

Health care in China

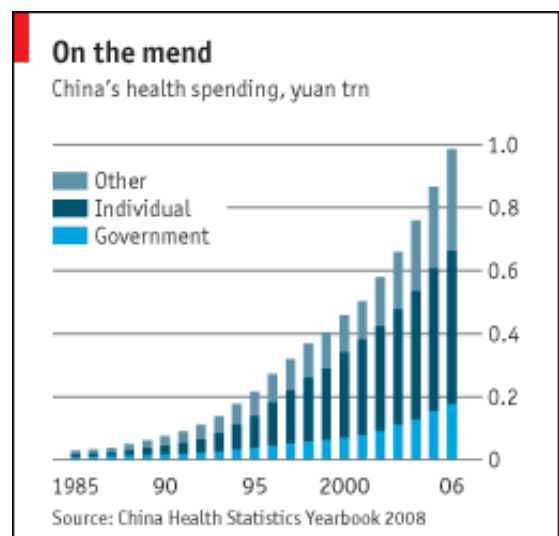
Will patients be rewarded?

The government's plans are still something of a mystery

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RARELY in Communist China's history has such an important government policy been debated so openly for so long. Such deference to public opinion would be cause for celebration were it not for the urgency of the issue: health-care reform. After years of dithering amid mounting public anger at the often prohibitive cost of treatment, the government has a plan.

Two documents issued on April 6th and 7th set out reform targets through to 2020 as well as more specific objectives for the next three years. The broad goals remain unchanged from draft proposals released last October after a delay of several months. Officials say 200m Chinese have no insurance now. But by 2020 China is to have a “relatively robust” government-financed health-insurance system, with more than 90% of citizens covered by 2011. Also unchanged is the figure of 850 billion yuan (\$125 billion), which the government said in January it intended to spend on these reforms during 2009 and the two subsequent years.



The government admits that achieving its goal of building a “safe, effective, convenient and affordable” health service will not be easy. For much of the past two decades, many Chinese lament, the trend has been in the opposite direction. Health-care provision, once rudimentary but accessible and widely admired by other developing countries, has been turned into a profit-driven system notorious for its corruption, indifference and expense.

Official recognition of this mess became apparent in 2003 during an outbreak of SARS, an often fatal respiratory ailment. Its spread highlighted the difficulty of handling such emergencies when many Chinese were afraid of going to hospital because of the potential cost. New leaders who took over in 2002 and 2003 tried to consolidate their power by emphasising the party's concern for the plight of the poor. But it was only in 2006 that work

began on drawing up a comprehensive plan for health-care reform.

Even amid the global economic crisis, the government has appeared in no hurry. Many economists argue that the impact of the crisis could be mitigated by stimulating domestic consumption. One way to do this would be to reduce the incentive for households to save money as a precaution against health emergencies. But the recent documents, which were circulated secretly within the bureaucracy for three weeks before being made public, give no clear target even by 2020 for how much citizens can expect to be reimbursed for hospital treatment. Even for those with government insurance, a substantial amount still usually has to be paid out of the patient's own pocket. In the countryside, despite the government's rapid rolling out of a new insurance scheme in the past few years, many peasants still shy away from hospitals.

A big objective of the reforms is to break the dependence of government-owned hospitals on the payments exacted from patients for tests, medicine and other treatments. Government subsidies account for a tiny amount of hospitals' revenue. Reports in the state-run press say more than 90% of their income comes from charges (poorly regulated and often excessive) for providing services and medicine. Weaning hospitals and doctors off these sources of funds will be a colossal task.

The government's plan is to publish a list this month of essential medicines. Over the next three years, government-run medical facilities will be required to give preference to drugs on this list and profits made on them by health-care providers will be phased out. They will receive extra subsidies to make up for their losses. But hospitals have often profited from illegal mark-ups on medicine and from commissions from manufacturers on the sales of their drugs. The new subsidies are unlikely to take this into account, so hospitals could see their revenues shrink. Hospitals have also proved adept in the past at evading price controls on particular drugs by prescribing other medicines or unnecessary extra tests and treatments.

Another big obstacle to reform could be a lack of enthusiasm among local governments. Of the planned 850 billion yuan in spending, officials say only 40% will come from the central government. Provincial and lower-level authorities may be reluctant to divert resources to areas that do not produce immediate benefits in terms of boosting employment and GDP growth.

How much of an extra burden local governments will have to bear is still unclear. A deputy minister of finance, Wang Jun, told reporters on April 8th that the 850 billion represented "additional" spending on health care. *Caijing*, a Beijing business magazine, has pointed out that over the three years, the central government's annual average share of this would be about 111 billion yuan. This year's budget for health spending by the central government (including reform-related expenditures) is only 118 billion. The government's numbers do not

appear to add up.

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