



NEWSLETTER

GLAWCAL

Issue 4, 2014

Focus on

Healthcare, Social Security and Social Insurance in China; Healthcare in Asia

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Focus on

HEALTHCARE, SOCIAL SECURITY AND SOCIAL INSURANCE IN CHINA; HEALTHCARE IN ASIA

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he level of healthcare in Asia will be the topic of this issue, starting with an overview of the Chinese situation, characterized by a surge of profitable opportunities for private investments. Our analysis will then provide a general assessment of the healthcare's levels in Asia, with news from Singapore, Vietnam, Thailand and India, showing how these countries have yet to overcome serious issues, like the treatment of the elderly and the rising medical costs.

The goal of real healthcare reform must be high-quality, universal coverage in a cost-effective way.

(Bernie Sanders)



Healthcare, Social Security and Social Insurance in China

CHALLENGES FOR PRIVATE AND FOREIGN INVESTMENTS INTO CHINESE PHARMACEUTICAL INDUSTRY

Despite the recent global financial crisis, China's economic growth is still surpassing expectations as the world's fastest growing economy. As a function of China's overall economic growth, the country's pharmaceutical industry has also experienced a surge over the past decade. Also thanks to the continuous advancement in new medical reforms, China's pharmaceutical distribution industry has maintained a fairly rapid growth in recent years.

According to an American government agency, US-China Economic and Security Review Commission, China's healthcare reform allowed better healthcare, more chances and challenges for private and foreign investments.

Huang Yanzhong, senior fellow on global health at the Council on Foreign Relations (a US think tank), said that China is the world's third-largest market for pharmaceuticals.

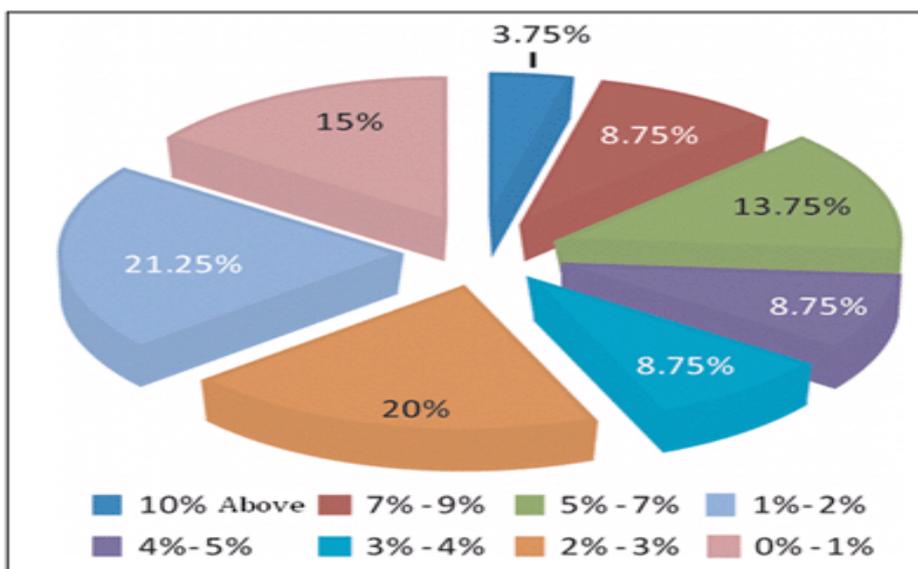
From the last years, the Chinese pharmaceutical industry grew at a compounded annual growth rate between 15% and 20%, which means that the country may become the second-largest market by next year, following the US.

On the other hand, it is important to improve the healthcare reforms and strengthen public healthcare services. The Chinese government has spent around three trillion yuan (about 488 billion U.S. dollars) into its medical care reform in the past five years.

The investment was made both by the central government and local authorities. After years of effort, China's public hospital reform has reached more than 1,000 counties across the country, covering a population of 500 million.

More efforts have to be done in order to extend healthcare services to remote rural areas and also to provide universal health insurance. According to a statement by the National Development and Reform Commission, China is witnessing series of transformation driven by government oriented to improve private sector participation.

A key factor to further China's healthcare reform is to increase salaries for medical staff and cut the link between doctors' income and medicine sales. Salaries are generally low for staff in public hospitals, which dominate the nation's health service market. Thus, many doctors have colluded with pharmaceutical companies and earned "gray income" by over-prescribing drugs or prescribing unnecessary drugs.



Profit Margins of Top 100 Enterprises in China Pharmaceutical Chain Industry



Healthcare, Social Security and Social Insurance in China

ENCOURAGING PRIVATE INVESTMENTS IN HOSPITALS

The Chinese Government Plans to Encourage Private Investments in the Country's Hospitals.

The Chinese Health Minister Chen Zhu announced at a press conference that efforts involving the planning and management of medical resources should be made in order to secure an orderly development for private health care institutions. Public hospitals should see moderate development while more room should be made for growth of private investment in the sector. Qualified private investors will be given priority to new hospital constructions, he said.

A small number of private hospitals and clinics have emerged in some of China's major cities in the past 10 to 15 years. These facilities range from private dental clinics to multi-city hospital networks. They often operate on a much smaller scale than the average public hospital, allowing them to devote more time to each patient because of a better staff-to-patient ratio and lower patient numbers. In many cases, however, these facilities have found it difficult to attract sufficient clinical talents to serve patients, mostly because clinicians are reluctant to leave academic institutions for untried new providers.

Authorities want more non-governmental capitals to enter the healthcare sector as soon as possible to increase the supply of medical services and to give private organizations more leeway to encourage competition.



Healthcare Professionals in the Country's Rural Region.

The healthcare reforms that the PRC government announced in early 2009 have elicited considerable excitement among potential investors in China's large and growing healthcare services market. According to Zhu, these measures are set to foster reforms of government-funded hospitals and encourage non-governmental capital to build more health institutions.



Healthcare, Social Security and Social Insurance in China



The Exterior of the BenQ Hospital in Nanjing, One of Several Private Taiwanese Investments in China's Medical Industry

One potential stumbling block to investment in private facilities is the relatively small scale of private medical insurance in China. Though China's healthcare reforms include a provision to expand the role of insurance in the healthcare system, the country currently has a limited market for private insurance. Because of most Chinese citizens do not fully understand the supplementary private insurance option and have a hard time finding appropriate products, they generally pay for their uncovered medical bills out of pocket.

Households usually accumulate large amounts of cash as a hedge against the possibility that those funds will be needed some day for hospital care, because of the unsuitableness of the government's universal health-care insurance.

Public hospitals, which provide 90 percent of China's medical services, totaled 13,440 by the end of October. Non-public and public hospitals will be treated equally in terms of access to medical insurance programs and other qualifications and the number of public hospitals will be controlled and medical resources will be optimized, said a statement.



Healthcare, Social Security and Social Insurance in China

DONGGUAN WORKERS ON STRIKE AT YUE YUEN'S SHOE FACTORY

Yue Yuen Workers First Went on Strike on April 5, but the Factory Did not Fully Answer the Workers' Demands. As a Result, Workers Went on Strike Again on Monday.

There has been a noticeable surge in the number of strikes and workers' protests in China. This increase might be explained by a greater social media coverage, but there does seem to be a pronounced increase in activism on the ground.

Manufacturing industries are the main source of labour disputes, accounting for 35 percent of all strikes and protests (concentrated in the south-eastern provinces). About one third of the strikes in the manufacturing sector are related to wage arrears and another quarter of them to demands for compensation, suggesting that many factories are still in the process of closing down or relocating without giving workers a fair deal.

Around 10,000 workers at the Yue Yuen shoe factory in Dongguan, one of the world's largest shoe manufacturing facilities, took to the streets on Monday 14 April to protest against unpaid social insurance and housing funds payments and improper labour contracts.

Unpaid and contested social insurance are problems that most of Chinese manufacturing workers are facing and this strike is likely one of the largest ones in recent history. Most of the workers are immigrants from other Chinese provinces and they cannot bring their social insurance plan paid half by workers and half by the company, unless paying an additional tax. The company does not seem willing to help workers on this matter.

The company should pay its 70,000 employees their full social security and housing fund contributions, but announced on Monday that it would only agree to sign new contracts with its employees as of 1 May and refused to pay the social security contributions and public housing fund payments in arrears.

The Yue Yuen strike represents a significant moment in which workers at the factory have realized their rights and have acted collectively to protect their interests. The demands raised by Yue Yuan workers reflect issues faced by most workers in China's manufacturing industry, and the resolution of this dispute will become an important precedent.



A Picture of the Protesting Workers.



Healthcare, Social Security and Social Insurance in China

PRIVATE INVESTMENTS INTO CHINESE HEALTHCARE

China's healthcare needs are growing. At present, China's healthcare resources are unevenly distributed: China's major cities have the majority of access to healthcare resources, while the Chinese countryside has limited services for disposal and people who lives in rural areas is unable to afford healthcare. During 2012, the Chinese government implemented many new policies that were directed towards county level hospitals.

Currently, the Chinese government needs private capital to improve the services that the government has to provide to the population.

The previous government's attempts to support private capital into the country's hospitals failed. Recently, the Ministry of Health (MOH) has planned a series of new policies in order to improve the role of privately owned and operated hospitals, including "Several Opinions to Accelerate the Social Investment in Healthcare Services" and "The State Council's Several Opinions to Promote the Development of the Healthcare Services Industry".

By 2015, China's non-public medical institution beds and services will reach 20% of the total number of medical institutions. Local governments also have issued detailed rules for the implementation. The approval process for setting up private medical institutions is clarified gradually. Healthcare services will become a new major growth sector in China's economy. By addressing the growing healthcare needs of the Chinese middle and upper-class, privatizing could potentially raise the standards of care.

China intends to develop non-public healthcare facilities, encouraging enterprises, charities, foundations, commercial insurers, and foreign investors to organize healthcare institutions.



One of the Newest Private Medical Centers in China.

The openness to foreign investment will create new competition between public and private facilities, driving efficiency in both. With the MOH's January 2014 issuance of the policy document "On Acceleration of Social Capital in Hospital Investment," a major move was made that allows both to have a chance at success.

The medical system in China was controlled by public medical institutions for a long time, leading to problems such as lack of competition, uneven resource distribution, poor service and underdeveloped technology, as well as frequent disputes between doctors and patients.

That's why the government attempts to reform the medical system which exhibits great market potential. In fact, foreign investors are particularly interested in China's hospital sector which (like hospitals across Asia) offer especially attractive margins. These policies are key to continue driving the company's growth.

Healthcare in Asia

INDIA: IMPROVING THE HEALTHCARE

Dr Devi Shetty-Founder & Chairman of Narayana Health– Talks about Acute Shortage of Medical Specialists in India.

Health services are either provided by the government as service (in countries like UK, Italy and other European countries) or by private entities (in countries like the US). In India, it's a mix of private and public products and services.

The private medical sector remains the primary source of health care for households in urban areas and also in rural areas. Reliance on public and private health care sector varies significantly between states. Several reasons are cited for relying on private rather than public sector.

The main reasons at the national level are: the poor quality of care in the public sector, the distance of the public sector facilities, long waiting times and inconvenient hours of operation. The study (published in 2013 and conducted by IMS Institute for Healthcare Informatics across 12 states in over 14,000 households) indicated a steady increase in the usage of private healthcare facilities over the last 25 years for both Out Patient and In Patient services, across rural and urban areas.

The government of India has never worried about its citizens' health. India currently spends only 1.2 per cent of its GDP on publicly funded health care. This is considerably less than most other comparable countries. The total Indian health spending is conventionally estimated at a little over 4 per cent of GDP.

The public health care system has been strengthened since the start of the 21st century by initiatives such as the National Rural Health Mission (NRHM). But it still suffers from significant limitations in areas such as the (free) provision of essential medicines to the 400-600 million poorest Indians. In fact, it can be said that rural healthcare is almost non-existent.

Dr Devi Shetty (Founder & Chairman of Narayana Health) underlines the dearth of medical specialists: the country has close to 50,000 undergraduate medical seats but only 14,000 PG seats (while the US has 19,000 undergraduate medical seats and 32,000 PG seats).

What are strategies for the future to win the crucial healthcare challenges of the nation? The country needs medical educational institutions in order to provide diploma/graduate courses in fields like anesthesia, gynecology and pediatrics. The lack of PG seats entails a shortage of specialists, which means negative consequences on the ground (such as high maternal mortality rate and diseases).



The Logo of a Medical Project Aimed at Improving Healthcare in Rural Areas.

Healthcare in Asia

THAILAND'S 30 BAHT HEALTH REFORM ALLOWED A DROP IN INFANT MORTALITY RATE, A NEW MIT STUDY SHOWS

Robert Townsend, the Elizabeth and James Killian Professor of Economics at Massachusetts Institute of Technology (MIT), Jon Gruber, a MIT professor of economics and health care expert, and Nathaniel Hendren, an economist at Harvard University, published a new study on infant mortality in Thailand.

The researchers used data from Thailand's Health and Welfare Survey, a national cross section of all 76 Thai provinces, covering years from 2001 to 2005.

The findings show that infant mortality rates among less-wealthy citizens led to a 13 percent drop in a year, thanks to Thailand's "30 Baht" program, which increased access to hospitals.

Thailand's health care reform occurred in 2001. Called the "30 Baht Program," it was one of the largest and most ambitious health reforms ever undertaken in a developing country. The aim of the program was to reduce long-standing geographical disparities in public health care.

The program both provided for funds of about \$35 per capita to be granted to provincial hospitals (based on the numbers of local residents) and reduced the copays for non-welfare residents to 30 baht—essentially 75 cents. In effect, the reforms made access to health care in public facilities independent of a person's financial situation and equalized health care access for rich and poor people.

The new health reform led to a moderate increase in the use of health care among those who previously were uninsured. But the greatest impact affected those who were previously covered by Thailand's Medical Welfare program, particularly mothers and infants.



Signs Advertise the New 30 Baht Health Scheme.

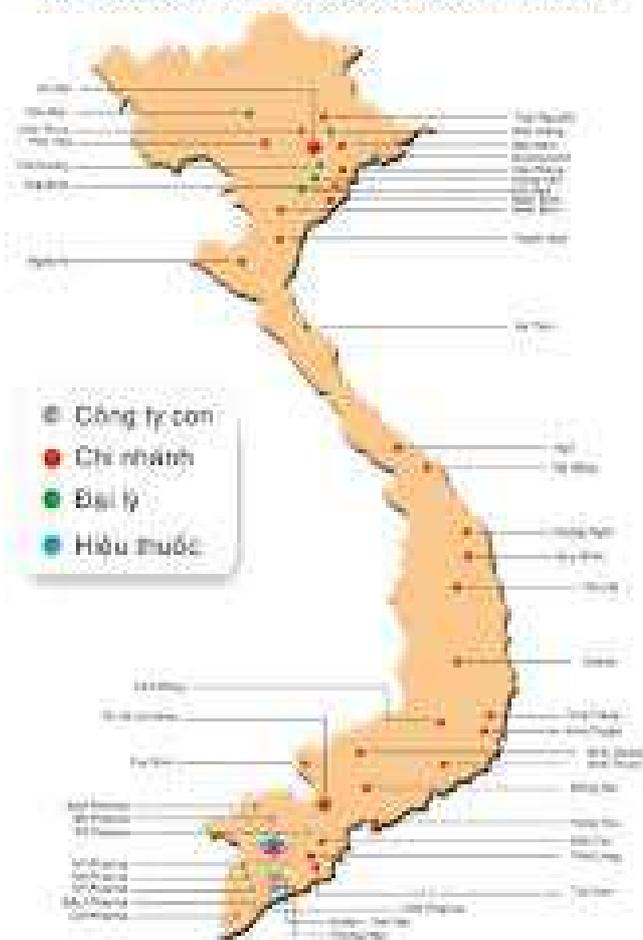
Before the 30 Baht Program, poor provinces had higher infant mortality rates, but after the program was implemented, infant mortality rates in rich and poor provinces were nearly identical. The study provides evidence that the new health reform reduced infant mortality in poor provinces.

According to the study co-authored by MIT, healthcare financing reforms can increase access to healthcare and combat infant mortality among the poor. Hendren said that most common causes of infant mortality in the world are from treatable diseases. In fact, results suggest that improved access to medical services could go improve the large disparities in infant mortality rates both across and within countries.

Healthcare in Asia

AN ESTIMATED PHARMACEUTICAL MARKET GROWTH RATE OF 20% THROUGH 2017 IN VIETNAM

HỆ THỐNG PHÂN PHỐI CỦA DNG PHARMA



Sales Revenue of Hau Giang Pharmaceutical Increases Continuously and Frequently Leads the Vietnam Pharmaceutical Industry.

Decision Resources Group (DRG) reported that Vietnam's pharmaceutical market is among the fastest growing ones in Southeast Asia, with a growth rate of almost 17 percent and over \$3 billion in size in 2013. DRG attributed Vietnam's rocketing growth to a rapidly aging population, increasing affluence and the steady extension of public health insurance.

These factors continue to drive demand for prescription medicines in the country. Vietnam drug prices are 12 times higher than international reference prices. Difficulties in containing prices are exacerbated by a fragmented health-care system, a decentralized medicines procurement process and heavy dependence on imported drugs, the study reported.

The Vietnamese population has to face high and unaffordable health expenditure, which is a financial burden and barrier to healthcare access. Vietnam's intellectual property rights protection is lacking. The Pharmaceutical Research and Manufacturers of America requested to keep the country on the Watch List in its Special 301 Report for 2014 due to lack of regulatory transparency and high penetration of counterfeit drugs.

Negotiations to join the Trans-Pacific Partnership (TPP) free trade agreement - currently ongoing between the US, Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam - have caused concern among government officials and experts because agreeing to TPP proposals may constrain the country's ability to curb rising drug costs.

Vietnam's ambitious aim to achieve universal health coverage by 2015 stems from the fact that over 30 percent of its population is still not covered by any form of public health insurance and private health expenditure is still high (57% of the country's total health spending).

Healthcare in Asia

SINGAPORE IS AT AN INFLECTION POINT: DEPUTY PRIME MINISTER TALKS ABOUT WORKPLACE SAFETY AND HEALTH INFRINGEMENTS

In Singapore, the Ministry of Manpower (MOM) and Building and Construction Authority will lead a new workgroup to work out details of a mandatory framework that will incorporate the safety and protection of construction workers into the building plans.

At the launch of this year's Workplace Safety and Health Campaign, Deputy Prime Minister Tharman Shanmugaratnam said that more efforts have to be done in order to improve workplace safety and manage health risk for workers.



Workers in a Building Yard in Singapore.

Performing risk management means that developers and designers have to make a conscious effort to collaborate with relevant experts to identify workplace safety and health risks in their designs and incorporate the necessary risk control solutions into the designs upfront.

An inter-agency workgroup led by MOM and the Building and Construction Authority will be formed to work out implementation details of the mandatory framework for Design for Safety, in consultation with the industry.

This Design for Safety approach has been promoted as a voluntary choice in Singapore since 2008, but it will soon be legislated. The regulatory requirements and timeframe for their implementation will be announced by the end of this year, Tharman added.

Even though the overall workplace fatality rate has slowed down from 4.0 per 100,000 employees in 2005 to 2.1 last year, the rate has increased in Singapore. For 2014, data have reported 19 workplace fatalities in the first quarter, 12 of them in the construction sector and five more compared to the same period last year.

Tharman said that workplace health deserves several attentions as well. Therefore, it is important to take a holistic and balanced approach to both workplace safety and health and give the utmost priority to well-being of employees.

A new Tripartite Oversight Committee (TOC) chaired by Senior Minister of State for Health and Manpower, Dr Amy Khor (with senior representatives from MOH, MOM, HPB, WSH Council, tripartite partners and relevant stakeholders) has also been formed to drive this initiative.

Healthcare in Asia

TRIPLING THE GOVERNMENT'S HEALTHCARE SPENDING IN SINGAPORE

Providing Healthcare Quality in an Affordable Way.

Singapore's healthcare system is not only one of the best in the world statistically, but it's also envied worldwide for its efficiency and low cost, so far. In fact, even the United States looks at Singapore as a healthcare model to follow.

Why then do people complain so much about the healthcare system? Because people feel that the government is being too stingy-efficient with healthcare spending. Healthcare financing is a key fiscal challenge for Singapore, as Finance Minister Tharman Shanmugaratnam said.

The government's healthcare spending is expected to triple to S\$12 billion a year by 2020. It will reach S\$8 billion in 2015.

The last statistic registered the rapid ageing of Singapore's population. The government has no choice: citizens need to pay higher taxes and contributions to cover the increasing medical costs.

The Finance Minister believes that there is no such a free and cheap healthcare system anywhere in the world, because citizens always pay for it, either through taxes or insurance premiums.

So it will be necessary to spend more on healthcare in future in order to increase in value the medical treatments that - in turn- will improve the quality of life. Tharman thinks that this must be done in a cost-effective way.

Only time will tell if Singapore can hold onto its status as one of the world's most efficient healthcare systems.



Healthcare Financing Will be a Key Fiscal Challenge for Singapore

Healthcare in Asia

SINGAPORE: INCREASING "SIN" TAXES TO HELP ELDERLY

According to Eugene Tan, Raising "Sin" Taxes Will Increase Social Spending without Generating too much of a Political Cost.

Rising healthcare costs have been a particularly touchy issue in Singapore. By international standards, government healthcare expenditure is low, with out-of-pocket expenses comparatively high. The country's healthcare expenditure stood at an estimated 1.5 percent of gross domestic product (GDP) in 2013, far below the average of 7.7 percent in high-income economies as of 2010.

The government on February announced increases in alcohol, gambling and tobacco taxes as it pledged billions of dollars in healthcare subsidy for its elderly citizens. Those who are aged 65 and above would benefit from a host of medical benefits, including outpatient specialist care and medical insurance.

The Finance Minister Tharman Shanmugaratnam told the Parliament that the additional duties will raise government revenues by Sg\$255 million (\$201 million) a year, as he announced the government's 2014 budget.

Tobacco taxes will rise by 10 percent, liquor taxes will rise by 25 percent across the board and the betting duty rates will rise to 25-30 percent of gross bets at Singapore Pools from July.

According to an associate law professor at the Singapore Management University, Eugene Tan, the increase of "sin" taxes will be the best choice rather than the increases in personal or corporate tax rates.

Even if the older generation are seen as an important vote bank for the People's Action Party (due to General elections in 2016), the health care package for the elderly is an essential matter to face per se, as Tan said.

Officials say 20 percent of Singaporeans will be 65 or older by 2030. According to Tharman, these special benefits that the government will provide the pioneer generation will not be differentiated by income because the objective is to honour the contributions of this whole generation.



Gambling is One the Sectors Most Affected by the Tax Raises.

Healthcare in Asia

THE CHALLENGE IN ASIA: IMPROVING HEALTHCARE SERVICES FOR ELDERLY.

Where are Human Rights for the Elderly? The Face of Poverty Ages is Increasing in Asia.



Elderly Patients Having Check-Ups at Kwong Wai Shiu Hospital.

For example, nowadays in Korean society, it would be hard for family members to look after the elderly and take care of them when they are sick. In advanced economies, governments have moved to take over this role in order to guarantee the welfare of the elderly. According to Jeremy Hunt, in South Korea, some older people live in clean and comfortable houses with their families, but many of them are in run-down apartments or worse in nursing homes, where their rights are abused.

Even in Japan, the richest country in Asia, the rate of elderly living in poverty has tripled in a few years. The young generations are less keen than before to look after their parents, even though the middle-class today is richer than in generations past.

The lack of income and health security for older people in developing economies is compounded by the fact that long-term care is not readily available and most of those requiring such support must rely on informal home care, or services provided by unpaid caregivers such as family members. In developed economies, where the cost of long-term care is very expensive, most Western European countries have put in place a mechanism to fund formal care, and in a number of Northern and Continental European countries, arrangements exist to at least partially fund informal care as well.

East Asian societies should provide generous pensions and comprehensive universal healthcare coverage, but the health insurance is usually patchy – many catastrophic illnesses are not covered by national insurance systems – and pensions remain low or even non-existent. The challenges of providing long-term care services in developing countries are enormous and include financial, administrative, human resource and insurance issues.

Life expectancy in developed and developing countries has increased over the past several decades and continues to rise. As well as increasing life expectancy, birth rates have also decreased in many parts of the world, resulting in a demographic shift where the percentage of the population comprising people over 60 is growing rapidly. This has resulted in rising economic dependencies.

A majority of the world's older people in developing countries of Asia have no formal social security support such as pension schemes and health insurance. The elderly are also vulnerable because they are more likely to have health problems. When they are ill they often have insufficient cash to pay for medical services, and, in Asia, few have health insurance.

gLAWcal activities

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GLAWCAL → GLOBAL LAW INITIATIVES FOR SUSTAINABLE DEVELOPMENT

WHO ARE WE

gLAWcal is an independent non-profit research organization (think tank) that aims at providing a new focus on issues related to economic law, globalization and development, namely the relationship between international economy and trade, with special attention to a number of non-trade-related values and concerns.

Through research and policy analysis, gLAWcal sheds a new light on issues such as good governance, human rights, right to water, rights to food, social, economic and cultural rights, labour rights, access to knowledge, public health, social welfare, consumer interests and animal welfare, climate change, energy, environmental protection and sustainable development, product safety, food safety and security.

All these values are directly affected by the global expansion of world trade and should be upheld to balance the excesses of globalization.

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