



TRACK II DIALOGUE ON HEALTHCARE

CONSENSUS AGREEMENT

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Washington, D.C., United States

The National Committee on U.S.-China Relations and the National School of Development at Peking University convened the first Track II Dialogue on Healthcare at Airlie House in Virginia on July 12 and 13, 2017. The dialogue brought together American and Chinese experts (attendee list attached) from academia, think tanks, and industry for off-the-record discussions on the healthcare system of each country, including innovation, population health, universal health coverage, and areas for cooperation. This consensus document summarizes dialogue participants' views and their recommendations for improving population health and healthcare in both countries and increasing cooperation.

1. **The state of healthcare today.** Healthcare provides an opportunity for the United States and China to cooperate to drive innovations for more efficient and effective healthcare and better health in both nations. Fragmentation, overtreatment, and activity-based payment models help contribute to healthcare systems plagued by wasteful expenditures (30 percent or more of total health spending in both countries, by some estimates). While many areas of improvement are clear, implementation of such changes is challenging for both, and will only be realized through practical steps and high levels of integration of the public and private sectors. Each country is already taking steps to improve care delivery and reform payment models, such as the following:
 - a. **Care reform.** China and the United States are adopting new ways of organizing and delivering care, moving away from reactive health systems that overemphasize acute and specialized care, creating a foundation in primary patient-centered care and population-based care. Ambulatory care and home-based services need to complement hospital care, which remains an essential element in health care service delivery in both nations. At the national level, building an integrated delivery system with strengthened primary care is a priority of China's 13th Five-Year Health Plan and the agenda of Healthy China 2030. Regional efforts—examples include pilots in Sichuan, Ningxia, and Guangdong Provinces—are changing referral pathways by using community and primary care facilities as gatekeepers to secondary and tertiary care facilities. In the United States, the advent of accountable care and patient-centered medical homes are examples of how care is shifting from a curative to preventative focus, augmenting care delivery pathways. However, more progress on these care reforms, supported by payment innovations, insurance reform, and data capability, is needed to accelerate progress.
 - b. **Payment reform.** Both countries need to move away from fee-for-service (FFS) payment systems to payment models that focus on patient-centered outcomes and encourage more efficient treatment and prevention. The Chinese government has already announced that all payers need to switch from FFS to prospective payment models for hospitals, and steps toward more aggregated payment methods for other providers. Among others, payments of capitation for outpatient and diagnosis-related group (DRG) for inpatient care are piloted increasingly in many provinces and cities nationwide. A national zero mark-up drug policy has decoupled public hospital income from drug sales. In the

United States, alternative payment models like shared-savings, shared-risk, episode-based models, and partially- and fully-capitated payments are spurred through legislation like Medicare Access and CHIP Reauthorization Act or national programs like the Centers for Medicare & Medicaid Services' Innovation Center and today account for almost 30 percent of all public and private payments to providers. Continued support is necessary to scale and replicate outcome based payments that support population-based accountability to improve quality and achieve savings.

- c. **Insurance reform.** China has made great strides in bringing the population close to universal health coverage through the expansion of government-funded basic medical insurance, and the United States has made important progress as well. However, affordability, quality, and cost sustainability remain concerns for both countries. Opportunities for public-private collaboration, for example private care delivery and insurance models supported by some public contributions, could help improve the value of public expenditures on coverage and offer access to healthcare services and medicines that are not accessible through the current insurance system. In China, recent State Council initiatives call for the integration of rural insurance with urban resident insurance, as well as support the expansion of commercial health insurance. These initiatives should be strengthened as they will notably contribute to achieve the Healthy China 2030 goal to decrease the proportion of personal health outlay in the total health expenditure.

2. **Need to focus on population health.** With changing demographics and economic development, both countries are facing a rise in demand from and increasing health expenditures for aging populations, as well as a growth in non-communicable diseases (NCDs), which account for over 87 percent of deaths in both countries. To realize better health outcomes for populations with complex and costly needs, the United States and China need to adopt a broader focus on population health and also focus on effective and proven drug therapy for chronic diseases. Both countries can facilitate this shift by devoting more resources to the following:

- a. **Early detection and preemptive treatment.** There is a need to increase screening and identify populations at-risk for diseases, and develop interventions to alter the progression of disease. For infectious diseases, this would include developing and strengthening disease surveillance systems to identify emerging threats and addressing these threats through vaccinations to minimize or halt vaccine-preventable disease outbreaks. For NCDs, this would include efforts to identify and stratify populations at-risk for chronic diseases through screening and predictive modelling tools.
- b. **Prevention and health promotion.** Vaccination remains the cornerstone of public health preventive services, but other preventive services and an emphasis on healthy lifestyles play increasingly larger roles in health promotion. In particular, there needs to be a focus on upstream interventions that can do much more than health care to influence population health and to reduce NCD risks, particularly addressing behavioral, social, and environmental factors. There was broad recognition that social determinants of health, including pollution, urban congestion, income inequality, unhealthy diets, and other trends that have accompanied economic growth, can have a negative impact on health. These negative impacts include rising obesity in an increasingly sedentary populace, substance abuse, and mental health issues. Both countries are taking steps to address these areas. In China, policy emphasis has been made in Healthy China 2030 on physical exercise, and the Action Plan on Prevention and Control of Air Pollution (2012-2017).

Addressing these issues requires a combination of interventions and inter-sectoral policies that create physical and social environments conducive to a healthy population, and also requires new approaches

and collaborations in the public and private sectors. In addition, payers can align financial resources with population-based performance measures to support innovations in health care, immunization, consumer products, and social services around population health outcomes.

3. **Use of big data and IT for better health and healthcare delivery.** Recent developments in technology and the growth of big data provide the potential to make major strides in diagnosing and treating patients.
 - a. **Big data.** Big data provides information on individuals' health (such as electronic medical records (EMRs)), as well as providers and hospitals, insurance policies and the like, which can be used to more efficiently analyze and assess all aspects of health and medical care. While the potential benefits of big data are promising, both countries still face hurdles in turning big data into actionable evidence. Among the challenges are standardizing and exchanging data across platforms (interoperability), aggregating and analyzing the data to support predictive modeling, and addressing patient privacy concerns that sharing granular-level data engenders. In the United States, health plans and provider systems have worked with the Food & Drug Administration (USFDA) to develop the Sentinel System that supplements safety evidence after USFDA approval based on "real world" use of drugs and medical devices. In China, a greater effort is needed to improve legal and transparent access to the use of big data, especially the public domain health data.
 - b. **Information technology.** New technologies can provide huge improvements in medical diagnoses, detection, treatment and analysis. For instance, telemedicine and telehealth enable healthcare providers to reach populations in a more cost-effective manner and in remote locations. Consumer devices, such as connected watches or low-cost tools like telehealth, also enable providers to monitor an individual's health status on a real-time basis.

While the impact of these tools can be significant, work remains in both countries to adequately assess the value and application of information technologies and incorporate generated data into evidence-based decisions. There is consensus that both countries can jointly create a health technology assessment framework to evaluate the impact of potential new technologies, drugs, or other interventions on healthcare delivery and effectiveness.

4. **Public-private collaborative pilots around healthcare and health reform.** Public-private collaborations can improve healthcare delivery in a cost-effective manner. Examples cited include senior care centers, palliative care facilities, and other innovative care models supported by a combination of public and private funding, as well as publicly-subsidized private insurance arrangements. Dialogue participants encourage both countries to pursue such collaborations, which focus on delivering measurable improvements in health outcomes at a lower cost, and to address barriers that might hinder such arrangements, such as equity caps and other regulatory provisions.
5. **Innovation and global product development.** Biomedical innovation is key to developing the pharmaceuticals and devices to treat individuals. Obstacles to innovation include insufficient basic research, delayed market access for new drugs, biologicals and medical devices, lack of adequate coverage under national insurance programs, slow approval processes for new drugs, biologicals and medical devices, and inadequate enforcement of intellectual property rights. To increase biomedical innovation and global product development, both countries need to strengthen research, implement efficient, transparent and predictable product regulation, and harmonize regulatory science best practices. China has made great strides in improving its regulatory regime, including, for example the recent adoption by

the Chinese Food & Drug Administration (CFDA) of Circulars 52, 53, 54 and 55. In order to continue supporting conditions for biomedical innovation, Dialogue participants recommend the following:

- a. The CFDA fully implement and enforce the provisions of Circulars 52, 53, 54 and 55 to advance the goal of Healthy China 2030 to become a world leader in biomedical innovation.
 - b. China increase the capacity of the CFDA by providing greater public financing and additional personnel to improve the review and approval process of new drugs, biologicals and devices.
 - c. China and the United States work to harmonize their regulatory regimes to permit greater cooperation in promoting efficient development of safe and effective drugs, biologicals and other medical products. Steps that can be taken include collaborative efforts by the USFDA and CFDA in regulatory and development sciences, mutual recognition and acceptance of facility inspections (similar to existing agreements between the USFDA and the European Medicines Agency, as well as the Medical Device Single Audit Program), aligning data submissions and submission templates, and, in the future, facilitating simultaneous applications for drug/biologicals/device approvals in both countries.
 - d. Dialogue participants welcomed China's recent membership in the International Conference on Harmonization of Technical Requirement for Pharmaceuticals for Human Use (ICH), and encourage both countries to participate fully in and strengthen the ICH and other international forums, including the International Medical Device Regulators Forum.
6. **Reforming tobacco/nicotine policy.** Dialogue participants acknowledged that smoking is one of the major causes of premature death in China and the United States and agreed that adopting policies to discourage smoking would have a very positive impact on the health of both countries. Knowledge of the significant health consequences of smoking and changing social norms have coalesced with American public and regulatory policy to dramatically reduce tobacco use. The United States has taken many steps to control tobacco use, including important recent announcements by the USFDA to regulate nicotine content in tobacco products while facilitating a clearer regulatory pathway for alternative nicotine-containing products such as e-cigarettes to make reduced-harm claims. In conjunction with these steps, both countries should support more research and analysis on the effects of e-cigarettes and other alternatives to smoking, especially among teenagers. Much remains to be done to address one of the leading causes of preventable death in both countries. In implementing policies to reduce cigarette consumption, the effect on employment and taxes needs to be taken into account. In China, the tobacco industry is a major employer and generator of revenue for the government. But China also manufactures a large percent of the world's e-cigarettes, and with a global shift to less harmful nicotine products, this could be studied as a less harmful and economically significant substitute for tobacco use in China.
7. **U.S.-China collaboration in Africa.** The United States and China should work together to assist regional and national stakeholders in Africa to build health system capacity to address the threat of neglected tropical diseases. Dialogue participants expressed support for the efforts that China and the United States are making to improve healthcare in Africa, including work done by the U.S. Agency for International Development, the U.S. Centers for Disease Control, and the Chinese Center on Disease Control to prevent and contain infectious disease outbreaks on the continent. The participants encourage expanded cooperation between the two countries to improve healthcare in Africa, including increased participation in the Coalition for Epidemic Preparedness Innovations.
8. **Collaborative steps to address increasing antimicrobial resistance.** With a worsening global burden of infectious diseases resistant to available treatments, it is incumbent on all countries to take critical policy steps to prevent more widespread illness and death due to resistant organisms. Countries must prevent overuse or misuse of antibiotics, which encourage antimicrobial resistance, and must support steps to

develop new treatments and biologicals for high-risk resistant organisms. The United States and China should continue to work together in international contexts and help lead initiatives alongside other leaders for the development of critical antimicrobials and the proper use of antimicrobials around the world.

The participants recognize that this Dialogue was the first of several meetings. As a result, given the complex issues surrounding healthcare, the matters discussed were both broad and diverse. At the next meeting, which will take place in Beijing in early 2018, they may refine the agenda to discuss some of these issues in greater depth.

Chinese Participants

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American Participants

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