

HEALTH REFORM IN CHINA: TEN YEARS AFTER

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Executive Summary

1. In 2017, total health expenditure in China reached RMB5.16 trillion, or about 6.2% of gross domestic product (GDP).
2. The State Council released a major guideline for health reform in April 2009. In 2018, China's health reform entered its 10th year of implementation.
3. This health reform covers all major aspects of the health system. The recent round of reform includes initiatives such as expanding health insurance, reforming public hospitals and the pharmaceutical sector, among others.
4. After 2009, the Chinese government has increased fiscal input significantly for health financing. Government expenditure reached RMB1.55 trillion in 2017, or 30% of total health expenditure.
5. The Chinese government has increased its subsidy for social health insurance. By 2011, 95% of urban and rural residents were covered by various social health insurance schemes.
6. Since 2009, public hospital reforms have taken place in four waves and involved the selection of pilot cities under central government supervision. As at end 2016, 200 cities had been nominated for national level pilot reforms.
7. The National Essential Medicine system (NEMS) have been implemented since 2009. The mark-up on drug sales has been removed from public hospitals since 2017.
8. While the health reform has achieved some of its policy goals, affordability for health care is still a serious concern. The annual growth rate of out-of-pocket expenditure between 2008 and 2016 hit 10.2%.
9. Accessibility to health care is another concern. The share of primary clinics in outpatient service provision has decreased after the 2009 reform.

10. Building up a referral system, deepening public hospital reform, speeding pharmaceutical distribution and improving financial coverage of health insurance are major tasks for the next phase of health reform.
11. Whether the health reform can maintain a balance between market mechanism and direct government intervention and whether it could elevate local pilot reforms to the national level are issues to be addressed.