What is a Health System?
Major Changes in China

- GDP growing at 10% on average since 1978; 210 m out of poverty; GDP: $1,200
- Continuous health improvement (IMR: 58 in 1990 ➔ 30 in 2000); LE: 71.2 years
- Rapid urbanization with large floating pop
- Demographics: aging & family planning
- Fiscal decentralization
- Environmental challenges
Health Care Provision

- Urban sector: dominated by the government hospitals (non-profit?)
- Rural sector: the “Three-Tier” system; private village rural “doctors”
- Public health system: China CDCs
- Major issues: commercialization; public vs. private? pricing distortions; patient safety & quality
Resource Supply

- Over 6000 drug manufacturers, 70,000 wholesalers; escalating costs; kick-backs; fake drugs
- Over 300 medical schools; each county has a “Health School”; but distribution of human resources uneven; public health staff not reaching out to communities and not linked to hospitals
# Changes in Medical Costs and Insurance Coverage in China

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost/visit</strong></td>
<td>¥11</td>
<td>¥40</td>
<td>¥80</td>
<td>625%</td>
</tr>
<tr>
<td><strong>Cost/admission</strong></td>
<td>¥473</td>
<td>¥1,668</td>
<td>¥2,891</td>
<td>511%</td>
</tr>
<tr>
<td><strong>Urban Insurance</strong></td>
<td>53%</td>
<td>42%</td>
<td></td>
<td>-22%</td>
</tr>
<tr>
<td><strong>Rural Insurance</strong></td>
<td>12%</td>
<td>9%</td>
<td></td>
<td>-25%</td>
</tr>
</tbody>
</table>
Income changes in urban China

1993 –2003

Annual increase 1993-1998: 0.5% 1.7% 2.6% 3.1% 3.6%

Annual increase 1998-2003: 4.6% 6.0% 8.0% 10.2% 12.1%

* In 1993 prices
Income changes in rural China
1993 – 2003

Annual increase 1993-1998: 10.0% 9.8% 9.4% 9.3% 8.3%
Annual increase 1998-2003: -1.5% -0.04% 0.7% 1.5% 3.6%

* In 1993 prices
Insurance coverage (%) in urban China

% 1993 1998 2003

Lowest 37 20 12
Low 66 39 30
Middle 75 50 45
High 79 72 70
Highest 79 72 70

1993 1998 2003
Uninsured (%) in rural China

<table>
<thead>
<tr>
<th>Year</th>
<th>Lowest</th>
<th>Low</th>
<th>Middle</th>
<th>High</th>
<th>Highest</th>
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<tbody>
<tr>
<td>1993</td>
<td>87</td>
<td>95</td>
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<td>1998</td>
<td>86</td>
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<td>91</td>
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<td>2003</td>
<td>80</td>
<td>82</td>
<td>82</td>
<td>81</td>
<td>68</td>
</tr>
</tbody>
</table>
CMS Coverage (%) in rural China

%  
1993  1998  2003

Lowest  Low  Middle  High  Highest

<table>
<thead>
<tr>
<th>Year</th>
<th>Lowest</th>
<th>Low</th>
<th>Middle</th>
<th>High</th>
<th>Highest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>3</td>
<td>4</td>
<td>7</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>1998</td>
<td>4</td>
<td>5</td>
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<td>7</td>
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<tr>
<td>2003</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td>23</td>
</tr>
</tbody>
</table>
China’s Social Insurance

Source of Funding:
- Employer: 6%
- Employee: 2%

2 Accounts:
- 4.2% SRF
- 3.8% MSA

Benefit Structure
- * Supplementary Insurance
  - SRF Max (4-fold Wage)
  - Deductible
- MSA (3.8%)
Regulation: Fragmented Authority

- The “Government” (Party, Executives, PC, PCC)
- Ministry of Health: Rural health, policy
- Food Drug Administration: Safety
- MOLSS: Urban health insurance, occupational health
- Pop & FP Commission: FP & reproductive health
- Ministry of Agriculture: Zoonoses, food-borne diseases
- Ministry of Civil Affairs: MEDICAID, community health
- Ministry of Construction: Urban water and sanitation
China’s Major Health Policy and Health System Challenges

- “Double Burden” of diseases
- Globalization & threat of EDs
- Disfunctional public health system
- Increasing gaps in access to HC
- Lack of accountability