

Chapter 5



Discussion and Policy Implication

5.1 Discussion

From the results of simulation (Table 4.2.1 – 4.2.5), and the estimation of the result, the study could examine and discuss as follows:

5.1.1 The environment for health system development:

The national health care system is always closely associated with its social-economic system. The health care system of China evolved under the planned economy and thereby operated in line with the planned economic system in the past 40 years. The Decisions on Issues Pertaining to the Establishment of Socialist Market Economic System ratified on the third plenum of 14th Party Congress in November 1993 set the objective to create a new Socialist Market Economic System by the end of this century.

So, with the introduction of socialist market economy, the environment for health development has undergone fundamental change which will inevitably affect the development of health sector. The health policy and planning must therefore be made consistently with what the change in economic environment, such as, in China 9th National five

year planning will make strenuous efforts to infrastructure construction, push the economic develop quickly. And from 1999, in all cities of China, will increase the health insurance coverage, so under this opportunity, health system should consider about how to change health policy, to adapt ourselves to a new environment.

5.1.2 Health financing system:

1) Diminishing share of MOH financing in CTHE

The share of MOH spending in CTHE declined from 14.45% in 1978, 11.7% in 1995, with the forecasting trend it will decrease to 9.3% in 2005 (assume in the long term average growth), if government does not increase the government expenditure for health services with private health expenditure being kept at high growth rate, the share of MOH in CTHE will increase to 8.5% in 2005(scenario 3 & 4) (Table 5.1.2a). The trend is consistent with the government fiscal policy of making health institutions more self-financing, thereby weakening the responsibility of government for developing health care services.

Table: 5.1.2a MOH expenditure in CTHE(%):

MOH/ CTHE	1995	1997	1999	2001	2003	2005
Base case	11.7	10.3	10.1	9.8	9.6	9.3
Scenario 1	11.7	10.3	10.1	9.8	9.6	9.3
Scenario 2	11.7	10.3	10.2	10.1	10.1	10.0
Scenario 3	11.7	10.3	9.9	9.4	9.0	8.5
Scenario 4	11.7	10.3	9.9	9.4	9.0	8.5

2) Reducing the burden of the enterprises:

The share of other ministries' expenditures are still high. In this sector, the share of enterprises funding of the CTHE increase sharply. Under the planned economy, tremendous health facilities have been run by the enterprises, which constitute an important component of China's health care delivery system. The spending for enterprises-run health facilities was counted into production cost according to the standard stipulated by the state, which led to different burden on different enterprises due varying social obligations. This becomes a social problem now and is influencing the institutional reform. This problem could be resolved by health insurance reform.

3) Stopping the high growth rate of the share of private expenditure:

Besides the population covered by GEIS, LIS, CMS, and Children Medical Insurance, the majority of people in China have to pay directly

to the providers for health services. That is called private health expenditure (this sector include the co-sharing of all kinds of Insurance fee). Private patients are implicitly subsidized by the government by getting below cost charges in using public facilities, because the public health facilities are partially financed by the government and their prices are under the control of the government.

Along with the economic development, the income level and more educated people, the need for more and high-quality health services are increasing rapidly. That makes the share of private health expenditure in CTHE increase sharply, from 23.2% in 1980, to 26.5% in 1985, 37.06% in 1990, and 50.27% in 1995. By the model, the trend is predicted to be at 59% in 2005 (for the long term average economic growth). If in the worst case (scenario 3 & 4), it was found that this proportion will be 62.7% in CTHE (Table 5.1.2b). That will become a very heavy burden for the un-employed population. The central government has become aware of the seriousness of the problem, and will solve it by health insurance reform.

Table: 5.1.2b PHE expenditure in CTHE(%):

PHE/ CTHE	1995	1997	1999	2001	2003	2005
Base case	50.3	55.3	56.3	56.0	57.4	59.0
Scenario 1	50.3	55.3	56.3	56.0	57.4	59.0
Scenario 2	50.3	55.3	55.7	54.2	54.9	55.9
Scenario 3	50.3	55.3	56.9	57.7	60.0	62.7
Scenario 4	50.3	55.3	56.9	57.7	60.0	62.7

5.2 Policy Implication:

1. Improving Macro Control:

To transform the function of the government and improve macro-control, it is required to prepare and arrange many socio-economic function ready for the transformation such as to create socialist market economy, regulate national economy with economic, legal and administrative instruments with reform in government institutional, fiscal and taxation, financial, investment and planning etc..

Health system should seize the opportunity, restructure health administration system and invigorate health institutions, to make sure of health reform is in line with the macro-economic system reform.

2. Improving health financing policies:

The health financing and resource allocation should largely depend on the government with market playing a very limited role in this sector.

2.1 Public spending on health should be specified in the government budget, public health services i.e. health supervision, infectious and endemic diseases prevention, the production, storage and transportation of vaccine, epidemiological monitoring and basic maternal and child health services should be fully covered by government's budget. The

government is responsible for providing necessary buildings, equipment, staff salary, and other operating expenses, meanwhile, the government should provide funds for basic scientific research and training.

2.2 The government should formulate health financing policies and mobilize all effective approaches to financing health care.

2.3 The government should commit that its health budget will be in line with the growth of national economy and government revenue.

3. Developing the financing channels:

Reforms in commodity circulation system, establishing labor, technology, information and intellectual market also provide health sector a broad stage to make full use of its high quality labor force and promote technological and industrial development. In those economically developed areas, health institutions should be encouraged to engage in technological and industrial development assisting health services with industry. Corresponding favorable taxation policy should also be formulated to enable the products of health sector to be translated into funds for developing health care services through market operation, which will widen the financing channels and reduce the burden of society in financing health care services.

4. Reforming Social Security System

The social security system consists of social insurance, social relief and social welfare. Health insurance is an important component in social security system.

4.1 In urban areas, we should try to integrate personal health account and social risk pooling scheme with reasonable cost sharing among the government employers and employee.

4.2 In rural areas, we should accelerate restoration of cooperative medical care system or health insurance schemes. The rural poor should be covered by the government.

4.3 For those uncovered by employee health insurance or rural cooperative health insurance, they should be covered by some kind of social health insurance plan with its revenue coming mainly from the beneficiaries and from subsidies from other sources.