

# **Improving China's health security law to enhance access to medicines and spur innovation**

*Dr. Vas Narasimhan, Chief Executive Officer of Novartis*

## **Executive Summary**

A robust health security system is vital to address the many hurdles that face national leaders in improving the well-being of their populations and maintaining the foundations of a prosperous economy. Healthcare challenges can appear suddenly, such as the global COVID-19 pandemic, or develop over time, such as the advent of an aging population and an increase in non-communicable diseases.

China's latest Five-Year Plan recognizes healthcare and public health as central pillars of strategic development in the effort to improve the livelihoods of the population. Significant momentum has been gained toward this goal. For example, in the past two decades the proportion of Chinese protected by some form of healthcare coverage has grown from about 20% to about 95%.

However, amid this progress, demographic changes, particularly an aging population and an increased disease burden, as well as the weight of fighting the COVID-19 pandemic have combined to strain the finances of China's primary health insurance program, the BMI (Basic Medical Insurance). In addition, limitations in access to innovative medicines faced by patients today may increase, due to the focus on price when medicines are listed in the National Reimbursement Drug List.

China's healthcare leaders can build on the achievements they have accomplished so far by further enhancing the health security system. The new draft Medical Security Law in 2021 presents an opportunity to establish an overarching framework for further health security reforms. Novartis' analysis and experience suggest two areas – stable financing and incentives for innovation – where changes in legislation can deliver noticeable improvements to the country's healthcare system:

**Establish a stable and sustainable financing mechanism:** A number of options could be considered to strengthen the system, such as further consolidation of administration and benefits of rural and urban health security programs, and exploring new funding sources, such as increased taxes on alcohol and tobacco or a levy on sugary drinks. In addition, reimbursement options including

Commercial Health Insurance could be broadened, and China could bring government spending on healthcare closer to international norms.

Increase incentives for innovation to support research and development: China's healthcare system should ensure appropriate incentives to encourage investors of research and development. An assessment process could be established that, in addition to price, considers the value of innovation delivered to patients, the healthcare system, and society overall. Other elements to consider include reinvestment of some savings achieved in volume-based procurement to support access to innovative medicines and fostering the development of Commercial Health Insurance to cover innovative treatments and technologies to supplement the Basic Medical Insurance.

China has achieved laudable successes in reforming the nation's health security system in the past decades. Novartis is eager to continue its support of the Chinese government's efforts to address the existing and new healthcare challenges it faces and to meet the needs of the people through innovation in healthcare.

## 1. Introduction

A health security system is an important component of a modern and effective social security framework. It aims to reduce the burden of unexpected, high medical costs, helps to improve the well-being of the people, and contributes to social harmony and stability by providing funded services and payments. Access to adequate healthcare is crucial to social and economic development, as healthy human capital fosters productivity and economic growth.

China has made significant progress toward providing universal healthcare coverage to its citizens. At the turn of the century, roughly one in five Chinese had some form of healthcare coverage. Today, an estimated 95% of the population are covered, about 1.36 billion people.<sup>1</sup> China's improved health security system, combined with proactive policy reforms and strong economic growth, have helped fuel improved health outcomes across China and have similarly helped trigger a dramatic reduction in poverty across the country.

Although great progress has been made in China and other countries around the world in improving healthcare systems and overall quality of care, these systems remain sensitive to evolving challenges. These stem from a range of factors, including aging populations and increasing incidence of non-communicable diseases, as well as infectious disease outbreaks. These healthcare challenges can place enormous strain on healthcare systems and have significant social, economic, and political impact on the broader society. The COVID-19 pandemic has shown that even countries considered to have strong health security and robust healthcare systems can struggle to deliver even the most routine essential health services in a crisis. In his address to the 2022 World Economic Forum, China's President Xi stressed the importance of international cooperation to fight COVID-19, including cooperation in the research and development of medicines, and to accelerate efforts to build a global community of health for all.

China's latest Five-Year-Plan makes healthcare and public health a strategic development priority for the country. It emphasizes the strategic significance of the ongoing development of health security to continuously meet the citizens' expectations for a better life and to promote common prosperity.

As China continues to improve the quality of healthcare for its citizenry, it may consider adopting specific health security legislation that will increase healthcare funding to meet the growing demands of the population and introducing value-based pricing models to support the research and development of innovative medicines and treatments.

---

<sup>1</sup> National Healthcare Security Administration, "Statistical bulletin of national healthcare security development in 2020." (CN) [http://www.nhsa.gov.cn/art/2021/6/8/art\\_7\\_5232.html](http://www.nhsa.gov.cn/art/2021/6/8/art_7_5232.html)

## 2. Situational analysis of China's health security system

### 2.1 Achievements of China's health security system

Over the past two decades, China has made impressive progress on its journey to provide all citizens with equal access to basic healthcare coverage, with both reasonable quality of care and protection from healthcare-related financial risk. Over the same period, China has witnessed remarkable progress in core healthcare metrics, from 2000 to 2020, China's average life expectancy increased from 71.4 years to 77.9 years.<sup>2</sup> In addition, maternal mortality rates were reduced from 53.0 for every 100,000 live births to 16.9; the mortality rate for children below the age of 5 was reduced from 39.7 for every 1,000 live births to 7.5; and neonatal mortality dropped from 22.8 for every 1,000 live births to 3.4.<sup>3</sup>

These achievements rose from many policies and reforms that have collectively led to the development of nearly universal health coverage for China's citizenry. Regulations adopted in 1998, 2003, and 2007 established the health security system, initially with three types of Basic Medical Insurance (BMI): Urban Employee Insurance, Rural Resident Insurance, and Urban Resident Insurance. The enactment of the Guidelines for Deepening the Reform of the Healthcare System in 2009 helped to extend healthcare reform and greatly expand access to care across the country. In 2016, China merged the rural and urban resident insurance plans, a policy change that increased equity in access to healthcare and quality of services.<sup>4</sup>

In 2018, the National Healthcare Security Administration (NHSA) was established to apply centralized and unified management of national health security. In March 2020, Opinions on Deepening Reform of Healthcare Security System was issued, seeking to establish a multilayered health security system by 2030.<sup>5</sup> This multilayered system would include public healthcare coverage, with BMI as the central component, backed up by supplementary medical assistance and Commercial Health Insurance (CHI).

Strategic procurement mechanisms were adopted to provide high-quality and

---

<sup>2</sup> State Council, "Circular of the State Council on the development of national undertakings for the aged and the elderly care service system plan during the 14th five year plan." (CN) [http://www.gov.cn/zhengce/content/2022-02/21/content\\_5674844.htm](http://www.gov.cn/zhengce/content/2022-02/21/content_5674844.htm)

<sup>3</sup> National Bureau of Statistics, China Statistical Yearbook 2021. (CN) <http://www.stats.gov.cn/tjsj/ndsj/2021/indexch.htm>

<sup>4</sup> State Council, "Opinions of the State Council on the integration of the basic medical insurance system for urban and rural residents" (CN) [http://www.gov.cn/zhengce/content/2016-01/12/content\\_10582.htm](http://www.gov.cn/zhengce/content/2016-01/12/content_10582.htm)

<sup>5</sup> XinhuaNet, "China unveils guideline on deepening reform of medical insurance system," March 5, 2020. (EN) [http://www.xinhuanet.com/english/2020-03/05/c\\_138847127.htm](http://www.xinhuanet.com/english/2020-03/05/c_138847127.htm)

affordable medical services. As an example, the National Reimbursement Drug List (NRDL) determines the coverage of medicines in the national health insurance program in China. Since 2017, China has routinely conducted annual updates to the NRDL, greatly improving access to innovative medicines. From 2017 to 2021, 230 innovative drugs (excluding traditional Chinese medicines) were successfully included in the NRDL. China also introduced a Volume-Based Procurement (VBP) scheme in 2018, which has helped to expand affordable access to high-quality generic and off-patent drugs throughout the country.

## **2.2 Areas to consider for further improvement of China's health security system**

Given China's considerable success in providing near-universal healthcare coverage to its citizenry, China may consider adopting additional measures to continue to enhance its successful and well-designed multilayered health security system. These additional measures will also help to advance access to innovative technologies and treatments, including medicines, that will further improve health outcomes and the overall public health across the country.

### **2.2.1 Financial pressure on BMI**

An aging population, changing disease patterns, and new health challenges, including the fight against COVID-19, have increased financial pressure on the BMI system. In 2021, 18.9% of China's population was over the age of 60, roughly 267 million people.<sup>6</sup> Also, China will have an additional estimated 40 million retirees during the course of the 14th Five-Year Plan (2021-2025).<sup>7</sup> The increased pressure on the medical insurance fund had already become visible before the pandemic. From 2014 to 2019, both the amounts of expenditure and income of the BMI were growing. In recent years, the growth rate of expenditure began to exceed that of income, resulting in a growing fiscal deficit.<sup>8</sup> Although the difference between expenditure and income growth rates remained relatively small, the COVID-19 crisis response and the increased disease burden associated with non-communicable diseases such as cancer and cardiovascular diseases, are expected to lead to increases in spending within the medical insurance system in the coming years. In the past several years, total health expenditure as a share of GDP has also been rising. Total health expenditure in China grew from 6.4% of GDP in 2018 to 6.7% in 2019, both years still below the global 2018 average of

---

<sup>6</sup> National Bureau of Statistics, "China Economic Annual Report 2021." (CN) <http://www.gov.cn/zhuanti/2021zgjjnb/index.htm>

<sup>7</sup> Ministry of Human Resources and Social Security of the People's Republic of China, "The 14th Five-Year plan of human resources and social security development." (CN) [http://www.mohrss.gov.cn/SYrlzyshbzb/zwgk/ghcw/ghjh/202107/t20210702\\_417552.html](http://www.mohrss.gov.cn/SYrlzyshbzb/zwgk/ghcw/ghjh/202107/t20210702_417552.html)

<sup>8</sup> GBI. (EN) <https://source3.gbihealth.com/news/detail?id=402008720>

9.9% estimated by the World Bank.<sup>9</sup>

In 2021, about 354 million people in China were covered by the Urban Employee Basic Medical Insurance (UEBMI), while 1.01 billion people were covered by the Urban and Rural Resident Basic Medical Insurance (URRBMI). The two systems are funded differently: the UEBMI is financed primarily by employer and employee contributions, and the URRBMI through individual payments and government subsidies. The two systems also provide different reimbursement rates to citizens living in the same pooling region, such as the reimbursement rate of hospitalization expenses is 80% for UEBMI and 70% for URRBMI within their respective reimbursement scopes. In addition, the funds are pooled in a decentralized manner in the different regions, usually following different health security policies, resulting in substantial differences in funding depending on location. Also troublesome, multiple, smaller pools are less resilient and may not have the capacity to bear the costs for occasional, costly diseases. Different systems, each with their own administrative costs, can also be inefficient, duplicating efforts and requiring coordination, both adding to costs.<sup>10</sup> In addition, in some cases regional differences create inequities between economically advanced and less-developed areas.

### **2.2.2 Limitations remain on access to innovation**

Although China's innovative pharmaceutical industry has developed rapidly, patient access to innovative drugs still does not fully match China's ambition to meet patient needs. In 2021 the R&D-based Pharmaceutical Association Committee (RDPAC), a trade organization of 44 multinational companies with pharmaceutical R&D capabilities in China, reported that in 2018 the proportion of innovative medicines in terms of sales value was 66% in the United States, 59% in Australia, 57% in Germany, and only 9% in China.<sup>11</sup> The report also found that countries with higher levels of government investment and robust medical insurance finances were generally more attractive markets for innovative drugs and more fertile ground for drug innovation.

Today, NRDL-listed medicines can meet the basic demand of the people. However, Chinese patients still have limited or no access to many innovative medicines. In some cases, these products may be registered overseas but not yet in

---

<sup>9</sup> The World Bank, online databank. (EN) <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS>

<sup>10</sup> World Health Organization, "Health Systems Financing: The path to universal coverage," 2010. (EN) [https://apps.who.int/iris/bitstream/handle/10665/44371/9789241564021\\_eng.pdf?sequence=1&isAllowed=y](https://apps.who.int/iris/bitstream/handle/10665/44371/9789241564021_eng.pdf?sequence=1&isAllowed=y)

<sup>11</sup> China Association of Enterprises with R&D-based Pharmaceutical Association Committee (RDPAC) and China Pharmaceutical Innovation and Research Development Association (PhIRDA), "Building China's Pharmaceutical Innovation Ecosystem: Part one of the series research reports: 2015-2020," March 2021. (CN) <http://www.phirda.com/upload/file/2110/289213.pdf>

China. In others, medicines with a marketing authorization in China may not be included in the NRDL or products listed on the NRDL may not be included in the hospital formulary. Unlisted products can be purchased out of pocket or through CHI if the corresponding product is included in a private CHI program. This coverage gap has contributed to the establishment and expansion of CHI programs to meet an increasing demand from citizens who desire additional access to more advanced treatment options.

The NRDL process remains primarily driven by price. Over the past four years, the average drug price cuts for initial product listings have ranged between 44% and 61%. The issue is exacerbated as a product listed on the NRDL is often subject to another price cut every second year. Further, when a new indication is approved for the same medicine, the NRDL listing for the new indication is also subject to further price cuts. While drug price reductions can result in reduced financial burden for patients and the medical insurance fund, it should also balance and appropriately recognize the value that the innovative medications bring to patients, the healthcare system, and society.

The innovative pharmaceutical industry is predicated on high-risk research. On average, a single new medicine requires 10 to 15 years to develop and costs USD 2.6 billion, including the cost of the many failures. Also, only 12% of new molecular entities that enter clinical trials eventually receive marketing authorization.<sup>12</sup> When healthcare systems fail to appropriately reward or incentivize innovation, the impact on the innovative industry in that particular country can be significant. In other words, a strong focus on drug prices alone may not be conducive and sustainable for the innovative ecological environment and will decelerate the development of China's pharmaceutical innovation and pressure overall investments in innovation. As evidence of the burden, in recent years the Chinese stock market witnessed declining share prices for Chinese biotech companies shortly after they listed their medicines on the NRDL. In the long run, if such risk-taking in pharmaceutical development is not adequately rewarded, drug developers may have to re-consider their investment and engagement, maybe focusing solely on less-risky projects, leading to patients, healthcare systems, and society no longer receiving the transformative products they demand.

### **3. Opportunities to further strengthen China's health security system**

---

<sup>12</sup> Pharmaceutical Research and Manufacturers of America, "Progress toward New Medicines and Vaccines." (EN) [https://phrma.org/policy-issues/Research-and-Development-Policy-Framework#:~:text=On%20average%2C%20it%20takes%2010,Drug%20Administration%20\(FDA\)%20approval.](https://phrma.org/policy-issues/Research-and-Development-Policy-Framework#:~:text=On%20average%2C%20it%20takes%2010,Drug%20Administration%20(FDA)%20approval.)

### **3.1 Establish a specific health insurance law as an overarching framework to further health security reforms**

China has made great progress in developing its health security system. With provisions to establish a multilayered health security system, new regulations on NRDL updates, establishment of CHI, measures supporting digital healthcare, and many other features that benefit patient health, China has reached a new stage of its health security reform.

In June 2021, NHSA released the draft Medical Security Law.<sup>13</sup> This document presents a great opportunity to establish a specific health insurance law as an overarching framework to further health security reforms. The health insurance law could embrace a more unified policy landscape applicable nationwide and tackle some of the challenges and gaps that had been identified in areas like sustainable funding and financing mechanisms, balanced coverage of reimbursed healthcare, and adequate support for an innovation-friendly environment. By resolving the differences that exist between urban and rural healthcare today and by gradually narrowing the reimbursement differences between the two BMI systems, China will further improve healthcare equity for all its citizens.

Although differences in each system must be recognized, the issues China faces are similar to those experienced in other countries. Understanding how other countries have managed their own challenges may benefit China's deliberations. A comparative analysis of health security systems in Germany, Japan, and South Korea revealed that all three countries gave formulating and implementing detailed health insurance legislation a high priority.<sup>14</sup> Each developed a comprehensive and specific legislative framework that enabled the healthcare system to operate in a comprehensive and standardized manner for all their citizens. The laws these countries enacted clarified the responsibilities of the relevant stakeholders and articulated principles of compulsory implementation, leading to universal coverage, reasonable sharing of financial responsibilities, and social solidarity in view of mutual assistance.

### **3.2 Establish a stable and sustainable financing mechanism**

To strengthen the financial basis of the health security funds and to establish a stable and sustainable financing mechanism, the Chinese government may consider looking into the following options:

---

<sup>13</sup> National Healthcare Security Administration, "Announcement of National Healthcare Security Administration on public opinions on Medical Security Law (draft for comments)." (CN) [http://www.nhsa.gov.cn/art/2021/6/15/art\\_48\\_5268.html](http://www.nhsa.gov.cn/art/2021/6/15/art_48_5268.html)

<sup>14</sup> Hua Ying. Legislation on Health Insurance in Selected Countries and Its Implications. Inner Mongolia Social Science, 2020,41(3):34-41. (CN)

- In 2016, the integration of rural and urban resident programs expanded access to healthcare in rural areas, contributing to improvements in in-patient care, rates of medical return, and outpatient visits.<sup>15</sup> Further consolidation of administration and benefits of the two existing BMI funds, as well as the pooling of funds, may strengthen the financial integrity of the system and reduce inequities across the country. This system would presumably also reduce the out-of-pocket burden on patients, further balancing the system for insured beneficiaries, an approach consistent with the Healthy China 2030 goal of reducing out-of-pocket expenditure to 25% of total healthcare spend by 2030.
- To further strengthen the medical insurance fund, new financing channels may also be explored. Many European countries have increased taxes on tobacco and alcohol and earmarked these tax receipts to support healthcare financing.<sup>16</sup> Another option is a tax on sugary drinks as an effective intervention to reduce sugar consumption along with opening a funding stream. Evidence shows that a tax on sugary drinks that increases prices by 20% can lead to a 20% drop in consumption.<sup>17</sup> In turn, this can lead to reductions in obesity and diabetes, further contributing to the overall sustainability of the health system.<sup>18</sup> Additional funds in the health security system will also help reduce out-of-pocket expenses further.
- With continued development and promotion of CHI as a supplementary element of the multilayered system, more innovative therapies and medical services could be made available. Broadening healthcare options in CHI to those not covered by the BMI will also help reduce some of the burden on the patients. Healthcare services covered by CHI may also enable freeing up funds in the BMI for other purposes as reimbursement for certain services is shifted to CHI.
- In addition, available healthcare funds could be increased by gradually increasing the government's healthcare spending in line with the World Bank

---

<sup>15</sup> Fan Xiaojing, Su Min, Si Yafei, et al. The benefits of an integrated social medical insurance for health services utilization in rural China: evidence from the China health and retirement longitudinal study. *International Journal for Equity in Health*, 2021, 20(1):126. (EN)

<sup>16</sup> Zhu Minglai, Qiao Lili. Experience and Enlightenment of French Social Medical Insurance Financing Model. *China Health Insurance*, 2014, (10): 69-71. (CN)

<sup>17</sup> World Health Organization, "Taxes on sugary drinks: Why do it?" 2017. (EN)  
[https://apps.who.int/iris/bitstream/handle/10665/260253/WHO-NMH-PND-16.5Rev.1-eng.pdf;sequence=1#:~:text=Taxation%20on%20sugary%20drinks%20is,reduce%20sugar%20consumption%20\(8\).&text=Evidence%20shows%20that%20a%20tax,obesity%20and%20diabetes\(9\).](https://apps.who.int/iris/bitstream/handle/10665/260253/WHO-NMH-PND-16.5Rev.1-eng.pdf;sequence=1#:~:text=Taxation%20on%20sugary%20drinks%20is,reduce%20sugar%20consumption%20(8).&text=Evidence%20shows%20that%20a%20tax,obesity%20and%20diabetes(9).) (EN)

<sup>18</sup> Powell, LM., Chriqui JF, Khan T, et al. Assessing the potential effectiveness of food and beverage taxes and subsidies for improving public health: a systematic review of prices, demand and body weight outcomes. *Obesity Reviews*, 2013,14:110-128. (EN)

average.<sup>19</sup> As shown in reports from the World Health Organization<sup>20</sup> and the European economic think tank Bruegel,<sup>21</sup> health system spending contributes not only to better health outcomes but also to the macroeconomy generally by influencing labor force participation, productivity, and human capital formation through various channels.

### **3.3 Increase incentives for innovation to support research and development**

China's government considers the development of innovative biomedicines an important objective for national development and economic growth. The 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Outline of Long-term Goals for 2035 proposes that biomedicines be included as a "national mega-innovation field." Governments play an important role in providing financial and policy support to healthcare companies and institutions to encourage the development and marketing of innovative technologies and medicines. As a World Health Organization policy brief concluded, "The impact of public funding on pharmaceutical innovation cannot be underestimated. A stronger implementation of public interest provisions along the life cycle of pharmaceuticals, including 'fair return of investment,' is required."<sup>22</sup>

In light of China's aspiration to develop an innovative biomedical industry, appropriate incentives for innovation should be considered within the health security system so companies may be appropriately rewarded for bringing innovative products to the healthcare system.

Biopharmaceutical innovation requires long-term investment of sizeable resources and time. The endeavor is risky because of its high attrition rate and requires a holistic and supportive ecosystem that encourages research and development of innovation. The effort requires policies that foster research and development and reward innovation, such as a pricing and reimbursement system that builds on the value that innovative medicines bring to patients, healthcare systems, and the

---

<sup>19</sup> Organisation for Economic Co-ordination and Development (OECD), "Health expenditure in relation to GDP," 2021. (EN) <https://www.oecd-ilibrary.org/sites/e26f669c-en/index.html?itemId=/content/component/e26f669c-en>

<sup>20</sup> World Health Organization, "Making the economic case for investing in health systems: What is the evidence that health systems advance economic and fiscal objectives?" policy paper, 2018. (EN) <https://apps.who.int/iris/bitstream/handle/10665/331982/Policy-brief-1-1997-8073-2018-eng.pdf?sequence=1&isAllowed=y>

<sup>21</sup> Zsolt Darvas, Nicolas Moës, Yana Myachenkova et al, The macroeconomic implications of healthcare, Policy Contribution Issue no. 11, August 2018. (EN)

<sup>22</sup> World Health Organization, "Ensuring access to medicines: How to stimulate innovation to meet patients' needs?" policy brief, 2018. (EN) <https://apps.who.int/iris/rest/bitstreams/1277082/retrieve>

society. The legislation and practice of health security in several countries have proven that a country's economic growth depends not only on the economic policies, but also on social security policies. A robust ecosystem that funds new healthcare technologies, provides infrastructure and talent, and ultimately offers incentives for innovation efforts through fair prices in the market is crucial for the advancement and success of innovation.

The higher frequency of NRDL updates in recent years in China is a good example of faster reimbursement of many innovative medicines, improving patient access to those innovative drugs. Increased listing of innovative medicines on the NRDL initially encouraged investments in further research and development of innovative medicines by pharmaceutical companies and institutions. However, the ongoing and increasing price-reductions that are currently necessary for listing can discourage investors from financing high-risk drug development, which would lead to fewer innovative medicines coming to the market. As an alternative, if medicines were priced according to the value they bring, investors and pharmaceutical companies would have the necessary incentives to deliver medicines that provide value to patients, the healthcare system, and the broader society.

To adequately reward innovation, the government may consider further modifications to the NRDL process to include value-based assessments and to determine pricing and reimbursement in line with fund affordability. The value of a medicine includes, for instance, the value it directly brings to patients in terms of extending and improving their lives, the value to the healthcare system through increased efficiency and cost offsets through better clinical efficacy, and finally the value to society by maintaining a healthy workforce, among other benefits.

France offers an example of applying such a value-based assessment process. The French health security system uses special pricing and reimbursement ratios for innovative drugs, taking into consideration both the clinical benefit level and the degree of clinical benefit improvement that the newly approved drug contributes to the system.<sup>23</sup> Because information could be limited when drug approvals are initially decided and data on the safety and effectiveness of a medicine in clinical practice is continuously gathered, pricing re-assessments using real-world data take place every five years and health security decisions are adjusted if necessary. In China, the negotiations on renewing drugs listed on the NRDL after two years may be an opportunity to explore similar value-based assessments.

With regard to funding, the government may consider applying some of the

---

<sup>23</sup> Zhao Huating, Yan Jianzhou, Shao Rong. The Enlightenment of French Clinical Benefit Evaluation on the Dynamic Adjustment of Medical Insurance Catalogue for Innovative Medicine in China. *Chinese Health Economics*, 2019, 28(5):94-96. (CN)

savings through VBP to healthcare budgets, providing further sustainable access to innovative medicines. Furthermore, China's multilayered health security system could continue to leverage CHI as a supplementary element and enable it to cover parts of innovative treatments and technologies that the BMI alone may not be able to afford. One model that could be explored is a new co-payment model with reimbursement for certain high-value innovative drugs, such as cell and gene therapy, partially shared by both BMI and CHI. This type of co-financing of certain healthcare services will not only reduce the pressure on BMI, but also will create development space for CHI in general.

Ultimately, a rewarding environment translates into faster access to new treatment options for patients and a continuously developing biomedical industry that invests in research and development of new treatment options delivering value to patients, the healthcare system, and society.

#### **4. Conclusion**

Ongoing and emerging challenges, such as aging population, pandemics, and chronic diseases, have a significant impact on lives and present sizeable healthcare hurdles for all countries, including China. Countries should strive to develop well-functioning and efficient health security systems to reduce the risk and impact of public health challenges on their citizens' health. The recent announcement by the NHSA to promote the high-quality development of medical insurance by, among other measures, gradually reducing the uneven development of medical insurance between regions and developing medical insurance plans to benefit everyone more equitably is encouraging.<sup>24</sup> Novartis is ready to support the Chinese government's efforts in establishing a system that addresses the healthcare challenges that remain, meets the needs of the people, and supports innovation in healthcare.

---

<sup>24</sup> National Healthcare Security Administration, "National Medical Security Work Conference held in Beijing on 14th January 2022." (CN) [http://www.nhsa.gov.cn/art/2022/1/14/art\\_14\\_7780.html](http://www.nhsa.gov.cn/art/2022/1/14/art_14_7780.html)