

# The Supply–front Reform: The Key to Resolve Tensions between Doctors and Patients

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## 1. The systematical reasons for doctor-patient conflicts

On the one hand, the conflict between the doctors and the patients lies in the features of medical service. On the other hand, it is because of the reality of its being “too expensive and difficult to see a doctor.” Below are three reasons that attribute to this problem.

### 1.1 The disappearance of supply and demand mechanism of price balance

“Difficulty in getting medical service” can be attributed to an imbalance between supply and demand of the price mechanism of medical market. From the perspective of demand, as income increases and medicare improves, people have a higher demand of the quantity and quality of medical services, and when the prices of medical services are the same, most patients choose the first-class hospitals. From the perspective of supply, because the payment is much lower than the actual cost of medical services, the importance of the doctor is not reflected by a reasonable transparent income, therefore, it’s difficult for the medical service industry to attract enough intellectuals. Along with the lack of standardized and unified clinical training system, qualified doctors constitute only a small proportion of all the doctors, which makes supply of medical services unable to meet the demand.

### 1.2 The monopoly and profit-pursuing of public hospitals further deteriorate the doctor-patient conflicts

Existing medical services are mainly provided by public hospitals, the fact of it’s being “too expensive to see a doctor” originates from market forces and profit-driven nature of public hospitals. Because government subsidies account for only 10% of public hospital revenue, being profit-driven has become an inevitable choice for public hospitals. Low price of medical services and the medicine price system of “deduction from the drugs” lead to the fact that doctors are dependent on drugs and excessive medical care. After spending a large amount of time and emotion, patients also pay high medical expenses, and bear the consequences of over-medication, which would inevitably lead to conflicts between doctors and patients.

### 1.3 The characteristics of Medical Service

*In recent years, medical disputes become the focus of the attention of the public and the media. Why the conflict is becoming more and more acute when health care reform is in full swing with a remarkably high medical care coverage and security? What’s the root of the conflict between doctors and patients? Why the new medical reform ends up exacerbating the contradiction between doctors and patients and the conflict between supply and demand of medical services? What’s the right the path of health care reform to solve the contradiction between doctors and patients in today’s environment? What role should the government play in it? This article is going to answer all these questions.*

Three characteristics mark out medical services. First, doctors have the expertise that the patients do not have (asymmetric information); second, medical services concern the health and life of the patients; third, there is a lot of uncertainty of the result of medical services. There is also the possibility of over-treatment. Uncertainty in the results of medical services also increases the chance of conflicts between doctors and patients.

## ***2. Why the doctor-patient relationship was not improved after the new health care reform?***

The new health care reform started from 2009 focuses on the following aspects of reform: expanding coverage ratio of rural and urban areas, improving protection degree of healthcare, the full implementation health care of major diseases of urban and rural residents, the implementation of the separation of revenue and expenditure in primary health care institution, the promotion of essential drug system in primary health care institution and the advocacy of nature of "public welfare" of public hospitals and so on. Achievements are mainly manifested in the demand side: in a short period of time, it has achieved universal health care and improved health service utilization. However, the supply-side reform is not successful, for it has not changed the ill-functioned price mechanism, therefore it does not help ease the contradiction between doctors and patients. To a certain extent, it even intensifies the doctor-patient conflicts.

Firstly, since there is no price difference in different levels of hospitals, increased demands for medical services from the improvement of the health care system basically flock to first-class hospitals. Secondly, due to essential medicine system, primary medical institutions cannot provide some common prescription drugs. What's more, separation between revenue and expenditure also reduces the enthusiasm of primary medical service personnel, which leads more patients to choose high-grade hospitals. These two reforms also exacerbate the difficulty of getting medical service and the vacancy of idle primary care resources. Thirdly, in advocating "public welfare" of public hospitals, financial support for the hospitals has not increased, and the profit-pursuing motivation of healthcare service provider has not changed. On the contrary, it becomes even more expensive to get medical service. Fourthly, supply-side reform to get rid of "hospitals' reliance on drug sales," to boost the reform of public hospitals and encourage social construction almost make no progress, and the quantity and quality of medical services are not in line with increased demand. This is the root of the more and more serious doctor-patient conflicts in recent years.

## ***3. Future layout of reform: Why market-oriented path is more suitable***

*to current China?*

One of the reform paths is to continue the leading road of public hospitals, but the government should offer adequate financial support to public hospitals so that all hospitals have to do is to provide medical services and not have to sell drugs. What's more, doctors should be given more opportunities to get enough sunlight revenue in order to attract the best talents into the industry. Patients should be provided health care by their needs instead of prices. Second path of reform is that medical services should be provided by the market, in which case the doctor becomes a free man, and the market mechanism determines the value of their services. Differentiation of quality and price of medical services should be allowed under the prerequisites of guarantee of the quality of medical service.

The first path is more in line with the principle of fairness, but it requires a lot of financial investment and in the absence of the price mechanism, referral system is needed to improve the efficient allocation of medical resources. For the second reform path there are two main concerns. First, the existing high-quality medical resources will move toward high-end, in which case low-income groups will be affected. What's more, it seems like a violation of ethics to use market mechanism to regulate the demand for health services. Second, private hospitals have a strong motive to make profits, which may harm the interests of the patients. Although two roads of health care reform both have advantages and disadvantages, we think the second path is more suitable for current Chinese for the following reasons.

Firstly, the government has not made enough preparation for the first reform. The new medical reform started in 2009 emphasized on public hospitals as "public welfare", but support for the hospitals has not increased significantly, "public welfare" stay only as a slogan, the status-quo of "hospitals' reliance on drug sales" has not improved.

Secondly, doctors as people within the system, are limited by the formulation, professional title evaluation, research requirements, and the situation is hard to change. When there is no market pricing system, the income of the doctor is linked with seniority and experience, which makes it difficult for the doctors to focus on improving professional competence and have "patient first" awareness.

Thirdly, the government, as the operators of public hospitals and managers of medical market, is difficult to guarantee fair regulation. "Blur of the distinction between management and office," is a chronic illness of the existing health care system. It's difficult for the department

of management to treat private hospitals the same way they treat public hospitals, and when problem happens in public hospitals, authorities often try their best to cover the fact, the result of which is that public hospitals become bolder and bolder, and people cannot trust the management department.

Fourthly, concerns for medical services provided by private sectors can be addressed through market competition. Although private hospitals are profit-driven, the charm of the market mechanism lies in the fact that when there is sufficient competition, everyone will strive to provide lower prices and better services to attract patients, which is beneficial to themselves as well as others. In the past few years, there had been a lot of negative news on private hospitals. It is the result of the fact that the department of management pays much attention to preview instead of afterward regulation. To set up an administrative access threshold to healthcare market often leads to the problems of rent-seeking and inadequate competition. Plus, those institutions that enter into the healthcare industry are not necessarily of high efficiency and good quality service. And when there are no afterward government regulations, along with the inadequate market competition, the hospitals will inevitably have an incentive to make the patients pay more. Bad reviews of private hospitals are also connected with the fact that they are unable to attract excellent physicians. Good doctors are at the core competitiveness of health care market. When the doctors break loose from formulation of careers and become free practitioners, the quality of medical services in private hospitals will be better.

Fifthly, the nature of medical services does not mean that the government working as the supplier of medical services is more conducive to social welfare. Medical services are not public goods, and the status quo of public hospitals is enough to explain that public hospitals are not necessarily “public welfares.” Under the the distorted price system and the monopoly of high quality medical resources, excessive medical treatments can also happen in public hospitals, which will cause damage to the patients. A lot of foreign literature have studies on the differences about the different forms of ownerships of hospitals and it has not found out the advantage of public hospitals on operational efficiency, service quality and price. As to who should provide medical services, it should be decided on those that supply better service, lower prices, higher efficiency. Obviously, only market can answer this question.

#### ***4. What should the government act in the following health care reform?***

The government should also play an important role in market-oriented health care system.

Firstly, we should further improve the health care system. Government should ensure that people are accessible to medical services when struck by diseases.

Secondly, a comprehensive training system should be established. Medical services do not have the characteristics of public goods, but good doctors are. If the doctors become freelance, competing hospitals will have no incentive to train doctors. Therefore, the government should establish a clinical training system to ensure the quality of medical services.

Thirdly, the government should provide basic medical services to fulfill the medical needs of low-income groups. One concern of marketization is the limit of excellent medical resources in the short term and differentiated medical services, which will cause it impossible to guarantee the health services of middle and lower income groups as excellent doctors have entered the high-end market and the rest are not qualified enough. This is indeed a problem very likely to arise in the process of marketization. In present medical market, the prices go wrong and patients obtain scarce medical resources by spending a lot of time queuing or asking favors or paying at a much higher price from the scalpers. This is the typical characteristic of planned economy. Although marketization of medical services may impair the benefits of patients of low-income in the short term, from a long-term perspective, the value of medical services is clarified through the market and more talented people will thus be willing to be a doctor. When the suppliers in the medical market are improving, the bottom line will be a lesser problem. But the increase of good doctors is a process, during which time, in order to ensure the welfare of low-income groups, the government should supply some high-quality medical services to low-income groups at a low price in collaboration with referral system. They should also build up a sound clinical training system, improve the overall ability of the reserved medical personnel and be a guardian of primary health care institutions.

Fourthly, the government should supervise the market and punish misconducts. Because of the asymmetry information in medical services, the gaining of such information is marked with the characteristics of public goods: the more it is shared, the higher its value. But the production of information requires a huge cost. Yet, the market that is driven by profits lack such motivation and power to produce and supply medical information. Government has a responsibility to change the asymmetric information in medical services and implement necessary regulation and punishment.

*Translator/Hua Zhiyun*