

# Reforming Healthcare Financing in China: Challenges and Strategies

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**China Health System Study Group**

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**At the APHA Meeting, Nov. 5, 2007**

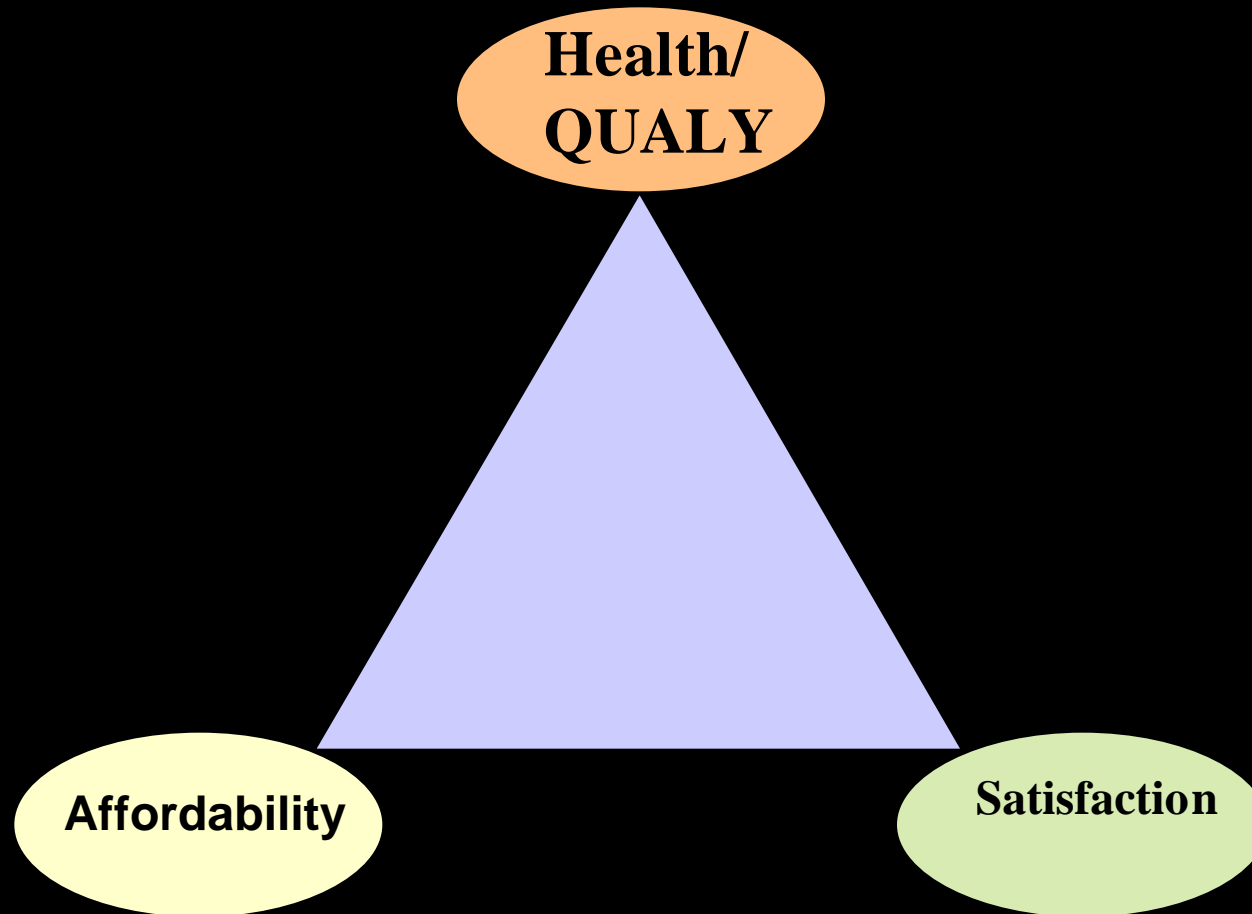
# Outline

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- Major problems
- Major diagnosis
- Current reforms and future directions

# Major Health System Goals

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# Our major data source

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- China Health Services Survey (98, 03)
- Household interview survey:
  - multi-stage stratified random sampling
  - about 50k households were interviewed
  - a comprehensive set of questions including household expenditures and healthcare use/\$

# Major challenges in China

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- Double burden of communicable and non-communicable diseases
- Increasing disparities in access to healthcare
- Escalating medical costs and lack of well organized financing/payment mechanisms

# Major reform initiatives announced by President Hu Jintao at the 17<sup>th</sup> Party Congress

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- Strengthening public health system
- Reforming medical delivery system
- Expanding social insurance coverage
- Improving drug distribution system

## Objectives:

- Increasing access to public health, medical services and medicines;
- Increasing affordability of healthcare

# Satisfaction With Healthcare in Urban China (MOH, 2003)

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- Unsatisfied with outpatient: 52.6%
- Rank: costs < quality < convenience
  
- Unsatisfied with inpatient: 61.2%
- Rank: costs < quality < responsiveness

# Measuring Financial Hardship of OOP

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Measuring impoverishing effect:

- Household's post-payment income under poverty

Measuring “catastrophic” spending

- WHO : Med\$ > 30-40% “effective” income
- WB : Med\$ > 10% household income



# % of households that cannot afford healthcare:

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- (1) Per capita income below poverty line
- (2) Forgone healthcare due to price
- (3) Medically impoverished
- (4) Incurred catastrophic spending

# % of households with affordability problems (2003)

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Indicator	Urban	Rural
Poverty	9.7	11.6
Forgone use	4.3	6.1
Med poverty	2.4	4.1
Catastrophic	19.8	21.1
Total	35.3	42.9

# Changes in risk exposure (98-03)

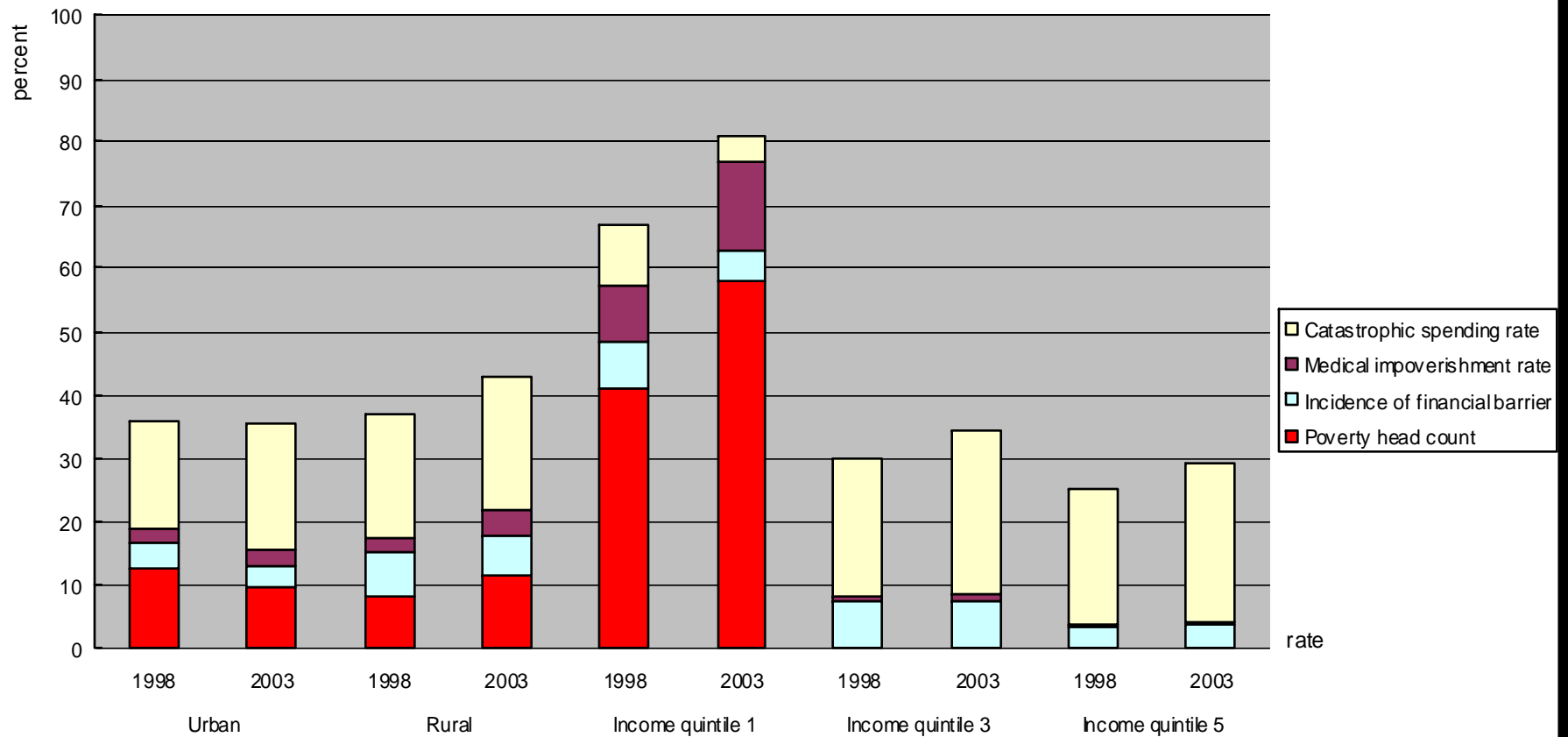


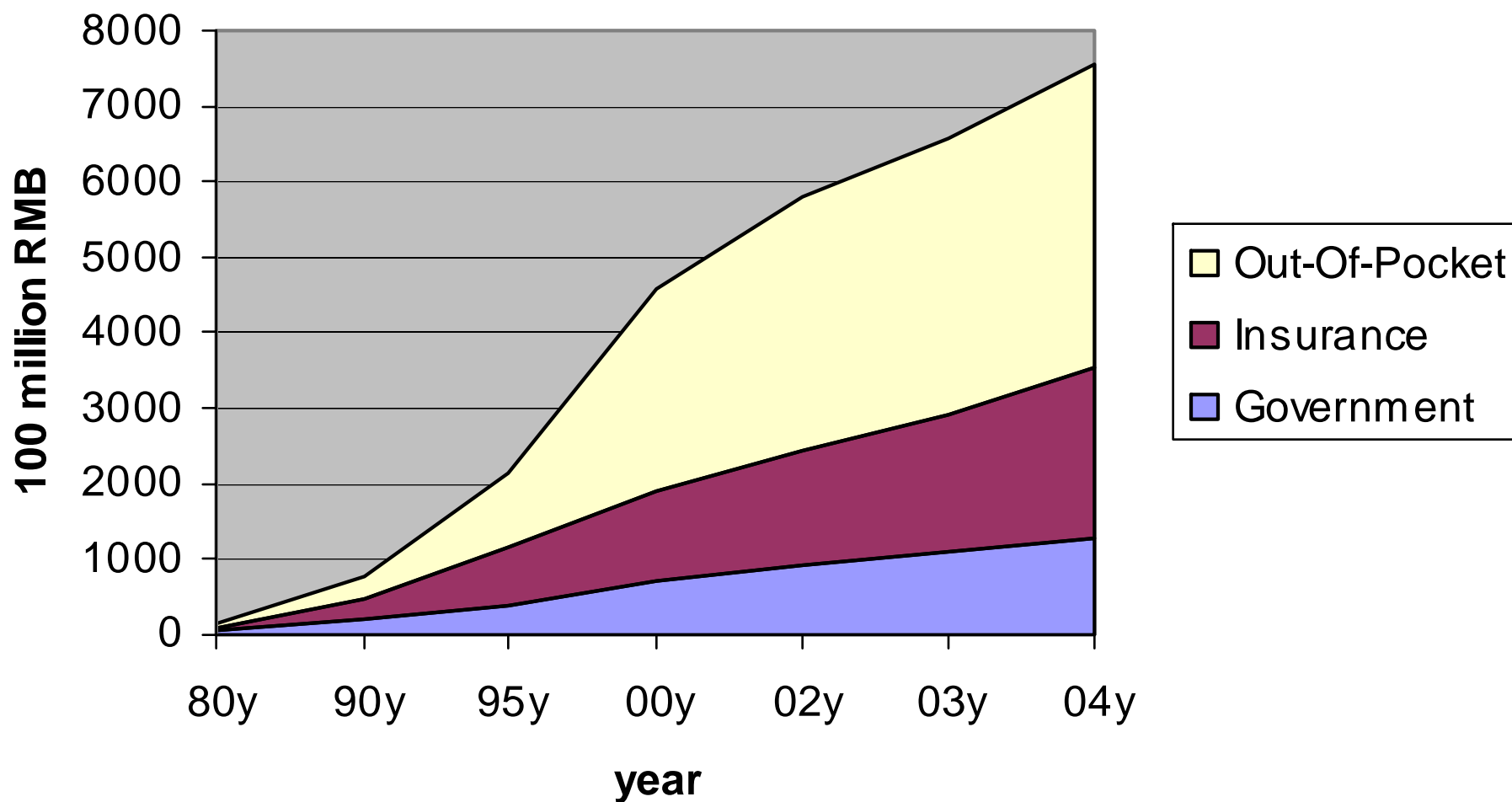
figure 2 Changes in level and structure of financial risk exposure

# Outline

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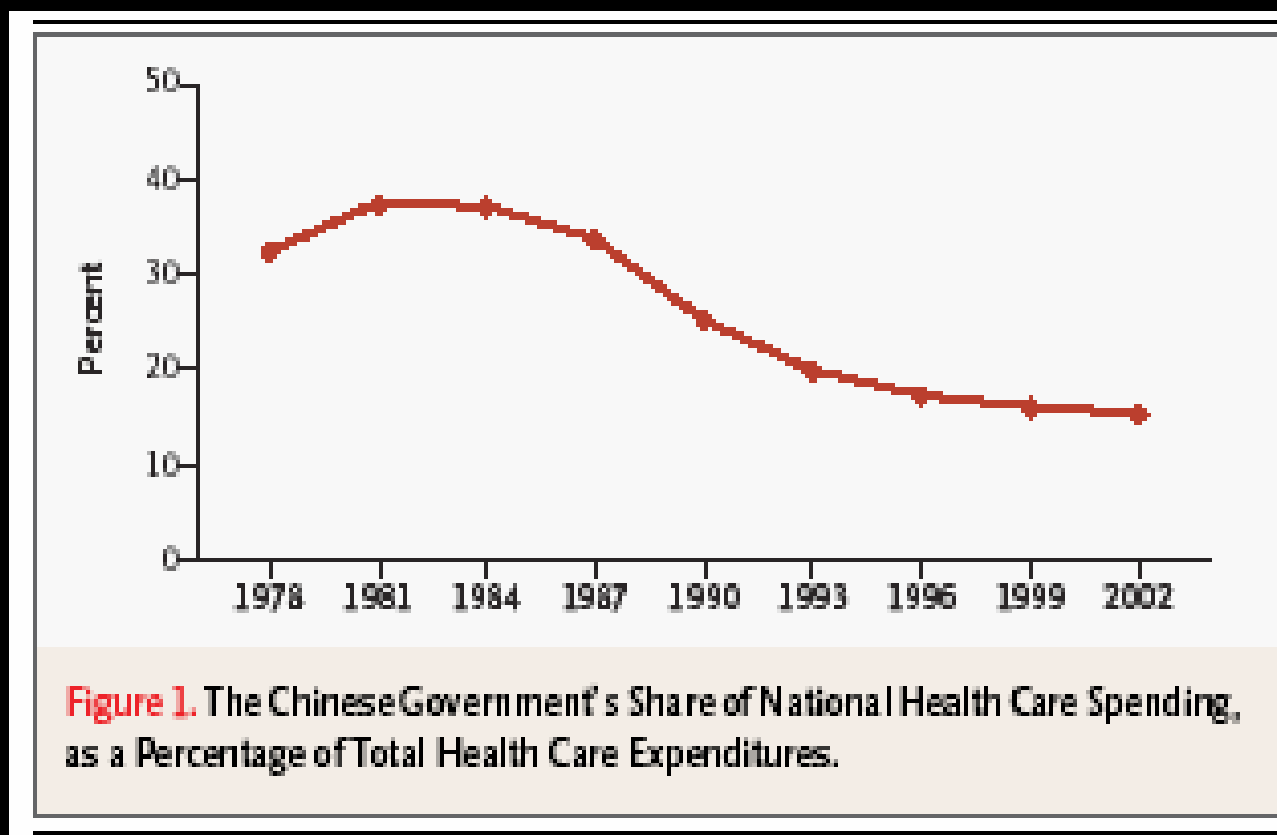
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# Total Health Expenditure by Source (1980-2004)

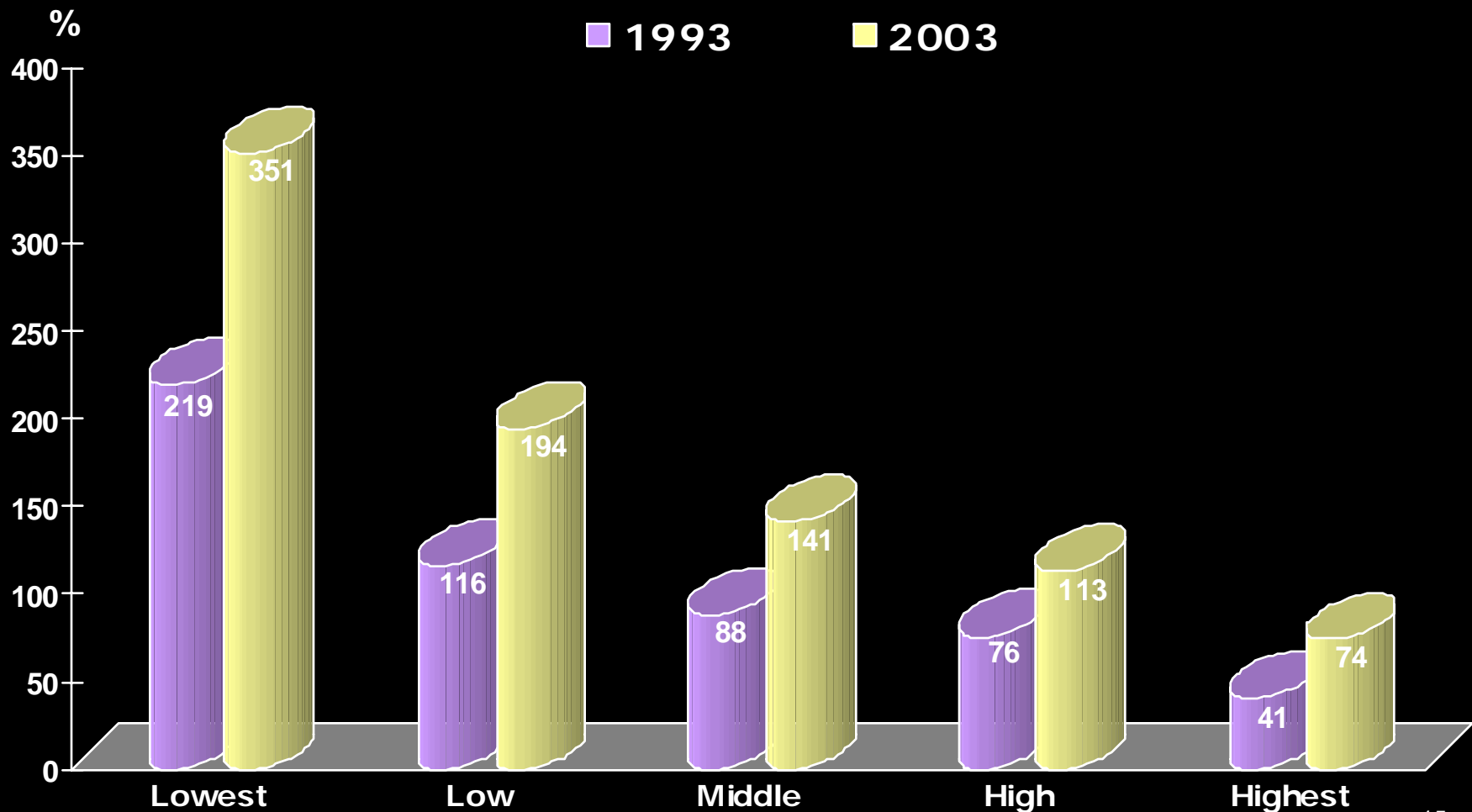


# Government Spending as % of the Total Health Expenditure Has Declined

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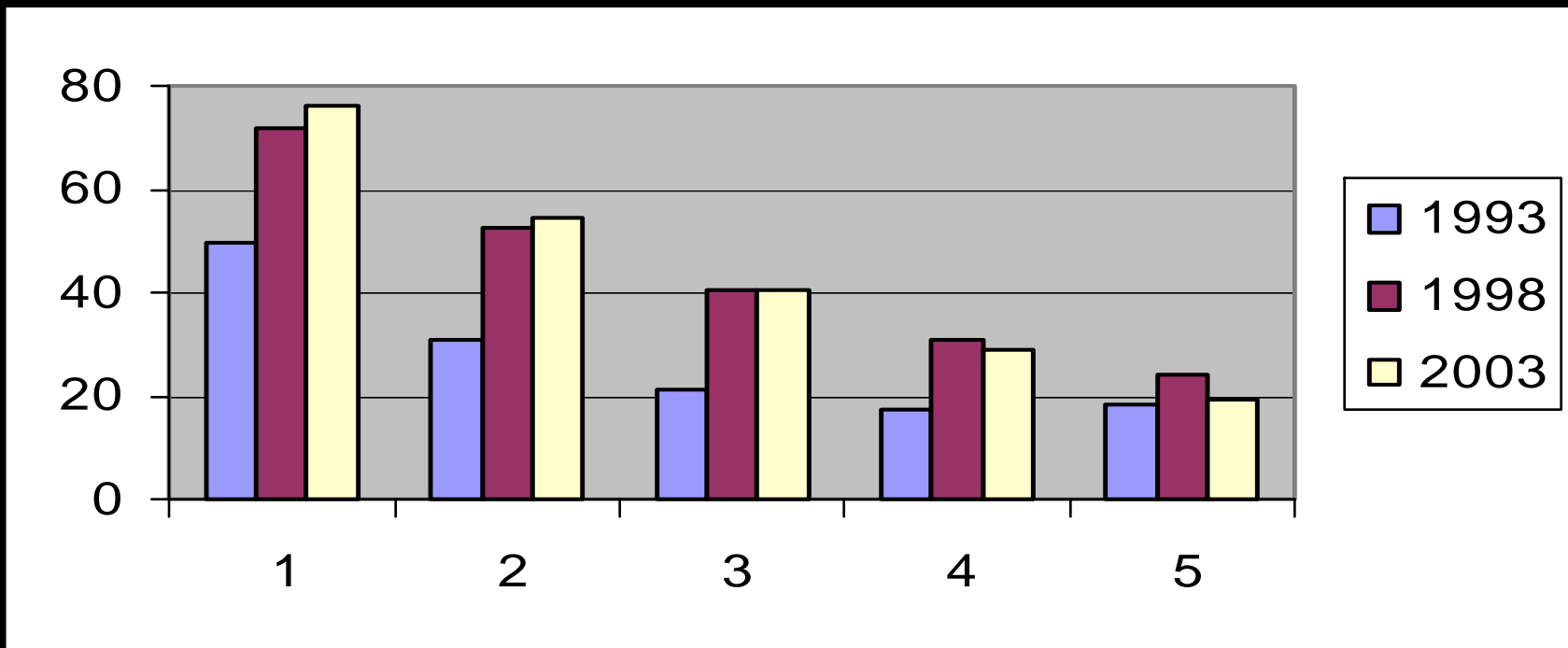


# Average expenditure of hospital admissions as % of average income per capita in rural China



# % of urban uninsured by income

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# To increase affordability of healthcare

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- Insurance coverage needs to be expended



- Medical cost escalation needs to be controlled

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# Existing financing schemes

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- Social insurance for the urban workers
- New Rural Cooperative Medical System
- Voluntary insurance for urban children, elderly, and informal sector workers subsidized by the government (pilot phase)
- Medical assistance for the poor

# China's Social Insurance

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<u>Source of Funding</u>	<u>2 Accounts</u>	<u>Benefit Structure</u>
•Employer 6%	•4.2% SRF	* Supplementary Insurance
•Employee 2%	•3.8% MSA	•SRF Max (4-fold Wage)
		•Deductible
		•MSA (3.8%)

# The rural health insurance (NCMS)

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- Financing: matching funding by the central government, local governments, and households (\$6.3 per capita)
- Benefit package: mainly cover hospital expenses

# Problems with the current schemes

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- Limited benefit package
- Lack of coverage of preventive services
- Lack of portability

# Future Directions

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- Adequate funding of public health
- Finance a more comprehensive clinical benefit package from innovative sources of revenue including cigarette tax, lotteries
- Using the lever of organized financing to control medical cost escalation by implementing packaged payment methods