

Law &amp; Policy Group

GRIST



# China to improve basic medical insurance for employees

*By Angela Li and Stephanie Rosseau  
1 June 2021*

To reduce employees' medical expenses, China will establish a general support mechanism for covering outpatient medical bills under the basic medical insurance for employees, according to a circular issued on 22 April 2021 by the General Office of the State Council.

## Highlights

- **Coverage and reimbursement.** Unified accounts will gradually begin to cover general outpatient medical expenses for some chronic and special diseases, as well as frequently occurring diseases and common illnesses that result in severe health damage and incur significant costs. The reimbursement ratio will start at 50 percent and will tilt in favor of retirees as appropriate. Insurance benefits will gradually increase as the capacity of the unified accounts increases.
- **Calculation method of individual accounts.** Employee contributions will remain within their individual accounts. Employer contributions will be channeled into the unified accounts. For retirees, a fixed amount will be allocated from the unified accounts to their individual accounts. The amount will be gradually adjusted to about two percent of the local average basic pension benefits in the year when the reform is enacted.
- **Use of individual accounts.** Individual account use will be expanded. Family members may share in the individual accounts to pay for medical treatment in designated medical institutions and for the purchase of medicines, medical devices and medical consumables from designated retail pharmacies. The use of individual accounts to pay for family members' contributions to basic medical insurance for rural and urban nonworking residents will be considered.
- **Supervision and management.** The supervision and management of the medical insurance funds will be strengthened, and the audit and internal control mechanisms will be refined to address fraudulent hospitalization claims and health insurance fraud.
- **Provincial implementation.** The provinces are required to announce implementation measures by the end of 2021, with achievement of these goals within three years or so. Guidance from the National Healthcare Security Administration and the Ministry of Finance, together with other relevant departments, is expected.

## Resources

- [China to improve employee basic medical insurance](#) (The State Council, 22 Apr 2021)
- [Guidelines on establishing and improving the medical treatment partnerships for employees' basic medical insurance](#) (Chinese) (General Office of the State Council, 22 Apr 2021)

*Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.*