

# China's Health Care Reform Redux

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# State of China's Health Care System

- Chronic underfunding – about 1% of GDP
- Corruption in the health care system is common; fee-for-service distortions
- Regular protests in front of hospitals and health bureaus – almost 10,000 attacks against hospitals injuring more than 5,500 healthcare workers
- 61% of patients dissatisfied with services

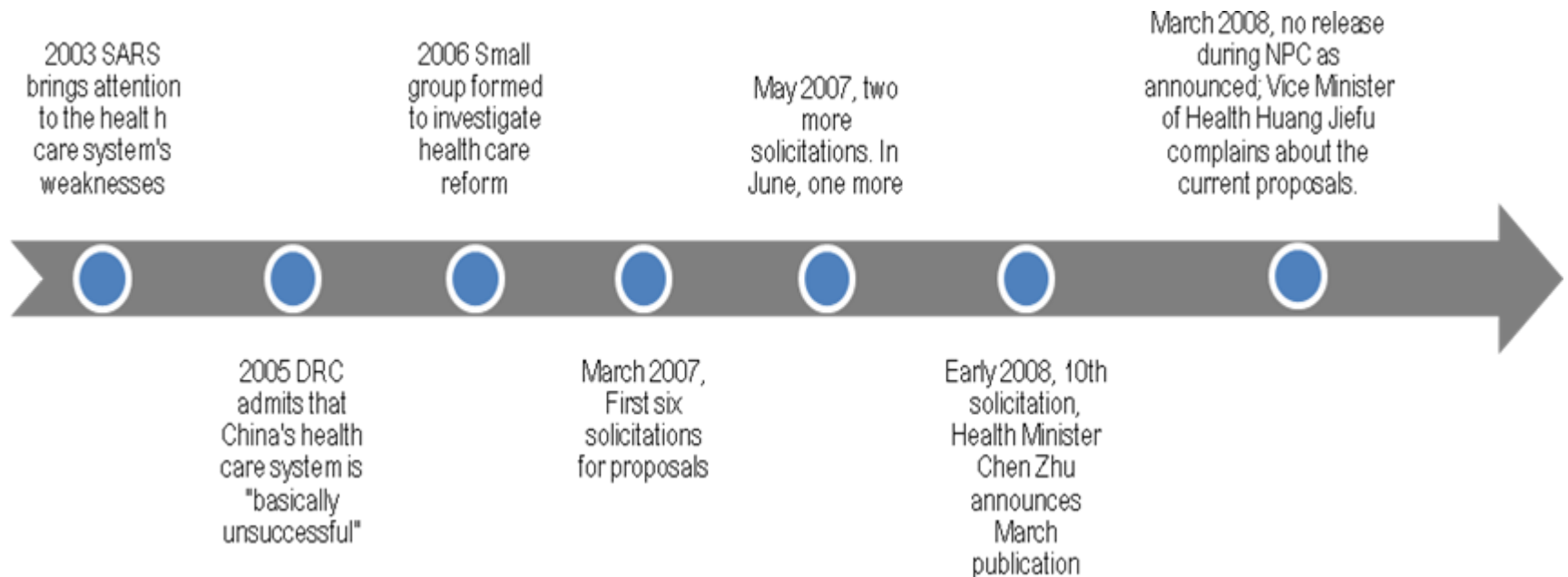
# State of China's Health Care System



# Health Care Reform Process Driven by Poor Performance

- China's health care system ranked 3rd from last in "fairness" and 144th out of 191 in 2000 WHO report
- SARS in 2003
- DRC Report 2005
  - "Basically, unsuccessful"
  - "Kan bing nan, kan bing gui"
- Hu Jintao speech at party congress in October 2006, "*a goal for everyone to enjoy a basic health care service*"

# Health Care Reform Process Timeline



# Something Had To Be Done

- The system would not fix itself
- 20 government bureaus have a stake in the sector
- Animosity runs deep between some bureaus
- Senior leadership had to address the problem and mobilize the central government bureaus
  
- Newspapers in September 2006 began reporting that a committee had been formed

# Health Care System Reform Coordinating Committee

- 11 or 14 members? 16? No 14! (As of June 2007) – obviously evolving
- MOH and NDRC are chairs
- Main task set to members; how to improve quality and increase access in a bifurcated system
  - Rural Cooperative Medical System & Urban Insurance System

# Solicited Proposals

- 10 Proposals (6 universities, one Chinese think tank, one company, WHO and World Bank)
  - Beijing University
  - Fudan University
  - State Council Development Research Council
  - WHO
  - World Bank
  - McKinsey & Co.
  - Beijing Normal
  - Renmin University
  - Tsinghua University
  - Sun Yat-sen University
- Wide range of perspectives, relatively inclusive; Chinese and international experts consulted
- 10 into 1, or 1 out of 10? Will a winner emerge?
- All proposals are secret and will never be released

# Expected Outcome

- The framework was expected to be released in March 2008.
- In September 2008, Premier Wen Jiabao announced that it was back to consultations.

## **Where did the process breakdown?**

- MOH and MOLSS/MHRSS do not see eye to eye on how funds should be managed – no compromise was possible
- NDRC supports de-linking ownership from oversight, but MOH and MOLSS do not
- Civil Affairs' role and Medicaid-type system to serve indigent is unclear
- NDRC may be the “super ministry” but it can not force the others into a compromise

# Gaps & Challenges

- **Who and what was missing from the debate?**
  - Ministry of Commerce, MOST reportedly not members of the committee
  - PLA Medical System
  - “Quality” and how to judge it
  - Lawyers and an independent court system and the role they play in international systems
- **Challenges**
  - Privatization of hospitals began without clear regulatory system in place, controls were inadequate
  - Poor allocation of resources; 69% of government spending on specialized hospitals, not basic care
  - Access to insurance is low (55% urban, 21% rural are covered), private insurance virtually non-existent
  - Personnel capacity is very weak, education levels are low in the medical field

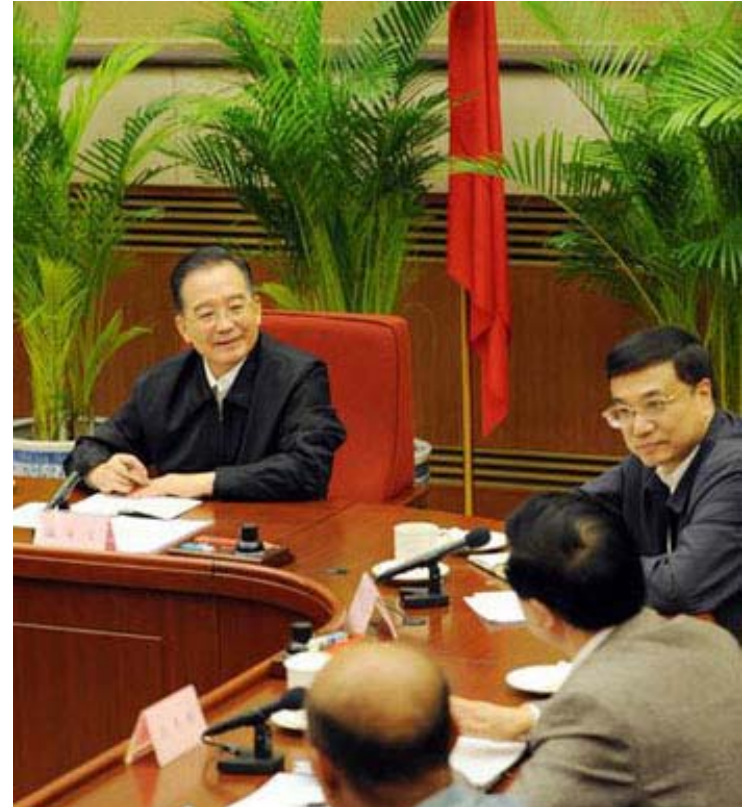
# Takeaways from the process

- “I have seen democracy in China!”
- Inclusiveness; international and domestic stakeholders engaged
- Transparency (relative)



# What are reforms supposed to achieve?

In September, Xinhua reported on a State Council executive meeting chaired by Wen Jiabao. That meeting determined that more consultations are needed and re-affirmed the broad objectives to be achieved by health care reform process.



# Broad objectives to be achieved by 2020

- All urban and rural residents covered by basic medical care (universal access) in a government-lead system
- Establish reasonable costs for services and drugs
- Public health and prevention services, particularly in rural areas
- Separate non-profit and for-profit
- Separate health care institutions from oversight
- Establish and improve medical and health legal system.

## *The five reforms:*

- **First:** Accelerating the coverage of basic urban and rural medical security system. Stimulate a substantial increase in insurance coverage and participation in rural medical cooperative system. Properly resolve the issue of the floating population's access to services, improve the urban and rural medical assistance system.
- **Second:** Establishment of a national system of essential drugs, focused on controlling prices.
- **Third:** Improve grass-roots level health service systems. Improve rural township hospitals and village clinics and urban community health services. Increase grass-roots health organizations ability to access and build capital and improve service delivery.
- **Fourth:** Promote equality of basic public health services. Improve urban and rural public health service system, improve efficiency and quality.
- **Fifth:** Promote the reform of public hospitals; reform the public hospital management system and their operational mechanisms. The government will increase investment and standardize hospitals' financial management. Hospitals will improve internal management and the flow of services.