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Lessons from the Chinese Approach to Health System Development

China is managing major health system reforms against a background of rapid economic and institutional change. In doing so it is developing a learning approach to transition management and institution-building. This approach includes testing innovations at local level, encouraging learning from success, and then gradually building institutions that support new ways of doing things. Chinese policymakers and analysts are also developing strategies for drawing on international experience. Analysts from other countries and officials in organisations that support international health need to understand this approach if they are to strengthen mutual learning with their Chinese counterparts.

Crossing the river by feeling for the stones

China's leaders describe their approach to transition management as '*crossing the river by feeling for the stones*' – referring to the need to move forward gradually to avoid being swept away in the current of change. It is a metaphor for the combination of highly conservative policy processes and radical change, which is neither a top-down imposition of enforceable rules, nor a bottom-up construction of new beliefs and institutional realities. It is best viewed as an interaction between a powerful party and state and local relationships built between individuals, institutions and governments.

Introduction

China's transition to a market economy has been associated with problems of quality and cost in the health sector and an imbalance between public health and medical care. Both decentralisation of economic decision making – to local government and health facilities – and the partial withdrawal of government officials from day-to-day management and oversight, have contributed to these problems.

China's political leaders have defined broad development objectives but have been slow to create policies and laws to regulate and guide local actors and hold them accountable for their performance. In fact, they have encouraged local governments to test new approaches before translating them into detailed policy guidelines and laws.

This approach has encouraged innovation and avoided the creation of unenforceable laws. But the lack of appropriate institutions has affected the performance of health and other sectors, which rely on high levels of trust. In health this refers to the formal and informal rules which regulate the relationships between patient, provider and the various organisations working within the health system.

China's government has made highly public commitments to improve the health sectors' performance. It faces big challenges in translating these commitments into an effective system that provides broad access to good quality health services and helps households cope when a family member falls seriously ill. It will need to involve and learn from a wide variety of actors if it is to build a modern health sector.

“ The application of experiences from other countries has often been fragmented and based on a limited understanding ”

Maintaining stability in the face of rapid change

China's transition to a market economy has led to problems in its rural health services including:

- rapid rises in the cost of care,
- a lack of skilled personnel,
- problems with quality,
- weakening of preventive services,
- major financial barriers to access to medical care.

This is due, in part, to the combination of a heavy reliance on user charges and poor regulation, which encourages a costly style of care.

Health has gradually become more of a priority for policymakers. The government organised national meetings in 1996 and 2001 and has issued several policy documents. The SARS epidemic highlighted the potential consequences of a flawed health system and there is now support for action at the highest political level. The government announced major reforms to rural health finance in 2002 and made big financial commitments in early 2009.

This gradual development of policy is typical of Chinese transition management. The government's priority has been to maintain social stability and ensure the primacy of the Communist Party in the face of rapid change. Its strategy has been to define and strictly enforce some basic rules, leaving organisations plenty of room for innovation before new practices are gradually codified into law.

This approach has fostered rapid economic growth. However, China faces new challenges as it builds a modern economy that relies increasingly on complex trust-based relationships between organisations. This will require a more rules-based regulatory state; the process is well underway in the financial sector. The health sector presents similar

challenges and the government is already involving a widening mix of actors to test and assess innovations and apply lessons in the creation of appropriate institutions.

Learning from local experience

Debates about health policy have tended to focus on public finance. Local governments have been largely responsible for financing health services and they have received very modest funding from higher levels of government. As a result there are big differences in public health expenditure between localities. Policy-makers have had to balance two needs: to encourage governments to foster rapid development and to avoid unacceptable inequalities in service provision.

In 2003 the Government prioritised greater equity as part of its strategy for achieving a 'harmonious society'. This led to the creation of county health insurance schemes to which higher levels of government allocated substantial amounts of money. Policy-makers have been concerned to ensure that additional funding resulted in improved rural health services. For years the government was reluctant to either substantially increase funding of health facilities or make contributions to health insurance compulsory, because it was concerned that health workers would be the main beneficiaries. It has become increasingly interested in strategies for making health facilities accountable for their performance, as it has provided more money for services in poor localities.

China's main approach to change management has been to define clear policy objectives, encourage local governments and other stakeholders to create formal and informal mechanisms for implementing policy and translate workable arrangements into law. Tsai describes how local institutions in the financial sector have evolved and how the government has gradually established a regulatory system. There are many

successful local innovations in the health sector, but more needs to be done to share and incorporate these lessons into the institutions of a modern health system.

The 'crossing the river by feeling for the stones' approach to change management (see text box) requires the capacity to generate and widely disseminate systematic learning from local experiences. There has been a rapid growth in the number of research institutions and the range of academic disciplines engaged in health-related research in China. People working on poverty, social protection, institutional development, governance and public sector reform have become involved. Several health policy think tanks provide advice to government. The media are playing an increasing role in identifying and disseminating good and bad news.

Public opinion is gaining influence over both the ability of health facilities to attract patients and broader policy debates. However, much more needs to be done to generate systematic learning from local experiences, disseminate it widely and involve an increasing variety of stakeholders in health sector planning, management and governance.

The lessons for China from other countries' experiences

There is interest within China to learn from other countries. The approach to learning is evolving as Chinese health system analysts gain experience with the management of institutional change. The original view was that China could choose between organisational models from the health sectors of different countries. Policy analysts spoke, for example, of combining 'British trousers with a German shirt' to signify an interest in contracted general practitioners and hospital insurance. This view contrasts with China's approach to transition management, which acknowledges the importance of context to health system performance.

“ Chinese analysts need to develop a systematic understanding of their country’s management of health system change ... finding ways to explain this to people who do not know China well ”

In practice, the application of experiences from other countries has often been fragmented and based on a limited understanding. Chinese policy analysts increasingly recognise that the performance of a particular arrangement needs to be understood in its context. This requires a more systematic understanding of the experiences of other countries and the creation of

deeper and longer-term engagements between policy analysts in China and elsewhere. The recognition of the dynamic nature of institution-building has led to an increased interest in learning from the management of rapid health system change in contexts of multiple transitions in Latin America and the former Soviet Union.

avoid preconceptions about China or to view Chinese realities through the lens of their own country’s political debates. For example, it is important to understand that (i) government health centres in China may derive up to 95 per cent of their revenue from patients, (ii) the development of rural health insurance is closely linked to reforms of the management of public finance and (iii) it is difficult to find parallels between China’s village doctors and health professionals in other countries. These barriers to mutual learning can be addressed through the creation of opportunities for ongoing exchanges of researchers and policy analysts and comparative research.

As China becomes more involved in global health it is increasingly important to foster a learning approach to the creation of new governance arrangements. The first step will be to build collaborative relationships between China and other countries and create mutual understandings of their different approaches to health and health system development.

Medical Assistance: adapting international experiences to the Chinese context

China has had no previous experience with widespread government provision of a health safety net for the poor. During the transition to a market economy rural households have become increasingly vulnerable to health-related shocks.

There is growing international experience of government subsidies targeted to health care for the poor. The Ministry of Health decided to test this approach in a rural health development project funded, in part, by World Bank credit and a grant from the UK Department for International Development. When new political leaders were looking for ways to make a visible difference to the life of poor people, they were impressed by the project’s demonstration that a health safety net could make an immediate impact on the wellbeing of very poor people and in 2003 established a national scheme.

As the Ministries of Health and Civil Affairs work to implement the policy it is becoming clear that it needs to be understood in the context of broader arrangements for social protection. This has raised questions about the appropriate role of local governments in financing this kind of safety net, the selection of beneficiaries, the relative benefits of covering chronic illness and acute episodes requiring hospitalisation, and the relative roles of cash transfers, health insurance and a targeted health care benefit.

The lessons other countries can learn from China

China is fundamentally restructuring the roles and responsibilities of key health sector actors. Its experience will have major positive and negative lessons for other countries. Policy analysts in China and elsewhere will need to overcome a number of barriers to mutual learning to make this possible. Chinese analysts need to develop a systematic understanding of their country’s management of health system change, by identifying the key factors influencing different aspects of health system performance and finding ways to explain this to people who do not know China well. Analysts from other countries need to be careful to

Village doctors: learning from China’s experience

One constraint to mutual learning is the need to understand the Chinese context. During the 1980s many countries tried to replicate the experience with barefoot doctors, without taking into account that agriculture was organised collectively. During the transition to a market economy, many barefoot doctors quit health work and the rest earned money by selling drugs. By the late 1980s village doctors mostly functioned as private practitioners, although they continued to undertake some public health work.

The government has introduced measures to improve their performance through organised training and an annual licensing exam. A new generation of village doctors has been trained by local medical colleges. Meanwhile the government is committed to substantially increasing funding for rural health services. It needs to clarify the future role of village doctors and decide whether they should receive public funds and how their performance should be monitored.

This experience is highly relevant to other countries where formal and informal providers are a major source of medical care. It raises important questions about the kind of training they should receive, how their competence should be certified, their eligibility for public finance and the arrangements to monitor their performance and improve their accountability. In order to foster effective mutual learning it is important that experts from both inside and outside China build a common understanding of the Chinese experience, its context and its applicability to other situations.

“Analysts from other countries need to be careful to avoid preconceptions about China or to view Chinese realities through the lens of their own country’s political debates”

Policy implications

- Chinese policymakers need to acknowledge the key role of the health sector in social development and accept the complex challenges they face in building an effective health system. More state financing for health will increase concerns about how equitable, effective and efficient services are. This will lead to a need for stronger regulation and increased public accountability.
- Policymakers need to understand the creation of an effective health system in the broader context – of the management of both the transition to a market economy and the creation of institutional arrangements that support complex, trust-based relationships. This will require a variety of academic disciplines to explore and build understanding of the organisation of health systems, the management of institutional development and the formulation of social policy during rapid change.
- There is a need for mechanisms to provide the growing variety of stakeholders – who influence different aspects of the development of health-related institutions in China – with access to systematic knowledge about health system performance.
- Importing organisational models from advanced market economies has limited effectiveness. Mechanisms that foster mutual learning between researchers and policymakers in China and other countries would improve learning from the experiences of the latter.
- Chinese policy analysts need to develop effective ways to learn from countries with recent experience of rapid economic, social and institutional transition. Systematic analyses of change management processes would help identify the most effective approaches for creating new institutional arrangements.

- China’s experience with managing health system change is generating important experiences from which other countries can learn. If Chinese health system analysts developed a systematic understanding of this experience it would provide useful lessons for other countries. This will involve a substantial investment of effort by people in China and elsewhere.
- There is a need for new approaches that support mutual learning between China and other countries. This will involve collaborative research, exchange visits and focused comparative studies. The China Health Development Forum is building a platform for this kind of learning.

Further reading

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Credits

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