



Freeman Chair in China Studies 費和中國研究講座

Challenges and Prospects for the Rural Healthcare System in China
Summary of CSIS Roundtable Discussion
3:00 – 4:30 pm, May 2, 2006

On May 2, 2006, the Freeman Chair in China Studies convened a roundtable discussion on the challenges and prospects for the rural healthcare system in China. The event featured Dr. Wang Hongman, associate professor from the Public Health School of Beijing University, and Dr. Magnus Lindelow, an economist from the Human Development Sector Unit in the East Asia and Pacific Department of the World Bank.

Dr. Wang provided an overview of China's New Cooperative Medical System (NCMS), the recently-introduced rural healthcare scheme, and her analysis of present and future challenges that confront the system.

Overview

Stark differences define the rural-urban divide in China, especially regarding economic growth rates, per capita income, and health expenditure. While 60 percent of the Chinese population lives in rural areas, only 20 percent of health resources are allocated to the rural population. The coverage rate of the original Cooperative Medical System (CMS) started at around 10 percent in 1958, and peaked in the late 1970s at about 90 percent. Since then, health care coverage has dramatically decreased to 24 percent due to economic reforms, the marketization and rising costs of health care, and diminishing government financial support for hospitals and clinics.

Dr. Wang described a major study that was completed by her team in 2005. According to the study's survey of 890 rural households, 75 percent stated it was not difficult to access health care, but 85 percent felt that health care was too expensive. The study also found that the bed occupancy rate in township hospitals was less than 1 percent, and the outpatient rate has been gradually decreasing.

Ways forward

Beginning with pilot programs in selected towns in 2003, the NCMS covered 177 million people in 671 counties across the country by 2005. At the March 2006 National People's Congress (NPC) session, Chinese Premier Wen Jiabao declared in his government work report that over the next five years the central government would spend RMB 20 billion (USD 2.5 billion) on building and upgrading the medical infrastructure in rural areas. The central government aims to achieve 40 percent coverage rate for the NCMS by the end of 2006 and 100 percent coverage rate by the end of 2008.

To do this, the central and local governments have pledged to increase their premium coverage two-fold, while the individual contribution rate remains the same. In practice, this will mean each insured will pay in RMB 10 (USD 1.25), while the central and local government premium payment will be RMB 20 (USD 2.50) each. Also, a rural-urban physician exchange program for medical training has been established.

Premier Wen's pledge to launch the new community-based health care programs signals the government's intention to alleviate economic burdens in the countryside and provide adequate and affordable health care for the rural population. The new plan essentially shifts its emphasis away from subsidizing the supply to provide more resources to the demand side. Also, the NCMS is expected to impose higher performance and accountability standards on health care suppliers.

Serving as a discussant, Dr. Lindelow noted that the significance of the NCMS should not be underestimated. It is a dramatic change from the previous CMS in that it has an ambitious goal of 100 percent coverage by 2008 and, for the first time, the central government has pledged funding to finance the plan.

Continuing challenges under the new plan

Professor Wang and Dr. Lindelow spelled out a number of challenges standing before the NCMS. First, similar to the CMS, the nature of the NCMS as a voluntary scheme entails a risk of unsustainability. At present, in areas where the NCMS is implemented, local governments are under strong pressure to enlist households to participate in the system. Also, there is a risk of adverse selection as "bad risks" – the unhealthy, old and young – are more likely to participate.

Second, the question of financing still remains. The coverage and reimbursement rates of the NCMS are very low. Government subsidies might only benefit the rich instead of the poor.

Third, the central government's support is mostly focused on building infrastructure. This means local governments need to find resources to support other key needs, such as personnel training, which are often more expensive and longer-term investments than hardware. It is unclear whether all local governments will be in a position to support and implement the plan, both in terms of financial resources and in terms of human capacity and expertise.

Other issues and problems arose during the roundtable discussion period. Currently, Chinese insurance companies are mostly focused on urban areas and life insurance. While they try to expand their markets to provide supplementary health insurance, more incentives, a better regulatory structure, and quality and expense controls need to be established for these insurance providers to participate more actively in the rural health care system. Regarding the NCMS reimbursement formula, it is not unified and varies from town to town. Reimbursement rates depend largely on different disease types and medical procedures determined by local governments. Also, the central government tends to overbuild local infrastructure and use monetary resources in an inefficient way.

The NCMS clearly faces a number of challenges ahead. In a range of areas – from infrastructure development, to medical training, to actuarial science, and insurance financing – there is great room for improvement and increased public and private cooperation between the United States and China to help address the concerns of rural health in China.

The Freeman Chair in China Studies was established at the Center for Strategic and International Studies in 1994 to advance the study of China and to promote understanding between the United States and the countries of the Asia Pacific region.

For more information on the World Bank's programs on rural health care in China, please go to www.worldbank.org/chinaruralhealth.