

# The Practical Dilemma and Improvement Suggestions of Individual Account of Medical Insurance for Urban Employees

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## ABSTRACT

Through the introduction of personal accounts, the medical insurance system for urban employees in China has constructed a medical insurance system in which employees and enterprises pay together. This system is in line with the national conditions at that time, breaking the state that medical expenses were taken over by the state in the past. However, with the gradual advancement of health care, the problems related to personal accounts also need to be rectified. This paper puts forward the practical dilemma of low operation efficiency, insufficient security function and polarization of balance level of personal account of medical insurance for urban employees. By using the method of policy analysis, this paper puts forward some suggestions from three aspects: family sharing, broadening the field of payment and establishing outpatient fee coordination, so as to promote the development and progress of medical insurance system for urban employees in China.

**Keywords:** *Medical insurance for urban employees, individual account, realistic dilemma, suggestions for improvement*

## 1. INTRODUCTION

Based on the specific national conditions and historical conditions, the traditional medical insurance system for urban employees under the planned economy system is a public medical system and labor insurance medical system with the state and state-owned enterprises as the main body of payment. The financing channels only rely on the government financial support and enterprise payment. This kind of medical insurance system has strong welfare color, gradually the state and enterprises can not bear the huge pressure of payment, and medical and health resources are excessively wasted. In the 1990s, in order to adapt to the new situation of reform and opening up, the traditional medical insurance system for urban employees was greatly changed by introducing personal accounts. First of all, according to the principle of combining rights and obligations, the individual payment responsibility of employees was clarified, which not only broadened the financing channels of the medical insurance system for urban employees, but more importantly eased the payment burden of the state and enterprises. In addition, the personal account fund has the property of personal ownership, which greatly improves the enthusiasm of individual payment. Secondly, the combination of medical service expenses and personal interests can effectively restrain personal behavior and avoid the waste of funds in the process of medical service to a great extent. Thirdly, we should guide the insured to reasonably arrange the use of personal account funds, establish the awareness of

taking precautions to resist the payment pressure brought by the elderly diseases, and realize the vertical accumulation of funds, which is conducive to the maintenance of social stability and development.

On one hand, by learning from the experience of Singapore's personal savings medical insurance model, and influenced by the demonstration effect of China's endowment insurance individual account, China's urban employee medical insurance has established a new model of unified account combination, that is, the combination of overall account and individual account, and the insured institutions transfer the funds jointly paid by the insured individuals and units according to a certain proportion. Zhang Haiyang (2015) believes that the design defects of the system itself cause problems in the actual operation of personal accounts, and at this stage, personal accounts are the inevitable choice for employees to assume personal responsibility, which plays a role in the process of system operation [1]. It is generally believed that the personal account of medical insurance for urban employees in China has three basic functions: the first is the payment function, that is, outpatient expenses and drug purchase can be paid by it. The second is the accumulation function, which makes the personal account fund realize vertical accumulation in the case of health, so as to cope with the risk of increasing expenses due to the frequent occurrence of senile diseases. The third is the constraint function, which can be realized through clear definition. Personal account funds are owned by individuals, which effectively restrict unnecessary items in the process of diagnosis and treatment, so as to effectively control medical expenses [2]. However, Xu Tingting (2011) believes that the

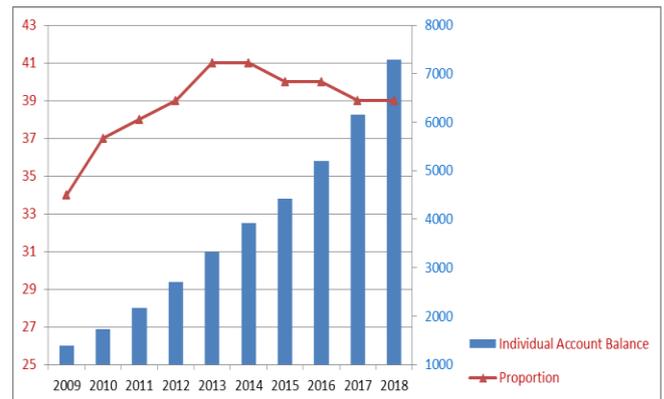
excessive accumulation of funds in the current personal account results in a waste of funds, and its payment is limited to the drugs and diagnosis and treatment projects within the scope of a specific catalog, and the scope of use is very narrow. It should be gradually expanded to the "national drug brand" drugs outside the drug catalog, so as to solve the narrow demand of the insured [3]. Zheng Bingwen (2019) personal account has formed a "psychological" mode To explore the reform of personal accounts, we can try the idea of win-win cooperation between social insurance and commercial insurance [4]. Wang Chaoqun (2013) explored the origin of personal account system by using the method of system analysis. He believes that due to the significant changes in the current institutional environment, personal accounts have been in sharp conflict with the current institutional environment, unable to complete the new tasks proposed by the institutional environment, and should be cancelled [5]. Huang Guowu et al. (2018) believe that medical insurance is a social insurance, and personal account is a part of it. The reform of medical insurance should be based on the service of social insurance, so as to fundamentally ensure the health of employees [6].

## 2. THE REALISTIC DILEMMA OF INDIVIDUAL ACCOUNT OF MEDICAL INSURANCE FOR URBAN EMPLOYEES

### 2.1. Low Operation Efficiency

The closed management of individual account of medical insurance for urban employees has a strong private nature, that is, the funds of individual account are only limited to their own expenditure needs in the medical field, and can not be used among a wide range of insured persons, which is contrary to the basic principles of mutual assistance and risk sharing in the social insurance system. As shown in Figure 1 and Table 1, the balance of individual account funds of medical insurance for urban employees in China is increasing year by year, and the proportion continues to maintain at about 40% of the total balance funds of medical insurance for urban employees. A large amount of capital precipitation, not only can not maximize efficiency, but it is easy to breed the risk of capital waste and misappropriation. In addition, the funds of individual account are strictly used, which is limited to the payment of outpatient expenses and the purchase of drugs, and it is difficult to meet the medical needs of individuals. Therefore, the phenomenon of treating minor diseases and substituting inpatients for outpatient services is common, which causes a great waste of medical resources and affects the payment efficiency of the fund, and leads to "difficult to see a doctor" and "expensive to see a doctor" The social contradictions in China are further intensified. It can be seen that a large number of deposited funds in personal accounts have not been used reasonably and efficiently, and they are still in a state of inefficient

operation in real life, and have not reached and met the original intention of establishing personal accounts.



**Figure 1** Cumulative balance of individual account and proportion of individual account balance of medical insurance for urban employees (100 million) (%)

Data source: according to the national statistical yearbook data over the years

**Table 1** Cumulative Balance Structure (100 million)

Year	Accumulated Balance	Balance of co Ordination Account	Balance of Individual Account
2009	4055.2	2661.1	1394.1
2010	4741.2	3007	1734.2
2011	5683.2	3517.8	2165.3
2012	6884.2	4186.8	2697.5
2013	8129.3	4806.5	3322.9
2014	9449.8	5537.2	3912.6
2015	10997.1	6568.3	4428.8
2016	12971.7	7772.1	5199.6
2017	15851	9699.1	6152
2018	18749.8	11466.3	7283.5

Data source: According to the national statistical yearbook data over the years.

### 2.2. Insufficient Security Function

As we all know, China has a large population, and its economic level has not reached the level of developed

countries. Therefore, China's social basic medical insurance is still at a low level of security. Human tragedies of poverty caused by illness and returning to poverty due to illness are common. In modern society, the lack of food safety, poor air quality, fast-paced life and great work pressure not only erode people's health, but also make the types of diseases increase and the situation of diseases become complex and changeable. From a macro point of view, the total amount of surplus funds in the individual account of medical insurance for urban employees in China is considerable, but the fund accumulation capacity for individual employees is very limited. The fund accumulated in the personal account plays a small role in the payment of medical expenses for the treatment of major diseases. Even for minor diseases in outpatient treatment, due to the expansion of medical expenses, the fund accumulated in the personal account is difficult to offset all or most of them. Secondly, due to the retirees no longer pay, all regions have to transfer part of the funds from the overall planning funds to the personal accounts of the elderly, so the overall planning funds face the risk of bottom hunting. And the elderly belong to the major diseases or chronic diseases, most of them need to be hospitalized in order to get good treatment effect, and the funds of personal account can not be used for hospitalization expenses reimbursement. With the aging of population structure, it is easy to stimulate intergenerational conflicts. Thirdly, because the personal account funds of urban employees' medical insurance are owned by individuals and are under closed management, the interest income of personal account funds obtained from savings is difficult to resist the pressure of price rise caused by inflation. Because there is no investment management to maintain and increase the value of these funds, the more the accumulated amount increases, the greater the risk of capital depreciation.

### **2.3. Balance Level Polarization**

Although the total amount of personal account balance is huge, the structure and distribution of surplus funds show serious polarization, which leads to the coexistence of insufficient medical security and fund abuse. From the perspective of the age distribution and health status of the insured population, on the one hand, the balance of personal accounts of the elderly and non healthy groups is small or even insufficient, and the role of personal accounts in the payment of medical expenses is limited, which is contrary to the goal of meeting the medical needs of individuals advocated by the establishment of personal accounts, and is not conducive to safeguarding the right of employees to enjoy fair treatment. On the other hand, the young and healthy groups do not have medical expenses or spend little, and the funds can be accumulated. Because people usually pay attention to immediate interests and do not have the long-term vision of saving for future medical expenses, there is often an opportunity to obtain certain utility from idle funds. In different regions of the country, it is frequently exposed by the media that employees abuse

personal account funds, such as purchasing funds. If you buy daily necessities, you can even get cash directly. It can be seen that the function of vertical accumulation of personal account funds in dealing with elderly medical expenses has not been realized, and the waste of this part of funds has not played an effective role. The personal account of medical insurance for urban employees has the dual attributes of personal ownership and limited expenditure. It is difficult to supervise the personal account from the aspects of the responsibility of supervision subject, the perfection of supervision policy, the construction of supervision information network and the high cost of human and material resources. Due to the financial and material constraints, it can not guarantee the full coverage of the computer system. At the same time, for the management of personal accounts, there is a shortage of interdisciplinary talents with all kinds of knowledge.

## **3. REFORM COUNTERMEASURES OF PERSONAL ACCOUNT OF EMPLOYEE MEDICAL INSURANCE**

### **3.1. Family Sharing**

The personal account of medical insurance for urban employees has the dual attributes of fund privatization and limited expenditure. In order to make effective use of the funds in the personal account, many cities fully learn from the experience of foreign family security mode, and increase the main body of using the funds in the personal account from one person to one family, from individual exclusive to private Family sharing, insured employees can use their own personal account balance funds to meet the health needs of their family members (spouses, immediate family members). Because family members are a unified whole of interests, the realization of personal account family mutual aid can ensure family stability, avoid the huge financial and human damage to the whole family caused by one person's illness, and effectively decompose the risk. On the other hand, China's urban and rural residents' medical insurance does not require compulsory payment, and there are still some groups outside the coverage of medical insurance. The realization of individual account family sharing can expand the coverage of medical insurance system to a certain extent, improve the standard of treatment enjoyment, and promote the maximum utilization of individual account balance fund. As the family is the smallest unit of society and the foundation of society, mutual aid and sharing among family members can enhance the ability of families to resist disease risks and promote social progress and stability.

### ***3.2. Broaden the Field of Payment***

On the one hand, the functions of personal accounts are strictly limited; on the other hand, the differences between individuals lead to the uneven accumulation of funds. According to the policy of Health China proposed by general secretary Xi Jinping, we should transform the state of "back end treatment" in the past medical insurance into "front-end prevention", transform the focus of disease treatment into the center of people's health, which is the most positive safeguard method. Early preventive measures can reduce the incidence of diseases and effectively control medical expenses, and improve people's health level. Analyzing the phenomenon of abusing personal account funds, it is not difficult to find that this kind of behavior usually occurs in healthy young people. So it is particularly important to broaden the payment field of this kind of people's personal accounts, which can be carried out from the following two aspects. First, in order to prevent the occurrence of diseases, maintain or restore health status, it is allowed to use the balance funds of personal account to vaccinate the second class self funded vaccines, pay for the expenses of physical examination, rehabilitation training and fitness, so as to deepen the health concept of people's disease prevention; second, the high medical expenses of suffering from major diseases will not only increase the economic burden of patients themselves and even the whole family. Therefore, in order to effectively resist the risk of serious diseases, we should allow the surplus funds of individual account to purchase commercial major disease insurance. On the one hand, it can reduce the economic pressure of individual purchase of commercial insurance, on the other hand, it can supplement the lack of social basic medical insurance, and strengthen the ability of individual insured to resist risks. It is conducive to the development of medical security system while revitalizing the surplus funds of individual account the second construction can also avoid the depreciation risk of personal account balance funds.

### ***3.3. Establishment of Outpatient Coordination***

Nowadays, the deterioration of air quality, poor food safety and high-intensity work pressure continue to erode people's resistance to diseases. Therefore, the probability of diagnosis and treatment of outpatient and minor diseases is also increasing. At present, the main payment channel of outpatient treatment expenses is the personal account funds of employees. The increasing expansion of medical expenses, in most cases, still needs to be borne by individuals at their own expense. Therefore, outpatient expenses have become a big expenditure pressure for the majority of patients, which highlights that the vertical accumulation of personal account funds is difficult to cope with the expansion of treatment expenses. It's a lot of pressure. Therefore, we can reduce the proportion of individual account funds transferred in, and establish outpatient co-ordination funds separately, which not only

improves the use efficiency of medical insurance funds, but also enhances the mutual assistance of medical insurance funds, and reduces the risk of people bearing huge medical expenses in the future, so as to effectively guarantee people's healthy life and promote social stability and development. Therefore, the development direction of medical insurance for urban employees in the future is to further expand the payment scope of overall planning funds, include outpatient expenses into the payment scope of medical insurance, gradually weaken the function of personal accounts, so as to expand the reimbursement scope and maximize the efficiency of medical insurance fund for urban employees.

## **4. CONCLUSION**

To sum up, the personal account of medical insurance for urban employees in China is the product of the special period and special national conditions, which is in line with the political, economic and cultural environment at that time. Compared with the traditional forms of public medical insurance and labor insurance medical security, the innovative measure of personal account has formed the medical security form of "enterprise + individual" payment, which makes the policy reform get a smooth transition and be clear. It confirms the payment obligation of employees, improves people's awareness of payment, reduces the economic burden of the state and enterprises, and practices the principle of unifying the rights and obligations of social insurance. After more than 20 years of development, its problems and disadvantages have become increasingly prominent. Firstly, due to the private property of personal accounts and the characteristics of paying more, a large number of personal account funds have precipitated, forming a state of inefficient operation of personal accounts. Secondly, due to the transformation and expansion of disease spectrum in China, and accompanied by inflation, the vertical accumulation of personal account funds has been seriously guaranteed. Third, due to the differences in the age composition and health status of the insured subjects, even though the overall balance level is high, the polarization is obvious. Under the background of the new era, the historical task of personal account has been completed, and the reform of personal account of medical insurance for urban employees has become inevitable. This paper puts forward three suggestions for improvement: first, family sharing, that is, to revitalize the personal account and deposit funds through mutual assistance among family members to enhance the family's resistance to diseases and maintain social stability; second, to broaden the field of payment, to change the focus on treatment into focus on prevention, and actively respond to the great strategy of "healthy China"; third, to weaken the personal account. At the same time, we should establish outpatient coordination to improve the efficiency of medical insurance fund, to promote the improvement and progress of the medical security system, and to maximize the function and role of personal accounts.

## ACKNOWLEDGMENT

This work was supported by Harbin University of Commerce 2020 teaching reform and teaching research project "research and practice of labor and social security major construction from the perspective of professional certification" (HSDJY202008)

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