

HEALTH REFORM IN CHINA: THREE YEARS AFTER

QIAN Jiwei

EAI Background Brief No. 729

Date of Publication: 14 June 2012

Executive summary

1. In 2009, China initiated a new round of health reform to establish a well functioning health system by 2020. Three years on, health expenditure was over RMB 2.2 trillion, accounting for about 4.8% of GDP in 2011.
2. Affordability is still a serious concern as out-of-pocket payment constituted 36% of total health expenditure in 2010. Accessibility to primary care and public health services in particular has yet to be improved.
3. Debates centered on the role of government and the part played by the market. Scholars of both camps had the support of different ministries. In April 2009, a compromised guideline of health reform was released by the State Council in which the state will be indispensable but market mechanism is also just as useful.
4. According to the guideline, the target for the first three years of reform was to build a basic framework for the future health system. Five major components involving social insurance, essential medicine system, networks of primary care clinics, public health and public hospitals were highlighted.
5. While the government played a lead role, local pilot reforms were highlighted in this round of reform. Governments at all levels spent RMB850 billion in the health sector from 2009 to 2011. Local pilot reforms were encouraged for all five components of health reform.
6. Since 2009, progress in the Chinese health system has been made. First was in the significant increase in health expenditure by RMB1.24 trillion between 2009 and 2011. Second was the expansion of various social health insurance plans to cover 95% of the population. Third was the large sum of government budget for building a primary care clinic network.

7. Issues that remain to be tackled include addressing the incentives of providers and insurers as well as improving quality of services and medicines.
8. By 2015, the Chinese government will further increase health expenditure, and reduce the share of out-of-pocket expenditure to about 30%. Further reforms, particularly for public hospitals, will continue to be promoted.
9. The experiences of the last three years have brought forth two questions that are critical to future health reform. First is how health reform can take full advantage of both market mechanism and direct government intervention. Second is how the experiences of local pilot reforms can be transformed into a nationwide model.