# The Reform Experience of China

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## HEALTH CARE GAINS IN CHINA 1949 - 1978

- Remarkable gains in population health through public health 'campaigns' and preventive medicine.
- Large gains in life expectancy:
  - 32 1950
  - 63 early 1970s

## HEALTH CARE IN CHINA 1978 – EARLY 2000s

- China's health system transitioned to a largely market based, privately financed system, especially in rural areas, where RCMS collapsed with the collapse of communes.
- Late 1980s to 2002-2003: Government spending as % of total spending on health fell drastically -- 30% → 15%
- By mid-1980s, > 90% of peasants left without health services protection (uninsured).

## RISING MASSIVE PUBLIC DISCONTENT

By the early 2000s, "kang-bing-nan, kang- bing-gui" (看 病 难 , 看 病 贵 ) (access hard, care expensive) had became a serious social problem and the government took notice:

- A 2006 survey conducted by the Chinese National Academy of Social Sciences found 'high medical expenses' the *top* social concern in China.

# Government Response

## April 6, 2009

**China's government rolled out its blueprint for perhaps the most ambitious health reform in China's history.**

## Principles of Reform – Underpinning Ethical Value:

***'Everyone Enjoys'* (人 人 享 有)**

***"Government to play leading role in overcoming the failure of the market to provide health care and insurance efficiently and to provide people with protection from the cost of illness. "***

*Minister Chen Zhu in interview with Tsung-Mei Cheng, Health Affairs, Vol. 27, No 4, July/August 2008.

**In this talk I will briefly describe these reforms, what they have achieved so far, and what challenges lie ahead.**

**I will conclude with some lessons for other emerging Asian economies – what other Asian emerging economies may learn from China's experience and experience elsewhere.**

# I. CHINA'S HEALTH REFORM 2009-2011

## THE FIVE TOP PRIORITIES IN CHINA'S HEALTH REFORM

1. **Significant improvement towards basic health insurance for all**
2. **Establishment of an "essential drug list"**
3. **Development of a primary-care health system including building new health care facilities and health personnel training**
4. **Provision of essential public health services**
5. **Public-hospital reform**

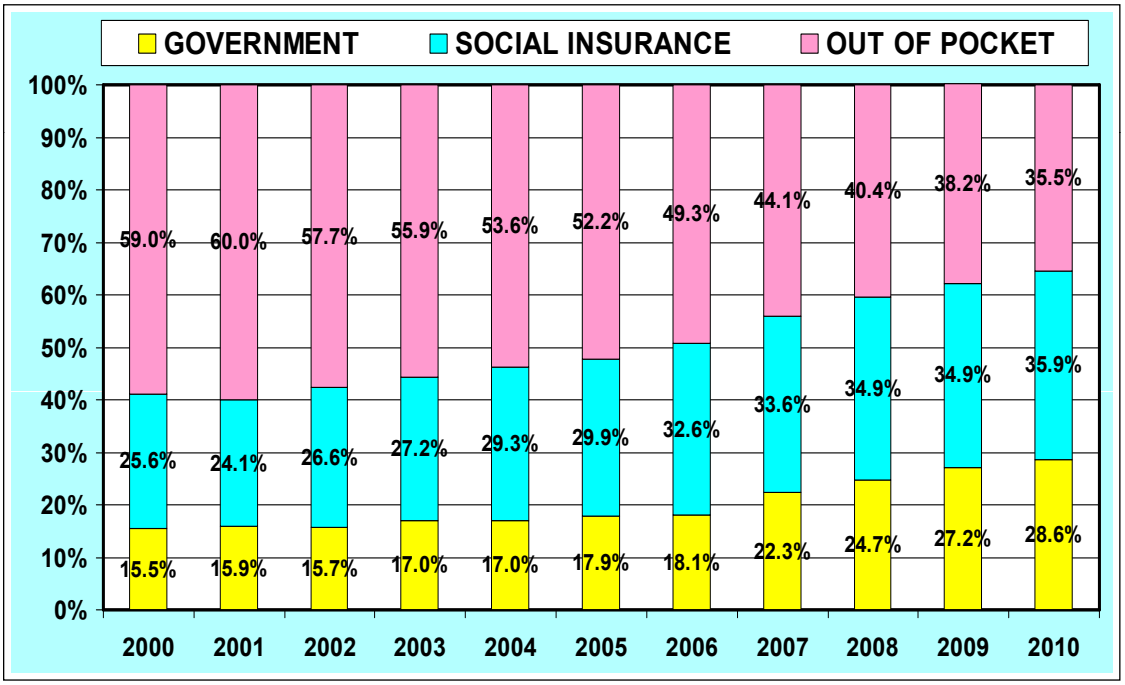
**SOURCE**: Chen Zhu, Minister of Health, The Peoples Republic of China; September 2011.

## ADDITIONAL SUB-GOALS OR ACTIVITIES OF CHINA'S RERORM

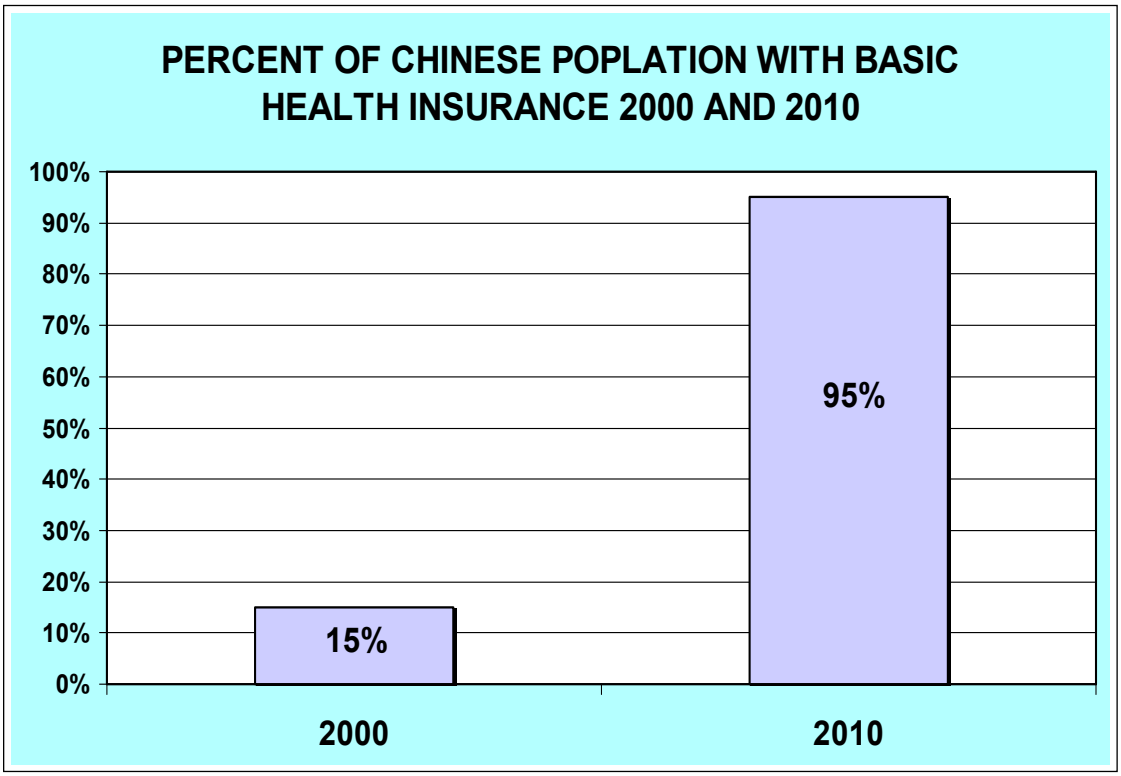
1. **Establishment of a "China NICE" for cost-effectiveness analysis.**
2. **Development of evidence-based clinical pathways for public hospitals to rationalize the use of health-care resources.**
3. **Payment reform (DRG, case payment, capitation etc.) to foster cost-effective health care.**
4. **Public health education to promote healthy life styles as part of overall strategy to meet the rising NCD challenge.**

# II. SOME INDICATORS OF PROGRESS

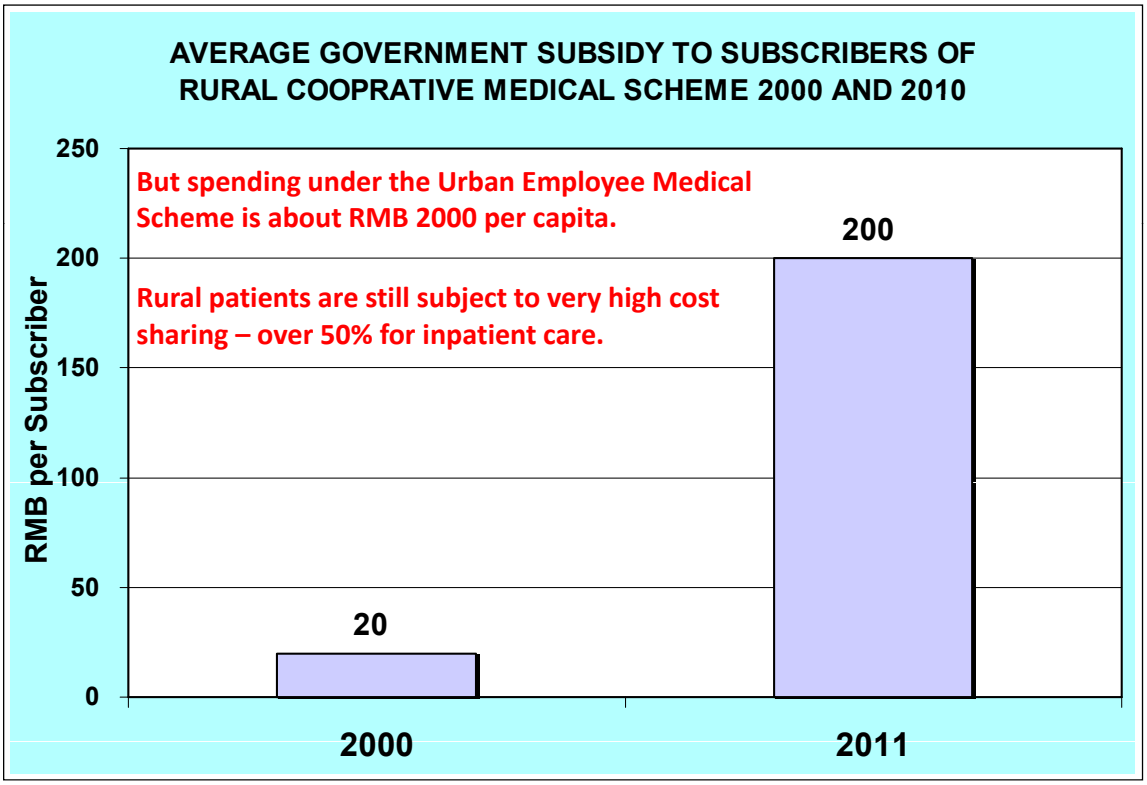
## SOURCES OF HEALTH-CARE FINANCINING, CHINA 2000-2010




**SOURCE**: Ministry of Health, The Peoples Republic of China; September 2011.




**SOURCE**: Ministry of Health, The Peoples Republic of China; September 2011.




**SOURCE**: Ministry of Health, The Peoples Republic of China; September 2011.

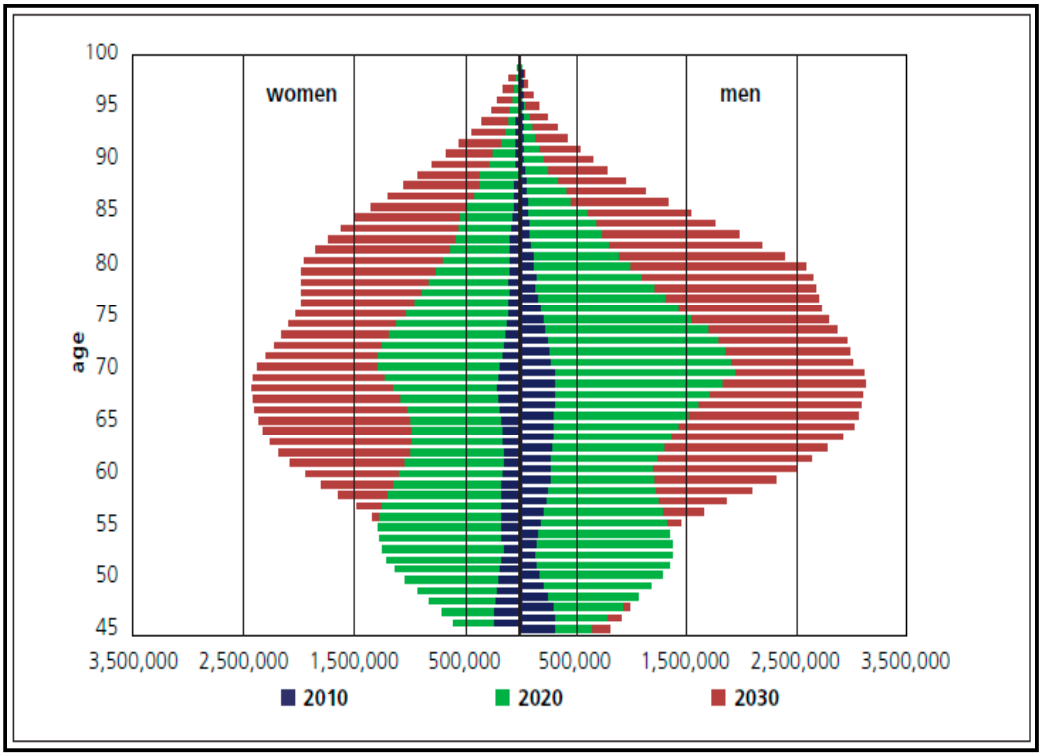
- **98% of government run community health institutions and township hospitals have implemented the National Essential Drug System.**
- **30-40% reduction in price of drugs. This contributes to health care cost containment and reduction in financial burden of patients.**
- **Central government invested 41.2 bl. RMB to improve grassroots health facilities.**
- **Total number of outpatient visits in grassroots clinics improved 22% compared to 2008**
- **Basic public health services expanded**
- **Public hospital reform underway**

**SOURCE**: Ministry of Health, The Peoples Republic of China; September 2011.

# III. CHALLENGES FACING CHINA'S HEALTH POLICY MAKERS

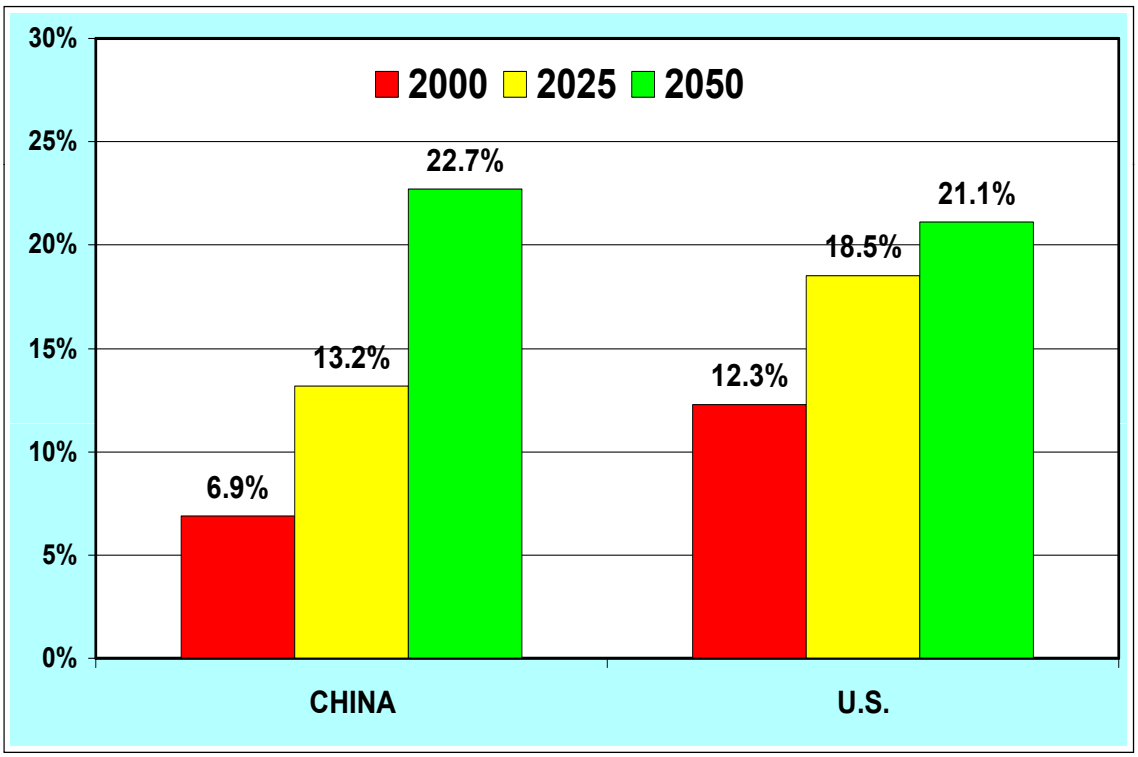
## A. The aging of China's population

## THE AGING OF CHINA'S POPULATION 2010, 2020,2050




**SOURCE**: Ministry of Health, The Peoples Republic of China; September 2011.

## PERCENT OF POPULATION OVER AGE 65, CHINA AND THE U.S.



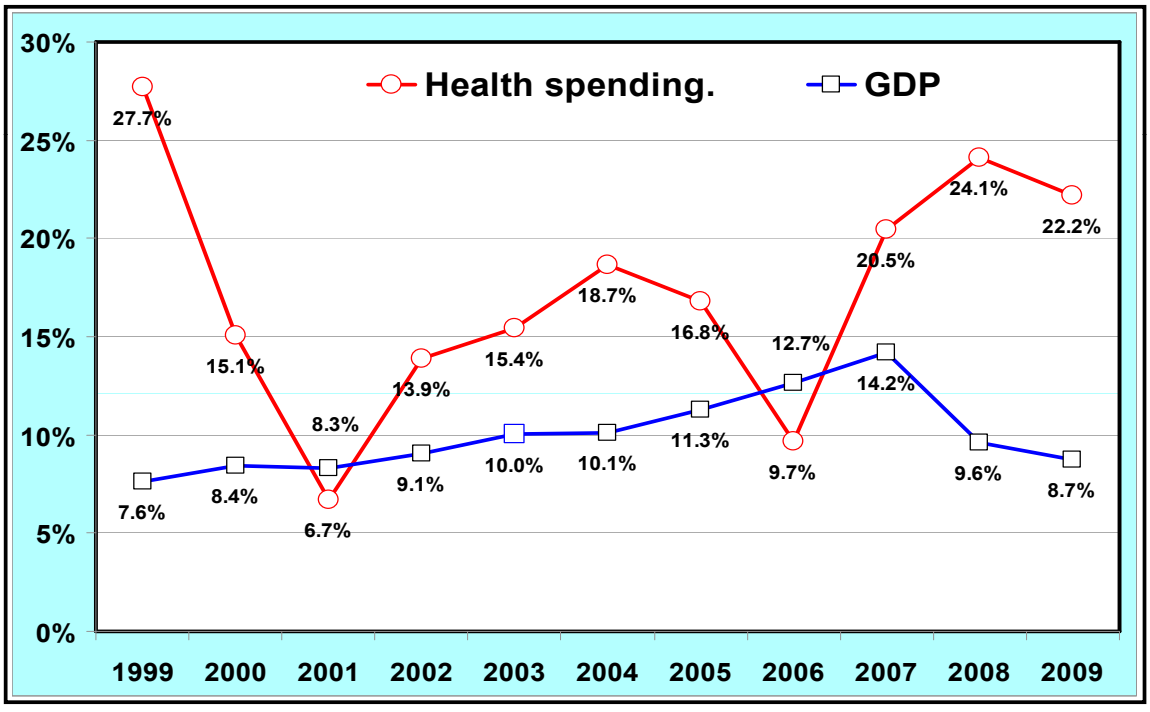

**SOURCE: U.N. at http://www.un.org/esa/population/publications/worldageing19502050/**

# III. SOME CHALLENGES FACING CHINA'S HEALTH POLICY MAKERS

A. The aging of China's population

B. Controlling health spending

## Annual Growth of Health Spending and GDP 1999-2009（%）




**SOURCE**: Ministry of Health, The Peoples Republic of China; September 2011.

**The problem here is if the real resource base of health care (physicians, nurses, other health personnel, and facilities) does not grow as rapidly as does the money injected into health care, all we get is price inflation of health care services and products, and through them inflated health care incomes.**

**Some increase in prices may, of course, be desired, to draw in extra capacity more quickly.**

**But just feeding in more money without weighing its effect on prices can be counter-productive, as other nation's have learned.**

**There is also the possibility that too much money in health care supports waste and inappropriate use of services and products (e.g., drugs) that are not really beneficial to patients, and merely feed added income to providers.**

**This is exactly what cost-effectiveness research and evidence based clinical pathways are designed to prevent.**

## China is starting to respond to this challenge with:

1. Establishment of a China NICE to perform cost-effectiveness research
2. Development of evidence-based clinical pathways
3. Payment reform:
   a. Risk-adjusted capitation
   b. DRG's for inpatients care
   c. Ultimately, evidence-based case payment (bundled payments) for entire treatments.
4. Health education to promote healthy life styles

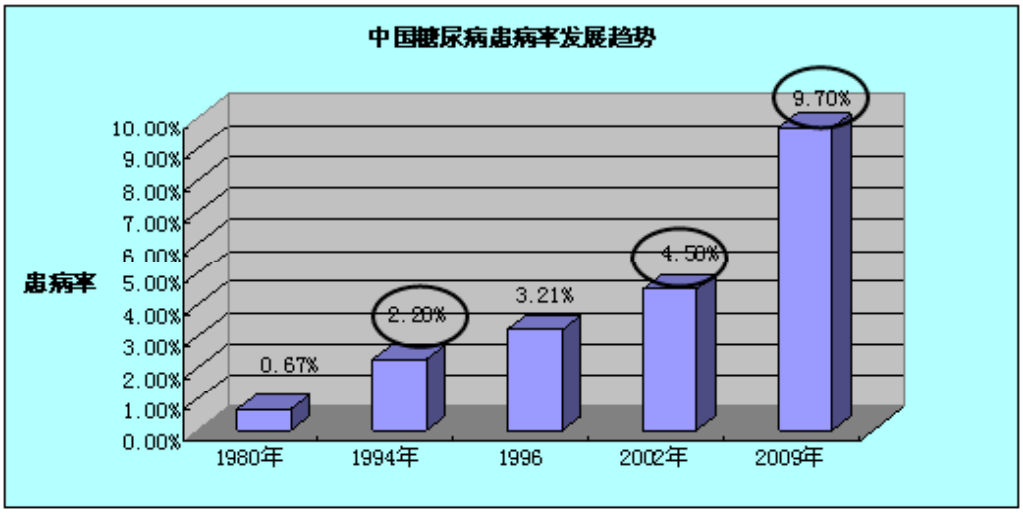
# III. SOME CHALLENGES FACING CHINA'S HEALTH POLICY MAKERS

A. The aging of China's population

B. Controlling health spending

**C. Premature death and chronic illness from NCDs**

## ACCELERATION IN URBANIZATION AND RISE IN DM PREVALENCE

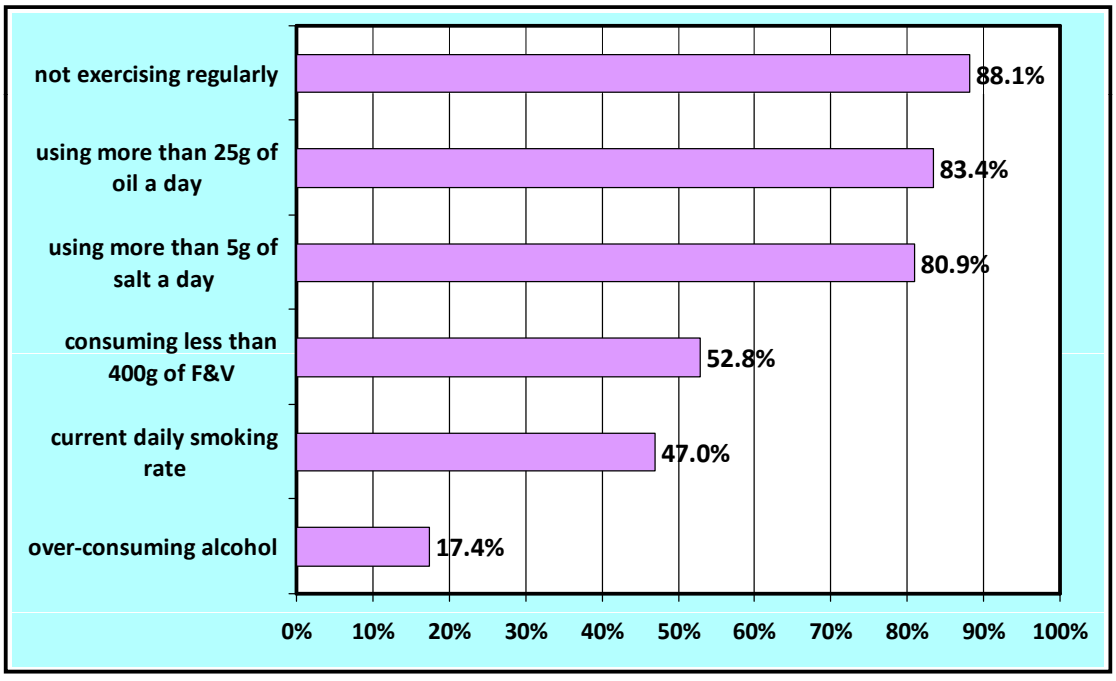



（表一）

SOURCE: 编辑：白鹤 家庭医生在线 2010-8-11 。

## BEHAVRIOAL RISK FACTOR IN CHINA'S POPULATION:

## % of population exhibiting this behavior




**SOURCE**: Ministry of Health, The Peoples Republic of China; September 2011, 2010 PRC BRFSS

# Chronic Disease in China

- Leading cause of deaths since 1980s
- 2000: 83% all deaths due to non-infectious diseases and injuries (CHD, CVD, COPD, DM, CA)
- 68.8% total disease burden (WHO 2009)
- 2030: NCDs among ≥ 40 yrs. old ↑ 2–3x; lung cancer ↑ 5x
- According to the a 2011 World Bank report*, NCD mortality is higher in China than G-20 countries; and 50% of mortality from chronic disease occurs in people < 65.

Source: Human Development Unit, Toward a Healthy and Harmonious Life in China, The World Bank, July 2011.

# Financial Burden of Chronic Disease to Chinese Families

- Cost of care for chronic disease continues to impose a heavy financial burden to many families, especially in poor rural areas.
- 2008 study on the post-acute-care needs received by stroke patients in rural Shangdong province reported that average care costs (18,000 RMB /yr.) is about 6x family annual income of < 3,000 RMB:

Source: Zhang, R.Y. et al., "Economic Analysis of Care Needs for Stroke Survivors in Rural Areas of Shandong Province, China". Presentation to the 8th International Health Economics Association congress, July 10-13, 2011, Toronto, Canada

# VI. Lessons for Other Asian Emerging Economies

## Overarching Lessons

1. **Fundamental to any successful health-reform is strong government leadership and passion for the reform at the top.**
2. **Also fundamental is strong economic development. Never try major health reform during a recession.**
3. **As a first step, form a consensus and clear vision of the distributional ethics your health system is to observe.**
4. **Make sure you have on hand a competent bureaucracy with great integrity. Incompetence and corruption kill the best intentions.**

## Overarching Lessons (continued)

5. Put in place a research capacity to perform evidence-based cost-effectiveness analysis, so that you do not waste money on useless or harmful things (e.g., antibiotics that are not needed.)
6. Haste makes waste!
   a) Do not shock the existing system financially or in its authority relationships, or that system will sabotage your reform.
   b) Instead, form a clear vision and blueprint of what health system you want to end up with and move toward it gradually over time, allowing the system to adjust to the changes.

## Overarching Lessons Continued

7. Finally, if you want to have a sustainable health system -- to paraphrase Sir Winston Churchill –

*"Never, never, never, never, never copy the U.S. health insurance experience."*

The U.S. health insurance system grew haphazardly over the century, without a national strategy. It now spends 18% of GDP on health care and leaves 15% of the population uninsured. It will spend 20% of GDP by 2020.

The U.S. health system now widely regarded as unsustainable.