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# The Chinese health sector: From shock therapy to a gradualist recovery

## NDRC-OECD

Regulatory Reform Review in China  
Working Group Seminar II  
Session 3: Hospitals and Medical Centres  
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# Overview of presentation

- Pre-reform era 1949-80s
- The reforms of the 1980s
- The second generation reforms
- Trends in health indicators
- Recent developments



# Pre-reform era 1949-80s (I)

- Near universal health coverage
- Three tiered system
  - Rural and urban sectors
- Impressive results



# Pre-reform era 1949-80s (II)

Between 1952 and 1982

- Average life expectancy grew from 35-65
- Infant mortality dropped from 200 to 34 per 1000 live births
- Non-medical reasons for the gains



# The reforms of the 1980s (I)

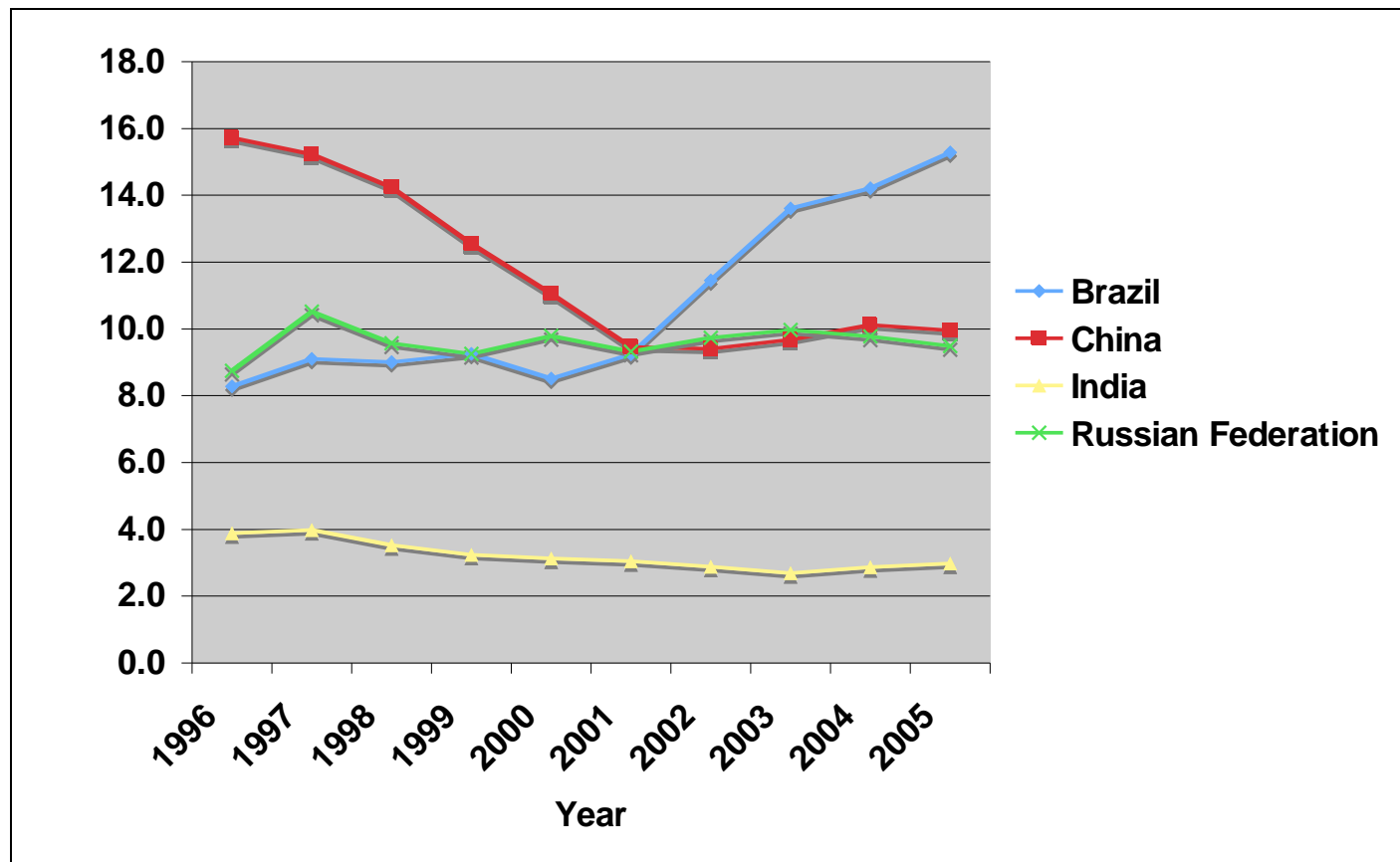
## Unintentional shock therapy?

- Reforms similar to those in other sectors
- Interlinkages with reforms in other sectors
- Very different rate and impact
- Four unintended consequences



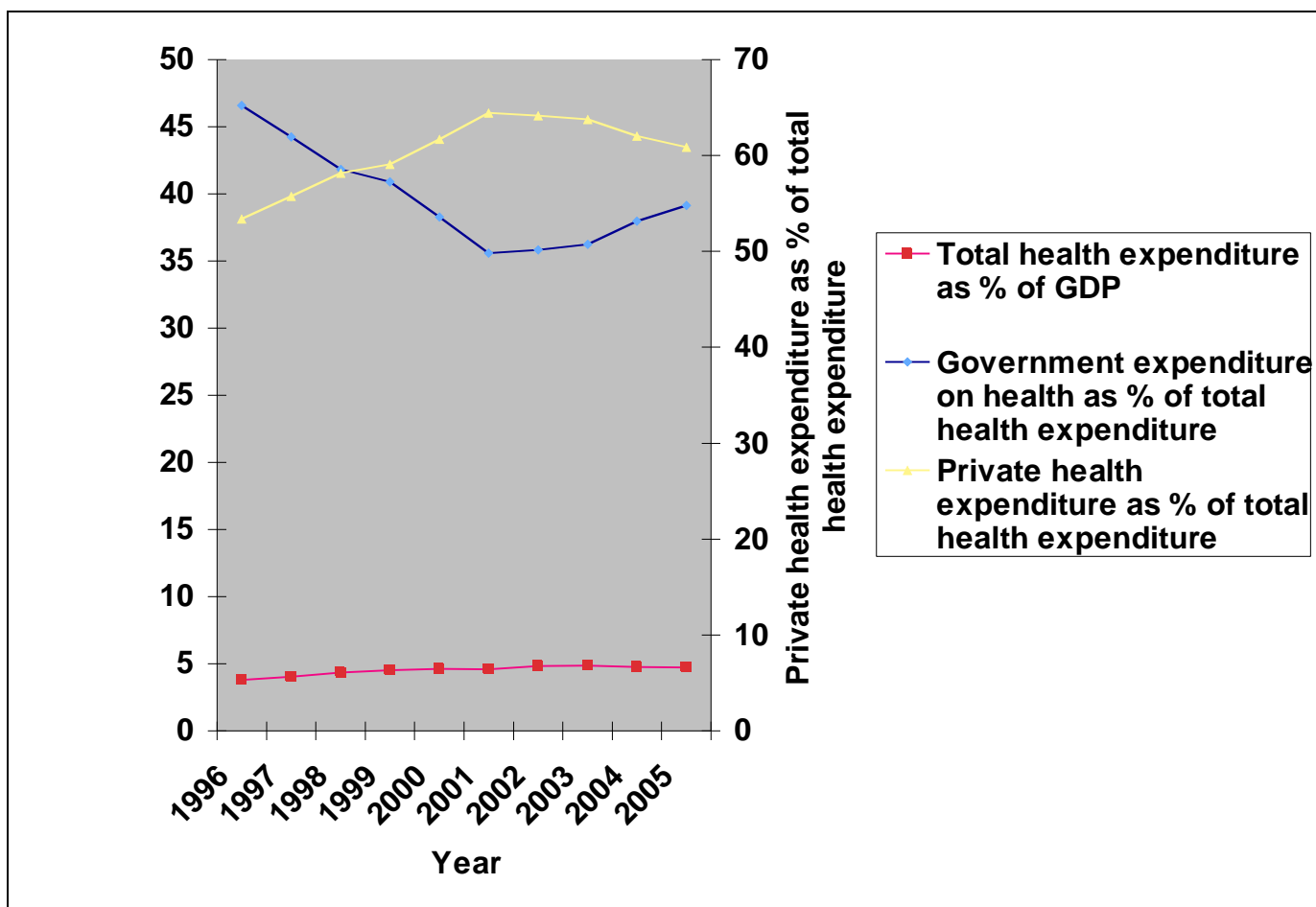
# The reforms of the 1980s (II)

Comparison of government expenditure on health as a % of total government expenditure (1996-2005)



# The reforms of the 1980s (III)

The relationship between government versus private health expenditure





# The reforms of the 1980s (IV)

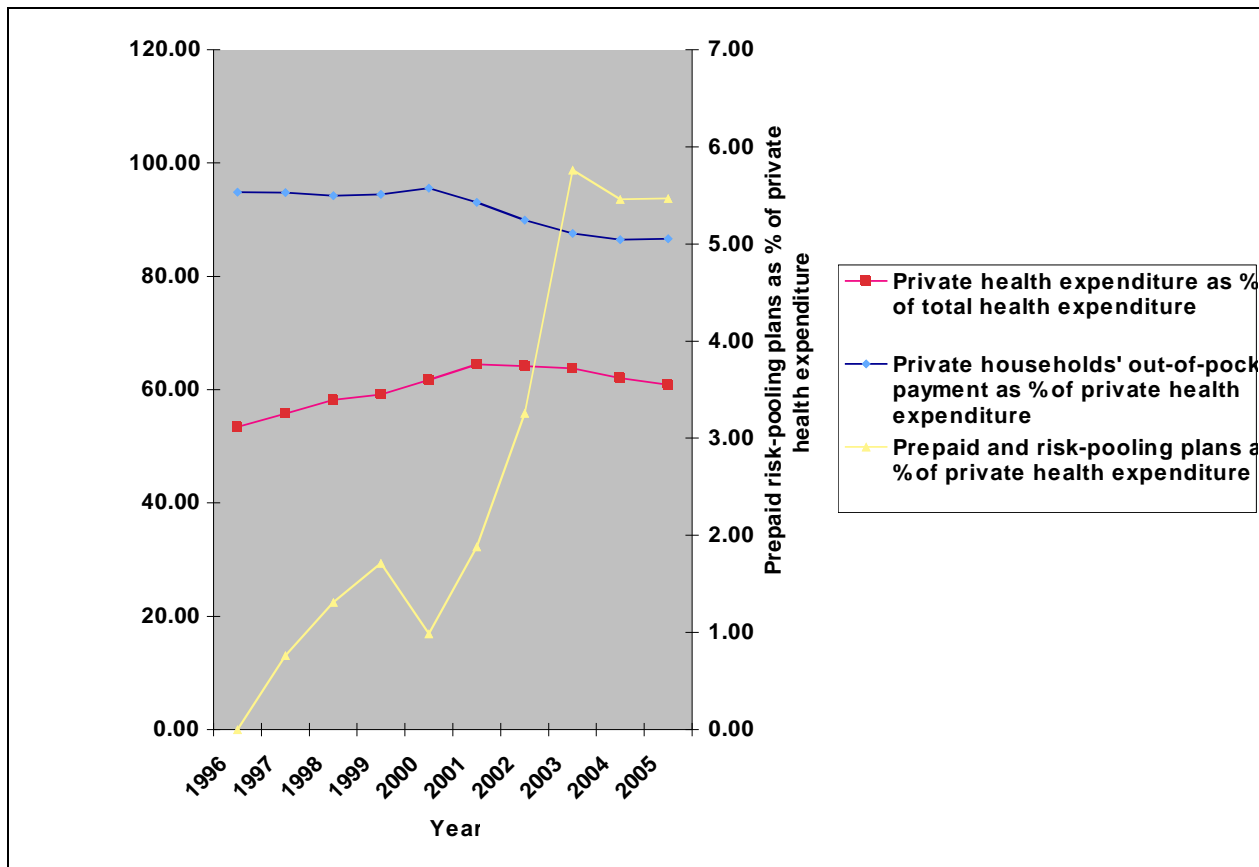
## *Four unintended consequences of reform*

- Dramatic increases in healthcare costs
- The removal of incentives for providing preventative healthcare
- Significant reductions in healthcare coverage
- Exacerbation of regional and urban/rural access to healthcare



# The reforms of the 1980s (V)

## The evolution of China's private spending on healthcare





# The second generation reforms

## The return to gradualism

- Rural sector trials
  - Increasing healthcare coverage
- Urban sector trials
  - Reducing healthcare costs



# Trends in health indicators

Overall health indicators have continued to improve

- Average life expectancy doubled between 1952 and 1982, but increased by only 4 years over the following two decades
- Infant mortality rates declined by 166 deaths per 1000 live births between 1952 and 1982, but have since declined only 8



# Recent developments

## Rural Sector

- Rural Health Care Service System (RHCSS) should be in place to cover all rural areas by 2008
- Reports indicate that it will build upon an existing previous MSA system by doubling the government co-payment to RMB 40 (USD 5)

## Urban Sector

- Trial reforms in pilot cities require a minimum annual subsidy of RMB 40 (USD 5) per capita
- Limited to the uninsured
- Special subsidies for disadvantaged



# Conclusion

The new reforms benefit from:

- Hindsight
- International technical assistance
- A number of studies conducted within China
- Health indicators are still improving overall



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# Thank you for your attention!

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