

CHINA MOVES TO REFORM ITS HEALTH CARE SYSTEM

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Executive Summary

1. In early April 2009, China unveiled a much anticipated blueprint for an overhaul of its ailing health care system. It also announced a more detailed three-year action plan from 2009 to 2011.
2. The Guideline on Deepening the Reform of Health Care System, jointly issued by the Central Committee of the Chinese Communist Party and the State Council, shows the CCP's political will to establish a functioning health care system by 2020.
3. To kick start the health care reform, the central and local governments will spend 850 billion RMB (\$124 billion USD) by 2011, in addition to the regular health budget, which totaled 227 billion RMB in 2007. The new spending is above and beyond the 4 trillion RMB stimulus package.
4. Both the Guideline and the Action Plan show that the government is willing to play a major role in providing basic health care. In particular, the central government is determined to play a much larger role than before. This renewed commitment contrasts sharply with the retreat of the state from the health care sector since the 1980s.
5. China began to work on a new health care framework in 2006. After three years of extensive consultation and debate, the Guideline embodies a compromise between different government agencies, private sector and other stakeholders, in an open and inclusive policy process unseen in China before.
6. The Guideline responds to the strong call for universal medical insurance and a substantial growth of government spending on health care. For the first time in Chinese history basic health care is clearly defined as a public service to be financed jointly by central and local governments.

7. There is less consensus on some other hotly debated issues, however, such as the allocation of government subsidy (health care providers versus health care receivers), and the main provider of health care (public institutions or a mix of public and private providers).
8. The Guideline takes a cautious approach to unresolved issues. As there lacks consensus on how to reform public hospitals into efficient medical service providers, the Guideline calls for more experimentation and discussion, thus leaving the door open for different reform proposals.
9. The Reform will try to rationalize the current over-costly spending structure, in order to offer affordable, accessible and quality medical services to both urban and rural residents.
10. Vice Premier Li Keqiang, the leading candidate to become China's next Premier after Wen Jiabao, will oversee the Health Care Reform. Li has a stake in managing the reform well, but he faces a daunting challenge because the reform involves many government agencies at both central and local levels and affects a large population.