of rural residents, which significantly increases the disposable income of rural residents and plays a significant role in promoting consumption. Secondly, according to the life cycle hypothesis, residents' consumption is not only related to income but also related to residents' psychological expectations. The improvement in the level of medical reimbursement makes rural residents more confident in the face of disease, which is bound to further promote the consumption of rural residents. In addition, the further guarantee of medical staff's wages can reduce the moral hazard of the medical market to a certain extent, reduce the induced demand of doctors, reduce the problem of excessive medical treatment, reduce the medical burden of rural residents, and further stimulate the consumption potential of rural residents.

After an in-depth analysis of the specific measures of Sanming Medical Reform, it can be seen that these reform measures are aimed at optimizing the medical allocation and reducing the medical cost, to provide more equitable medical security for rural residents and further promote the consumption of rural residents.

However, the effect of the actual implementation of the policy still needs to be tested by specific data. This paper will intuitively show the impact of Sanming Medical Reform on the consumption of rural residents through a series of detailed data (taking Sanming City as an example), and explore whether these reform measures have really achieved the expected goal.

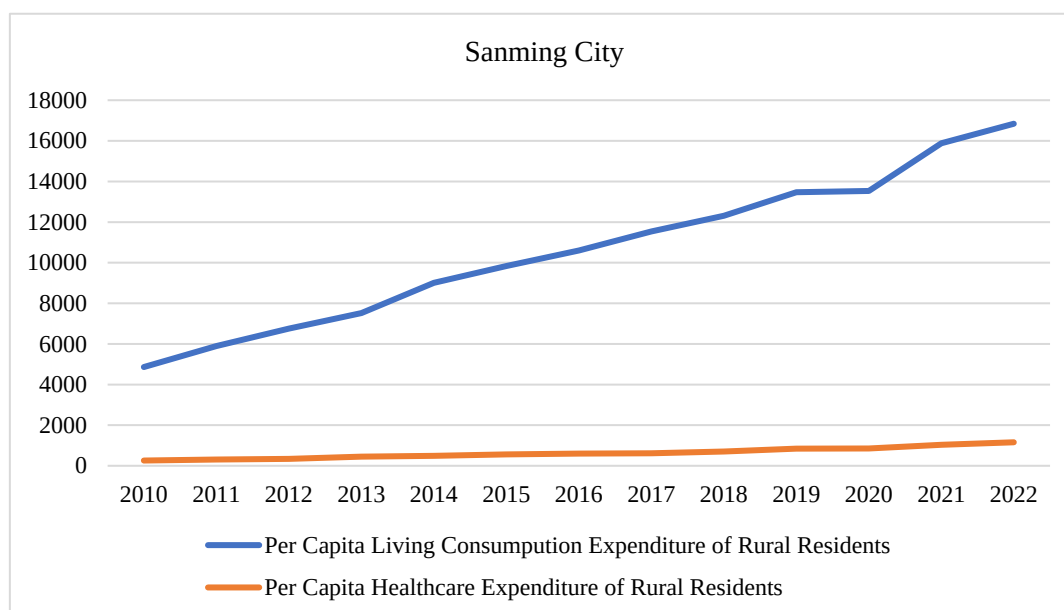


Fig. 1 Changes in per capita living consumption expenditure and per capita health care expenditure in rural areas of Sanming City from 2010 to 2022

Date from: <http://tjj.sm.gov.cn/xxgk/tjnj/>

This paper draws the above chart based on the statistical data of rural per capita living consumption expenditure and per capita health care expenditure of Sanming Statistics Bureau from 2010 to 2022. It can be proved from the above line chart that the following changes have taken place in the consumption of rural residents in Sanming City since the Sanming medical reform in 2012.

As shown in Figure 1, first, the per capita living consumption expenditure of rural residents in Sanming City increases year by year, and the growth momentum is good. The per capita healthcare expenditure in rural areas of Sanming City is also increasing year by year, but the growth rate is small. Second, the proportion of rural residents' health care expenditure in living consumption expenditure in Sanming City is decreasing year by year, and the downward trend increasing year by year.

It can be seen that Sanming medical reform not only conforms to the trend of China's economic development, effectively improves the quality of life of rural residents, but also significantly reduces the proportion of health care expenditure in living consumption, greatly alleviates the problem of excessive medical burden of rural residents, and plays a great role in promoting the consumption of rural residents.

Sanming Medical Reform is led by the government to carry out reform, increases the financial expenditure on health care, through the reform of the medical insurance system, squeezes the price of pharmaceutical consumables, adjusts the price of medical services and other measures, so that the "three medical" can achieve coordinated development, reduce the occurrence of excessive medical treatment, reduce the out of pocket expenses of residents, and effectively alleviate the medical burden of residents, further increase the disposable income of residents, and promote the consumption of rural residents.

Sanming medical reform was first carried out in Sanming, Fujian, and has made significant progress. The experience of Sanming medical reform should be further promoted according to local conditions. Yang Jianli believes that the construction of a hierarchical diagnosis and treatment system should be accelerated around the goal of "Not leaving the province for serious diseases" [11]. For rural residents, this measure is not only a saving of road fees but also can eliminate the need to travel long distances for the "expert", which can promote consumption in other aspects and get better treatment. Zhang Yuanming said that the transformation from "medical community" to "health community" should be promoted, from "medical management" to "health management" [12]. Some scholars also believe that one of the operable experiences of Sanming Medical Reform is to "cultivate a caring, responsible and good performing healthcare reform team" [11]. Medical staff is also one of the components of the medical system. The reform can improve their professional ethics, and further reduce the excessive medical problems caused by the doctor-induced demand, to increase the disposable income of rural residents and promote consumption. The Chinese government takes some cities as pilot sites to further promote the experience of medical reform throughout the country, to make the experience of Sanming Medical Reform more in line with China's national conditions, people's health and well-being, the law of health development, and the mission of medical reform to ensure the basic, strengthen the grass-roots and build mechanisms, to make the experience of Sanming medical reform play a greater role in the construction of China's health cause [13].

4. Conclusion

This paper focuses on the core issue of the impact of medical insurance reform on rural residents' consumption and analyzes the practice of Sanming Medical Reform. The main findings are as follows:

The improvement of rural residents' consumption after this reform is mainly due to the implementation of the main responsibility of the government. Under the leadership of the government, all departments adhere to the value orientation of taking people's health as the center, implement the reform measures in the aspects of drug procurement system and payment method, and successfully achieve the expansion and sinking of medical resources, so that the national fiscal expenditure can truly "take from the people and use for the people". Sanming Medical Reform greatly eases the burden

of rural residents at their own expense, not only improving the enthusiasm of rural residents to pay for medical insurance but also improving the consumption willingness of rural residents.

This paper provides the following practical enlightenment for further promoting the experience of Sanming Medical Reform and continuing to promote the expansion of the rural consumer market:

The government should continue to establish the subject authority and combine the two points theory with the focus theory in the reform, so as to not only grasp the key rural areas but also promote the consumption of urban residents. At the same time, hospitals and other medical and health institutions should also return to the nature of public welfare in time, and constantly improve the professional skills of medical staff, the service content of hospitals, patient satisfaction, and other content, too truly serve the people.

The data of this study are mainly from the rural areas of Sanming City. With the popularization of Sanming's experience of health care reform in China, future research should expand the horizon to the whole country, and at the same time, urban areas should be included in the scope of research to explore the impact of health insurance reform on consumption

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