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Universal Health Coverage

The Case of China

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Acronyms

CCP	Chinese Communist Party
CMS	Cooperative Medical System
DRC	Development Research Centre of the State Council
EM	Essential medicines
EMI	Employee Medical Insurance
GDP	Gross domestic product
MOF	Ministry of Finance
MoH	Ministry of Health
NDRC	National Development and Reform Commission
NGO	non-governmental organization
RMB	Renminbi
SARS	Severe acute respiratory syndrome
SOE	state-owned enterprise
UHC	universal health coverage
UNICEF	United Nations Children's Fund
USD	United States dollars
WHO	World Health Organization

Summary

In less than a decade, China transformed its inadequate, unjust health care system in order to provide basic universal health coverage (UHC) for its people. What forces made it possible for China to achieve this? What kind of transformation took place? What are the impacts of these policy changes? What can we learn from China? Moreover, while China has achieved UHC in basic health services, this does not mean that everyone has equal access to the same quality of affordable health care.

This paper, which uses a theory of political economy to analyse China's policy changes and accomplishments, consists of four main sections. Section I reviews the historical development of the Chinese health care system from the 1950s through the 1990s, tracing the serious consequences of the policy shift in the 1980s when the health care system and health care delivery became privately financed and commercialized.

Section II analyses the political economy factors that drove and shaped the reform of the Chinese health system, focusing on the politics, institutions and actors that synergistically led to the establishment of UHC in 2009. In this section, we modified slightly John Kingdon's theory and used it to examine four main streams of forces to explain how China's reform came about. (1) The problem stream shows how Chinese political leaders recognized a serious, widespread public discontent regarding health and then diagnosed the root causes of these health problems. (2) The policy stream examines how major stakeholders in the health sector proposed, and heatedly debated, different policy options based on their vested interests and ideologies. (3) The financial stream highlights how China's health policy was driven by fiscal constraints. (4) The politics stream analyses the political factors that influenced the agenda setting and policy formulation of UHC in authoritarian China, albeit with limited political transparency. The paper tracks these streams with historical evidence to conclude that the policy changes for UHC in China were established by the convergence of these four streams.

Section III presents the policy outcomes–the current financing structure of the UHC (i.e., the three different insurance schemes, their benefit packages, and key companion programmes to assure the supply of basic services). Based on quantitative evidence, we summarize the impacts of China's UHC in terms of equitable access to health care, quality and affordability of health care, health outcomes, and financial risk protection from high and/or catastrophic medical expenses. Although China's UHC was a great achievement, stark disparities remain between urban and rural residents in China, along with high health expenditure inflation rates arising from inefficiency and waste in the health care system. In section IV, we discuss the remaining challenges for China's health care system and comment on the potential lessons of the Chinese experience for other nations.

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Introduction

Despite being a developing country with a population of 1.4 billion, China has managed to extend a basic health safety net to more than 95 per cent of its population over the past decade.[1] What forces converged to make this achievement possible? This paper analyses the political and economic drivers that led to the reforms needed to achieve universal health coverage (UHC) of primary care in China.

While nearly everyone has access to essential health care, this does not, however, mean that everyone has equal access to the same quality of affordable health care. Stark disparities between urban and rural residents continue to challenge China, along with high health expenditure and inflation rates caused by an inefficient and wasteful health care system. Nevertheless, China's policy journey can inform other nations as to what is needed to make major health system reforms possible. Guided by the political economy theory developed by John Kingdon (2011), we will illustrate that achieving UHC requires the convergence of several factors: heightened problem recognition, ideas/ideology for policy formulation, political institutions and available fiscal space. We will also demonstrate that health insurance coverage is not the same as effective health care coverage. Unlike Thailand, where the supply of basic services was built before health coverage was provided, the success of China's UHC is only partial because it is built on the simultaneous investment in, and development of, preventive and basic health services and the provision of insurance coverage for all.

The process of health reform in China began amidst the extreme poverty that existed 30 years ago. The country's previous socialist health care system had largely imploded in the early 1980s as a result of China's adoption of a market strategy that relied on private sources to finance health care and commercialize the provision of health services. Ironically, China had essentially abandoned its earlier, successful public health service, which had vastly improved the health of its people, in favour of the marketization of health care. The dramatic market failures inherent in health markets created havoc and yielded profound inequities in health.[2]

The privatization and commercialization of health care in the early 1980s left behind three deep and enduring wounds for current and future Chinese leaders to address. First, private financing resulted in disparities in access to quality health care and health status between the rich and the poor, and between urban and rural residents. China has been addressing this issue during the past decade by increasing public financing for the poor, establishing universal health insurance, and investing in health facilities in poor areas. However, China has not been able to close the access gap to any significant degree, due to its inability to close the gaps in human resources between cities and the countryside, and between poor and rich provinces.

Second, the unfettered free market strategy opened the way for all hospitals and physicians to pursue profits, particularly when prices were distorted. Profit-driven medicine has become the norm, resulting in poor quality of health care, incorrect diagnoses, inappropriate treatment, and harm caused by health interventions. Quality of care cannot be ensured.

[1] See discussion and sources in Yip et al. (2012).
[2] See discussion in Blumenthal and Hsiao (2005).

Third, profit-driven medicine has created deeply embedded waste and corruption in Chinese medical practices that have led to high inflation in health expenditures. While China's economy has grown at a phenomenal rate, health expenditures have grown even faster, partly because of profit-seeking behaviour of hospitals and physicians.

The Chinese government has conducted extensive investigations, including engaging international organizations and scholars, gathering comprehensive evidence and analysing the major health problems cited above in an effort to address the enduring negative legacies of the privatization of health care which began in the late 1970s. As a result, top Chinese officials, as well as the general public, have a comprehensive and accurate understanding of both the problems and their root causes, which are mostly attributable to the privatization and commercialization of health care. This information has formed the technical basis for designing the reform to achieve UHC.

This reform was formally announced in 2009 and aims to achieve 100 per cent social health insurance coverage through three different insurance schemes targeted at different population groups that currently enjoy inadequate benefits. The benefit package will expand as China's fiscal capacity increases, with a target to cover 70 per cent of health expenditure by 2020.

China is keenly aware that effective coverage under UHC requires that services and drugs be available to everyone. Hence, China has made huge new investments in prevention programmes and primary health care services to ensure the supply of basic services for everyone—including building physical facilities, establishing a new essential drugs purchasing and distribution system, developing a nationwide electronic information system, and training primary care physicians. Hence, Chinese UHC is a health system transformation in progress along multiple dimensions of the health care system.

This paper begins with a review of the historical development of the Chinese health care system, tracing the serious consequences of its 1980s policy shift to the privatization and commercialization of Chinese health care. Drawing on Kingdon's multiple streams theory on policy change, we next analyse the political economy factors that drove and shaped Chinese health reform as focused discussions of politics, institutions and actors synergistically lead to the establishment of UHC in 2009. We then present the current financing structure of the UHC (i.e., the three different insurance schemes, their benefit packages, and the key companion programmes designed to ensure the supply of basic services). Using quantitative evidence, we summarize the impacts of China's UHC in terms of access to health care, quality and affordability of health care, equity in access and quality, health outcomes and financial risk protection from high catastrophic medical