



Health care in China: The role of non-government providers

Yuanli Liu^{a,*}, Peter Berman^a, Winnie Yip^a, Haocai Liang^b, Qingyue Meng^c,
Jiangbin Qu^c, Zhonghe Li^d

^a Department of Population and International Health, Harvard School of Public Health, SPH1-1210,
665 Huntington Avenue, Boston, MA 02115, USA

^b Sun Yat-sen University of Medical Sciences, Guangzhou, China

^c Institute of Social Medicine and Health Policy, Shandong University, Jinan, China

^d Department of Health Policy and Management, Harvard School of Public Health, MA, USA

Abstract

While China's health services are primarily financed by out-of-pocket spending (private financing), health care providers, especially the hospital industry, are still dominated by state ownership and government control (public provision). Even though the private sector plays an increasing role in the ambulatory sector, private services are not included in the social insurance benefit package, and thus, it primarily serves self-paying patients. The ambiguity of the government policy toward private provision stems from concerns that an increasing private sector would drive up costs and its services may be of questionable quality. This paper tries to gather evidence on the relative performance of private and public sector in China. Neither literature review nor our primary data analysis provides any support for the notion that the private sector charges a higher price and they serve primarily the better-off people. Quite on the contrary, available data seem to suggest that not only the private sector tends to serve disproportionately the low–middle income groups (this may well be due to its relative lower direct and indirect costs), consumer satisfaction also seems to be higher with regards to certain dimensions of the private than public sector.

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1. Introduction

Developing countries continue to face difficult challenges in meeting the health needs of their populations and in achieving the Millennium Development Goals [1]. The problem is not just lack of resources, but also how to use existing resources more equitably and more efficiently [2]. Due to equity considerations

as well as considerations of market failures, governments of most countries have become central to health policy and health systems during the 20th Century, often engaging in both the financing and provision of a wide range of health services, including public health, ambulatory and hospital services [3]. However, largely motivated by ideological and technical arguments during the 1980s and 1990s, non-government health care has become more visible and increasingly recognized as a significant part of national health systems [4–8]. This is especially true for the “transitional countries”

* Corresponding author.

E-mail address: yuanliu@hsph.harvard.edu (Y. Liu).

such as China, which have undergone transformation from a command to market economy [9].

The extent to which the non-government sector is involved in financing and provision of health care varies widely across countries. One of the central policy debates for health system reform around the world is whether or not and how the government should mobilize this sector to help achieve improvement in access to better quality care and better health outcome of the populations. In part, the ambiguity of the policies regarding the proper role of the private sector stems from the lack of understanding of the rationale for and performance of the private sector. For example, China's economy as a whole is now dominated by the non-government sector [10]. But the role of the private sector in health care provision is still very limited. Since profit motive may cause private providers to ignore the needs of the poor and induce demand by those who are able to pay, policy makers in China are concerned about the negative consequences on access and efficiency of health care, if the private sector is allowed to proliferate. Are those concerns warranted? Is there empirical evidence on the relative performance of the private and public sector in health care? Answers to these questions will not only enhance our understanding of the private sector, but also have direct implications for new policy development regarding the proper role of the private sector.

Based on both secondary and primary data analysis, this paper first provides an overview of China's health system and the overall scope of private sector in health care in Sections 2 and 3. Section 4 addresses the question of why people choose private providers in China. Then, in Section 5, we analyze evidence on the performance of private providers, compared to the public providers. The performance criteria include perceived quality by the consumers, average costs, and satisfaction. In Section 6, we conclude the paper by discussing the major findings and issues that should be considered for future studies in this field.

2. An overview of China's health system

2.1. Health care supply

In 2002, China had over 306,000 health establishments and a wide array of supporting research

organizations. The country has 5.2 million health professionals, including 1.8 million physicians with various levels of training (about 1.5 physicians per 1000 people) and 1.2 million nurses. Averaging 2.4 beds per 1000 people, there are over 17,844 hospitals with some 3.1 million hospital beds. About 8200 urban community health centers and 46,000 rural township health centers (a township health center usually has 15–20 beds) mainly provide outpatient services. In addition, there are 213,000 clinics. Preventive services are provided by 3463 Centers for Disease Prevention and Control at the national, provincial, city and county levels. China also has specialized facilities for preventing and treating specific health conditions or caring for special populations. Nearly 1840 Institutes for Prevention and Treatment of Special Diseases (e.g. TB) and 3067 Maternal and Child Health Stations [11] have been established.

2.2. Health care financing

The 2001 National Health Account study estimated that China spent 515 billion Yuan on health in 2000. As seen in Table 1, government spending accounted for 14% and individual out-of-pocket spending accounted for 60%. The rest was spent by insurance schemes and enterprises. Despite escalation of medical costs, insurance coverage did not change much in the past decade. According to the two national health services surveys conducted by the Ministry of Health in 1993 and 2003, the percentage of populations with any health insurance coverage changed from 53 to 46% in urban areas, and from 12% to only 21% in rural areas [12,13].

Table 1
Health care spending in China (1990–2000)

	1991	1995	2000
Percentage of GDP spent on health	4.11	3.86	4.82
Percentage of total health expenditure by government	22	17	14
Percentage of total health expenditure by individuals (out of pocket)	38	50	60
Percentage of government health spending on public health	75	72	70

Source: Ref. [25].

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