



In the context of its rapid and wholesale societal transformation, the magnitude of the challenges confronting China in modifying its health system to meet the needs of its 1.3 billion people are without historical precedent. Policy-makers, local health managers and researchers will need to continue to collaborate closely with a view to understanding the new needs that are bound to arise and to the formulation of appropriate, affordable and sustainable policy responses.

This project demonstrated that a relatively modest investment in the right research at the right time can make an important contribution to development. However, it is essential that researchers involve policy-makers and managers from the very beginning of a study to ensure that the findings are used.



MAKING RESEARCH COUNT

Improving equity and efficiency of China's urban health services

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Participants and participating institutes

Centre for Health Management and Policy, Shandong University, PR China

Qingyue Meng
(study team leader)
Ning Zhuang
Ying Bian
Qiang Sun

School of Public Health, Fudan University, PR China

Shenglan Tang
(scientific coordinator, now at Liverpool School of Tropical Medicine)

Youlong Gong
(study team leader)

Jiaying Chen
(now at School of Health Policy & Management, Nanjing Medical University)

Fei Yan
Wei Wang
Baogang Shu
Hao Yu
Zhonghua Weng
Xu Qian

Chinese Health Economics Institute, PR China

Renhua Cai

Institute of Development Studies, UK

Gerald Bloom
(administrative coordinator)
Henry Lucas
Yuelai Lu
(now at University of East Anglia)

Stockholm School of Economics, Sweden

Clas Rehnberg

Institute of Medical Sociology, University of Hamburg, Germany

Thomas Uhlemann
(now at AOK-Research Institute)

Other research partners

Rachel Tolhurst
(Liverpool School of Tropical Medicine)

Xianjun Xiong
(Ministry of Labour and Social Security)

Medical Insurance Management Centre, Nantong

Municipal Health Bureaux of Nantong and Zibo

China's transition to a market economy has paved the way to an historically unprecedented success in reducing the country's poverty. At the same time, the shift has produced a range of significant and destabilising social costs.



The speed and extent of the transformations to China's cities has had a profound impact on urban health provision, presenting users and service providers with new problems and new challenges. Other factors such as the ageing of the population and large movements of people to the cities have put additional pressure on their health systems. The national government has been making great efforts to address these challenges, including the encouragement of innovative approaches to the provision and financing of urban health services. It has also invited social researchers to assign priority and urgency to the study of these problems and to provide the knowledge inputs needed for their solution. The study outlined in this brochure took up that invitation.

Nantong and Zibo are cities in Jiangsu and Shandong Provinces, which have undergone dramatic changes in recent years. Their experiences are assumed to be broadly representative of what is happening in many of China's urban centres. The study was designed to provide systematic evidence on how changes in health financing have affected the equity and efficiency of health provision in these cities.

The study was a collaborative effort by Chinese and European health system researchers and development analysts and officials working for city and provincial governments. The team reviewed routine data and carried out a number of questionnaire surveys and in-depth interviews.

Who has access to healthcare?

The study confirmed the findings of national surveys that access to health services has become increasingly difficult for a growing segment of the population who are no longer fully or adequately insured. Many more residents of Nantong were insured than in Zibo. The study found that some people with chronic diseases spent a substantial proportion of their household income on medical care. This put a particularly high burden on the poor. An analysis of 181 cases of chronic illness in poor families found that average household expenditure on medical care was over 45 per cent of annual income.

The tens of millions of rural-urban migrants must pay for all health services
Thomas Uhlemann (University of Hamburg)



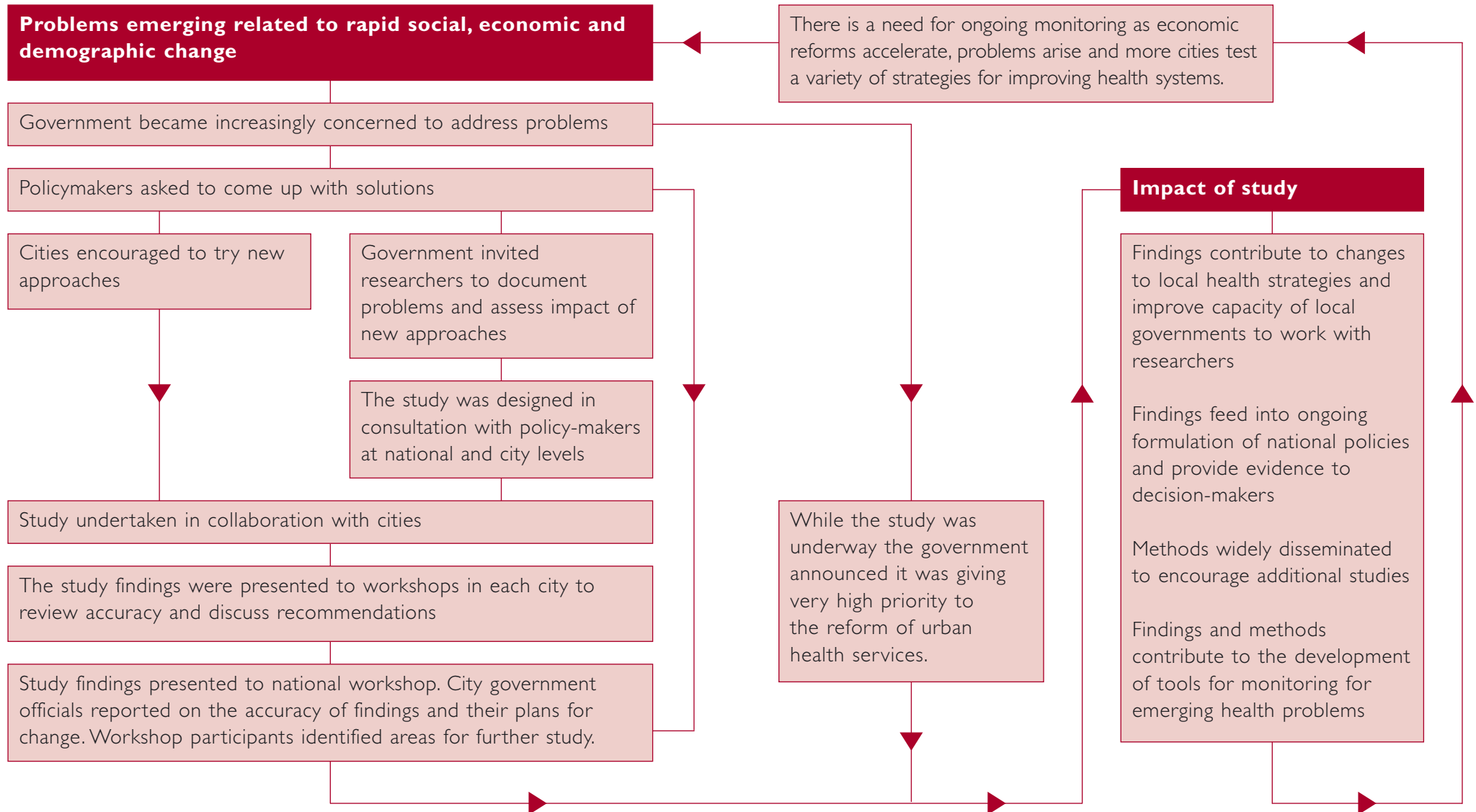
A **second finding** is that unemployed workers, disabled people, temporary migrants, women without a history of employment and recipients of social support payments often relied on family members, friends and neighbours to help pay for health services. Many people were very worried about how they would cope should they fall seriously ill.

Medical insurance is mostly based on employment. A **third finding** is that even among those insured in this manner there is evidence of growing problems. This was especially the case for those whose employer was having financial difficulties. For many it takes months for claims to be honoured and for others their company schemes were unable to honour claims fully. Employees of successful enterprises were more likely to seek treatment when ill and they spent more per visit than employees of loss-making enterprises.

A **fourth finding** is that people without insurance tend to differentiate between what they consider as illness and what they consider as ailment and to treat the latter with drugs they buy themselves. A related finding is that it was not unusual for “ailments” to become chronic illnesses, thus laying an additional heavy burden on the poor.

In addition, Nantong started a city-wide insurance scheme in the late 1990s. The study found that enterprises that joined the scheme tended to have older employees and many pensioners and that the claims were mostly for expensive hospital-based care, raising obvious questions of relative cost-effectiveness for the scheme as a whole. The scheme is currently implementing changes to control costs and encourage more employers to join.

Research and the change process



In-depth interviews added to the survey findings. They provided an opportunity to learn how people in different circumstances coped with health problems.

In Nantong the wife of an elderly man with Parkinson's disease said: *'We save his medicine as much as we can, because he is only reimbursed 50 yuan a month. If he has a stable period, I go to the hospital to get the medicine. If he went they would want him to be hospitalised but he wouldn't do this. In hospital, he has to take three tablets three times a day. At home he takes one or two tablets a day, unless he is bad, because he begrudges the cost.'*

In Zibo a sixty-two year old woman found it difficult to pay for treatment of her chronic lung condition. She had acute flare ups from time to time and had paid 600 yuan during the last episode. Her husband had a pension, which supported her and two sons, who had very low incomes. He had health insurance but she was not entitled to claim from it. She paid for her own medical care with money earned by doing odd jobs.

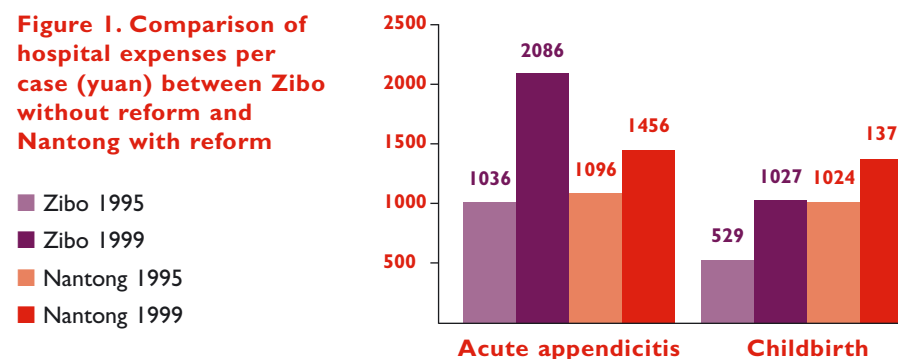
Has healthcare provision become more or less efficient?

Since the early 1980s, there has been no shortage of national effort on hospital-related reforms. These have included significant changes to hospital reimbursement mechanisms, new forms of health insurance and an emphasis on decentralisation. The financing system has given hospitals more autonomy, but has encouraged them to rely on market mechanisms. Over this same period, the number of health workers and beds has increased and hospitals have purchased a lot of equipment. In Nantong and Zibo the numbers of health workers and hospital beds grew at around 3 per cent a

year during the 1990s and the value of medical equipment at over 20 per cent. These efforts contributed to improvements in care, but the study found that hospital efficiency fell, costs rose and utilisation decreased.

With the aim of increasing the motivation of medical workers for enhanced service delivery, both cities introduced salary bonus schemes in the 1980s and a "responsibility" system a few years later. This study found that these measures have encouraged health workers to pay more attention to revenue generation than to efficiency or quality. Indeed, the evidence from Nantong and Zibo indicates that many hospitals encourage people to use expensive services and costly drugs. In terms of unit costs, the study revealed that in Zibo, for example, the average cost of acute appendicitis treatment doubled between 1995 and 1999. Also, the rate of increase was higher for people with insurance than for those paying in cash. Nantong recently reformed its health insurance to pay a fixed price per case, rather than fee for service. This contributed to slower increases in the cost per case of acute appendicitis and child-birth in Nantong than in Zibo (Figure 1).

Figure 1. Comparison of hospital expenses per case (yuan) between Zibo without reform and Nantong with reform



More information

For further information about members of the research team, and how to get full details of the research methodology and the study findings, go to: www.ids.ac.uk/ids/health/urban.html

Linking research to health system development



City government officials were consulted extensively to ensure that their interests and needs would be taken into account. The many policy issues that arose from the study were subjected to intensive discussion and review between officials and researchers, including the directors of each city's health department.

The findings of this study were presented to a national workshop attended by health service and health insurance managers, policy makers involved in the design of health reform programmes and officials of international agencies. The directors of both city medical bureaux reported that the study findings were accurate and they indicated that priority follow up issues would include improving health insurance and safety nets for the poor, strengthening community-based services and regulating hospital performance. The workshop participants recommended activities for further experimentation and study. They concluded that the methodologies could be adapted for use in ongoing monitoring of urban health developments.

All participants expressed a desire to strengthen the links made between national policy-makers, city officials and researchers as a result of this study. They made a number of recommendations for the dissemination of the findings more widely.

The latest

Since the final workshop, Nantong and Zibo have acted to address several issues highlighted in the study. Nantong has produced a regional plan for making better use of health resources. It is rationalising its hospital services and strengthening community health care. It has also allocated government funds to extend health insurance coverage to some of the unemployed. Zibo has completed a plan for health insurance reform that incorporates new approaches for controlling hospital costs and for better meeting the needs of the poor.

The research team has continued to work with the study cities and will present a policy briefing paper to a meeting of expert advisors to the Ministry of Health. Efforts are underway for a widespread dissemination of the study, including the publication of a number of articles in Chinese and international scientific journals and the full research report and methodology, in Chinese and in English. It is hoped that these publications will encourage other researchers to undertake similar studies and will be of direct benefit to international agencies supporting China's health reforms.

Several government ministries are taking action to address the problems identified by this and other studies. The Ministry of Health has produced new guidelines for the development of community health services and for controlling hospital costs. The Ministry of Labour and Social Security has taken concrete steps to encourage and support municipal governments to improve their health insurance schemes. The Ministry of Civil Affairs has launched a health safety net for the urban poor. The State Development Planning Commission is testing new approaches for planning urban health services to meet needs.

other photos found (all Panos)



maybe this one could be used inside as well?