

Analysis on the Problems and Countermeasures of Ppp Mode Entering the Medical Field in China

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ABSTRACT.With the popularization of the cooperation mode between government and social capital in the field of public service, the medical service has also undergone great changes. The introduction of PPP not only improves the quality and quantity of medical treatment, but also relieves the pressure of government financial investment. Through combing the relevant literature, this paper finds that there are serious gaps in the legal system and regulatory mechanism; conflicts between the public welfare pursued by the government and the profit seeking of private capital; lack of professional medical talents and other issues. Based on this, this paper puts forward to clearly define their respective functional roles to balance the interest relationship, perfect relevant laws and regulations to ensure the standardization of cooperation, establish risk-sharing mechanism to maintain the stability of cooperation, and seek the right direction for further deepening the operation of PPP mode.

KEYWORDS: Ppp, Medical field, Challenge, Countermeasure

1. Introduction

In 1983, the Shenzhen government of China cooperated with the Hong Kong consortium to operate Shajiao B power plant in BOT mode, which opened the prelude of PPP mode entering the public service field. Its success brought hope for China's exploration in this field. Local governments gradually established financing platforms and actively carried out PPP pilot projects. At the end of 2002, China opened the market for investment, construction, operation and operation of municipal public utilities, and the establishment of government franchise system opened a new door for private capital to enter the field of public services. In 2004, the State Council issued a document allowing social capital to enter infrastructure, public utilities and other industries and fields not prohibited by laws and regulations. At this stage, the relevant legal provisions and system construction of PPP mode are gradually improved. In 2013, the Third Plenary Session of the 18th CPC Central Committee clearly proposed that social capital should be allowed to participate in urban infrastructure investment and operation through franchise. In December 2014, the Ministry of Finance approved the establishment of the government and social capital cooperation (PPP)center, and issued the list of the first batch of 30 PPP cooperation demonstration projects and operation guidelines; the national development and Reform Commission issued guidance on government and social capital cooperation and general contract guidelines in the same period. It can be seen that PPP mode has developed rapidly in China, with strong practical operability and outstanding effect, and its application scope is also gradually expanding.

2. The Connotation of Ppp Mode

PPP mode is a way for social capital and government dominated public sectors to participate in the production, provision and operation of public goods and services through cooperation. Some scholars also believe that PPP mode is to establish a community relationship of "benefit sharing, risk sharing and collaborative cooperation" between the government and social capital, so as to reduce the financial burden of the government, reduce the risk of social capital, and achieve win-win results[1][2]. PPP mode is mainly divided into three categories: outsourcing, franchise and privatization. There are integrated outsourcing such as DM, DBO; also according to the actual demand for services, management and other modular outsourcing. Franchising means that private capital participates in part or all of the investment, establishes cooperative relationship with the government and shares the risk, including TOT, BOT and so on. When private capital is responsible for all investment, it is privatization, including complete privatization such as BOO, PUO, and partial privatization of public services, such as equity transfer. In practice, the variety of subjects is conducive to choose the best way to operate, and ensure the maximization of public service provision.

3. The Application of Ppp Mode in Medical Field

The success of PPP mode in rail transit, bridge construction, sewage treatment has enabled experts in the medical field to make bold attempts and find its great significance. The PPP mode can be used to resolve the contradiction between the increase of medical cost and the decrease of government budget[3], and it can create more market and improve the efficiency of public sector[4]. The introduction of private capital for reform could gradually regulate the practice of medical reform. In 2009, the State Council pointed out that “the Ministry of Health and other departments have attached importance to the importance of private capital and tried to introduce the PPP mode”[5], which provides a new way of thinking and direction for the reform in the medical field. At the end of 2014, the National Development and Reform Commission clearly stated that “the PPP mode can be tried in public service areas such as medical care and old-age care, “[6]encouraging social capital to participate in the restructuring of public hospitals in the PPP mode[7]. These policy guarantees stimulate the enthusiasm and motivation of social capital, and widen the development space for the innovation of medical system.

According to the statistics in May 2020, there are 9491 PPP warehousing projects in China, including 261 medical and health category, accounting for 2.8% of the total warehousing projects. With a total investment of more than 203.8 billion yuan and a large scale, there is still a large room for improvement. The application types of PPP mode in the medical field also show a trend of diversification, with ROT (restructuring - operation - transfer), IOT (investment - operation - transfer)[8] as the main mode, making full use of resources and improving income. However, there are still some problems in the PPP mode, such as the uneven distribution of regions and the disparity of investment amount. The PPP mode of medical and health service in the exploratory stage is lack of successful experience support and relevant legal system guarantee, with low project completion and difficult implementation.

4. The Problems of Introducing Ppp Mode into Medical Field

The cooperation mode between government and social capital is a huge innovation in the field of medical service, but in practice, there are still the following problems restricting its development:

4.1 Conflict between Profit-Seeking Nature of Social Capital and Public Welfare Nature of Public Hospitals

The purpose of introducing PPP mode into public hospitals is to enhance the public welfare and give full play to the rescue function of medical services. As a rational economic person, social capital participates in PPP projects for the purpose of making profits and making up for the early investment with the later operating income. However, due to the characteristics of the medical industry, such as weak profitability, low return rate and long cycle, it can not meet the requirements of social capital for profit in the short term. Kang Jingning (2013) believes that the conflict between social capital and government will be difficult to resolve when the interests of the two are not coordinated[9].

4.2 Imperfect Policies, Regulations and Supervision System

At present, China has issued some policies and regulations to promote the process of medical reform. But in practice, the construction of some PPP mode projects as the basis of the contract is only a “red headed document” of the local government. So Ou Chunzhi and Jia Kang think its legal effect is very low[10]. PPP mode runs through the whole process of the project, including investment and financing, engineering design, operation and management, responsibility division, risk prevention and response, supervision and evaluation. Every step needs authoritative legal norm and restriction, but the existing legal norms can not meet the actual needs. In addition, the existing policy documents and system norms will not be adjusted in time in the medical service reform, which will also hinder the access of private capital. There is a serious lack of laws and regulations for the application of PPP mode, and the protection and supervision of private capital entering the field of medical services are not in place.

4.3 The Lack of Incentive Mechanism Leads to the Lack of Motivation

In the field of medical service, the PPP mode lacks long-term incentive mechanism for social capital. The policy stipulates that non-profit hospitals do not allow shareholders to pay dividends, which undoubtedly limits the profitability of private capital. Under the existing PPP mode, there is a lack of financial subsidies, tax preferences, investment and financing channels and other preferential policies for private capital. Moreover, the hospital management cost is not enough to make up for the huge investment of social capital in its services, so it can not attract enough private capital to enter the medical service market[11].

4.4 Shortage of Medical Talents under Ppp Mode

The medical service industry is highly dependent on professional, operational and practical talents, Chen Long and Jia Jianyu concluded that high-quality talent resources are mostly concentrated in large public top three hospitals, forming the Matthew effect[12]. However, the application of PPP mode in the medical field is generally tested in small and medium-sized hospitals, facing the major problem of shortage of medical technology talents and reducing the living space of social capital. At present, although the “multi-point Medical Service” policy has alleviated the problem of the mobility of some talents to a certain extent, but the personnel system and the multi-point doctor-in-charge coordination can not fundamentally solve the problem of medical personnel and PPP mode project development simultaneously.

5. Countermeasures to Improve Ppp Mode in Medical Field

As a brand-new mechanism, PPP mode can make use of the respective advantages of the public and private sectors, share risks and benefits, and multiply the high-quality medical resources in the first time. In the process of maturing, the following areas still need to be improved:

5.1 Balance the Relationship between Stakeholders and Clear Authority

The government plays a leading, commanding, supervising and communicating role in PPP projects. In the project agreements signed by many parties, we should make clear the responsibility and power of government and social capital, and balance the relationship between stakeholders to ensure the stability and durability of cooperation. PPP project is a long-term project, and new problems will appear continuously during the construction process. It is necessary to timely grasp the information resources of the project, ensure information symmetry and legitimate interests of all parties, clearly define the main body of the project, and lay a foundation for a good partnership.

5.2 Improve Relevant Laws and Regulations

A good legal and policy environment is a helper for the smooth implementation of PPP projects in the medical field. Although China has issued many policy documents on the cooperation between the government and social capital at the present stage, they are not well targeted to the various professions in the field of public service, especially in the high-risk and high-demand medical treatment industries. Therefore, it is urgent to establish a set of legal rules for the management of medical franchise. From the aspects of bidding, contact signing, standardized contract management, government procurement, supervision mechanism and security, we will give accurate and reasonable guidance. In order to promote efficiency and ensure orderly cooperation, we will vigorously promote the legal construction of PPP projects.

5.3 Take Effective Incentive Mechanism to Attract the Participation of Social Capital

In the construction of PPP project, in order to guarantee the private capital can complete the service, product, design, fund and so on according to the stipulation of the agreement, it is necessary to establish the incentive payment mechanism and the strict reward and punishment mechanism. At one time, the West Middlesex University Hospital project[13] in the United Kingdom relied on incentives and accurate forecasts to finance the supply of infrastructure. They found the best value for money while meeting business needs. In addition, according to the actual needs, the social capital that wants to enter the medical field to participate in PPP projects should be appropriately lowered the threshold and created a good market competition environment, so as to enhance the positive confidence and confidence of private capital.

5.4 Establish Risk Sharing and Withdrawal Mechanism

In the process of its operation, PPP mode is influenced by social environment, political factors, economic development, international relations and so on. Therefore, in order to coordinate the interests of the main body and reduce the risks of the project, scientific risk management and sharing mechanism must be established[14], and the cooperative parties should bear the corresponding risks according to the contract. In addition, it is necessary to establish a reasonable withdrawal mechanism of social capital to protect the legitimate interests of relevant stakeholders and stimulate the enthusiasm of social capital to participate in it. When the PPP project cooperation term expires, the project assets should be handed over to the government in time, while ensuring that social capital can exit fairly. In the process of project operation, in case of major accidents or forcing the project to continue, social capital can withdraw according

to the provisions of the agreement, and the government has the responsibility to give corresponding compensation.

5.5 Adhere to the Principle of Fairness and Reasonably Allocate Medical Talents

The advantage of public hospitals is the talent team with core medical technology, which takes full account of the changes in staffing after PPP mode enters the field of medical services. The most important thing is to reform and listen to the opinions of employees. We will speed up the cultivation of high-quality, capable and professional medical talents, encourage doctors with high professional level to carry out PPP projects in small and medium-sized hospitals, promote the exchange of talents, and improve the level and quality of medical services. Adhere to the principle of all-round development and fairness, and reasonably allocate the regional distribution of medical resources.

6. Conclusion

Under the new normal of China's economy, people's demand for public services is increasing, and PPP mode has gradually become the requirement of the times to enter the medical field. At present, the medical PPP is still in the stage of exploration and development. In the process of introducing social capital, there are still some problems, such as imperfect system, inadequate legal norms, conflicts of interests among all parties, and lack of talents. However, the direct purpose of using PPP mode is to improve the quality of public services, broaden the scope of public services and meet the health needs of the public. Therefore, it is necessary to face challenges and formulate targeted countermeasures according to local conditions. We also should encourage the vitality of social capital to actively participate in PPP projects, safeguard the interests of all parties, and optimize the allocation of resources.

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