

HR Communique

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China Merging Social Insurance Funds to Consolidate Resources

On the 4th of this month, the State Council promulgated the Notice Guobanfa [2017] No 6 << The Notice Regarding the Publishing of the Trial Implementation Plan for the Merging of the Birth Insurance and the Workers' Basic Medical Insurance>>, and has requested that local authorities should ensure the serious and consistent implementation of the Plan.

Background

This <<Trial Implementation Plan for the Merging of the Birth Insurance and the Workers' Basic Medical Insurance>>("the Trial Plan") is a trial plan under one of the important development directions of China's <<Thirteenth Five-Year National Economic and Social Development Planning Guidelines>>. Its major objectives are to establish a sustainable social security system as well as to better protect people insured under the Birth Insurance scheme.

The main direction of the Trial Plan is to explore how the current insurance administration resources can be improved and how the management and operating systems under the two insurance administrations can be consolidated and promoted. It is hoped that the overall administration efficiency can be enhanced and operation costs reduced. In reality, the Birth Insurance is to be merged into the Basic Medical Insurance, therefore insurance claim obligations can be mutually supported.

Since Birth Insurance and Workers' Basic Medical Insurance services are primarily similar, if the designated medical institutions, medicinal and service scopes are managed together, and that information platforms are shared, then generally it should give rise to enhanced efficiency and mutual benefits.

Essence

The Trial Plan is for merging the two insurances and is to be implemented at the administration level. Therefore it will not cause changes to the actual Birth Insurance claim policy and terms and the Birth Insurance benefits will not be changed. The key contents of the Trial Plan are as follows:

- (1) Unification of insurance registration: Workers under employment and participating in the Workers' Basic Medical Insurance Scheme will participate in the Birth Insurance at the same time;**
- (2) Unification of fund levy and administration: the Birth Insurance Fund will be merged into the Workers' Basic Medical Insurance Fund and contributions made together. There is no levy of the Birth Insurance on individuals, and for regions that implement the merging of the two insurance funds, Birth Insurance Fund contributions will not be separately listed;**
- (3) Unification of medical service administration: supervision of birth medical services will be strengthened. In principle, direct clearance between medical insurance management organizations and medical service institutions will be effected;**
- (4) Unification of operation and information services: the operations and management of Birth Insurance will all be handled by the Workers' Basic Medical Insurance management organizations;**
- (5) Birth Insurance benefits during pregnancy will not be changed: required funds will be payable out of the Workers' Basic Medical Insurance Funds.**

The Trial Plan requested that the trial implementation start before the end of June 2017 in the specific cities, for a period of about one year.

There are 12 cities that are listed for this trial implementation of the plan, and they are: Handan (Hebei Province), Jinzhong (Shanxi Province), Shenyang (Liaoning Province), Taizhou (Jiangsu Province), Hefei (Anhui Province), Weihai (Shandong Province), Zhengzhou (Henan Province), Yueyang (Hunan Province), Zhuhai (Guangdong Province), Neijiang (Sichuan Province), Kunming (Yunnan Province) and the Chongqing Autonomous City.

The Trial Plan has also specified that cities that are not specifically included are not to implement the Trial Plan by themselves.

HR Action

The Trial Plan is an important deployment by China for the merging of the two social insurance schemes. The State Council has requested that relevant cities strengthen their leadership organization and implementation, elevate promotion efforts and perform proper assessments in order to ensure achieving the desired results.

After the Trial Plan is successfully introduced, if it is to be implemented across the nation, it is expected that not only the insurance funds can be run with lower costs and higher efficiency, but the insurance funds can also support each other and better protect the benefits of insured workers.

Since the current merging only involves the administration of the insurance funds and not the adjustment of the specific terms and policies, the Trial Plan will not affect the work of HR departments of companies at this stage. Nevertheless, HR management should seek to understand the direction and status of the development, and assist the government in communicating properly with the workers.

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