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# An *opportunity* for China's health system?

By Jane Duckett After two decades of prioritising economic development over public health, the Chinese government may be forced to reassess its health policy and provide better care for the mass of China's people.



PHOTO: COME

THE SARS crisis has not only exposed the Chinese government's knee-jerk secrecy and preference for presenting a positive image internationally. It has also highlighted at least two serious problems in China's health system. The first is a fragmented health management system, which hampered effective SARS reporting. The second is unequal access to health services across the population, which may have deterred some people from seeking treatment and made tracking the spread of SARS more difficult.

## Economic Growth Priorities

Some of the problems of China's health system are common to most developing countries. China currently

has a per capita GDP that places it in the World Bank's 'lower middle income' category, so that we would not expect it to have the disease reporting systems that richer industrialised nations can afford. Indeed, China established a Centre for Disease Prevention and Control (CDC) modelled on its US counterpart only in early 2002, and it would have been ill prepared for a public health emergency like this.

But many of the health system's weaknesses have been created or exacerbated in the post-Mao period by a government that has prioritised economic development over public health. While investment has been pumped into promoting economic growth, the share of government expenditures devoted to health

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have fallen significantly, for example from 15.5 to 11 per cent in the short period from 1995 to 2000. As a result, more than twenty years of sustained economic growth have failed to improve health service provision for the vast majority of the population. While China now ranks 127th out of some 208 countries in terms of per capita gross national income (World Bank, 2001 figure), it ranks significantly lower on health system performance, at only 144th (WHO, 1997 figure).

### A Fragmented System

Even before China launched market reforms, its health system was bureaucratically fragmented. While the Ministry of Health (MOH) made health policy and managed most health service providers, other ministries, large state enterprises, and the army also ran their own hospitals and clinics. Although reforms have tried to transfer these facilities to MOH control, this task is incomplete. At the same time, the number of private clinics has increased in the post-Mao period, and they may not be well integrated

into national monitoring and information systems. Poor communications between army hospitals and the MOH were said to be the reason the MOH had a weak grasp

of SARS' spread to Beijing in early April.

Enhanced local government control over local health authorities in the post-Mao period has further fragmented the system. Because health officials are now responsible to the local leaders who appoint them, they may be subject to local political pressures. This may have hampered the ability of the MOH and its CDC to gather data on the spread of SARS across the country, and it may remain a problem despite the now considerable pressure on local leaders to ensure comprehensive reporting.

### Growing Inequalities

The post-Mao decentralisation of state finance to lower levels of government has further exacerbated inequalities in government health spending between and within provinces, cities and rural counties. As a result, the poorest areas tend to have the lowest health care spending. It is these areas that are likely to have the weakest capacity to identify and treat SARS patients; hence fears in China and abroad that SARS might spread to these places.

In addition to regionally unequal investment in health services, there has also over the last twenty years been a significant increase in inequality across the population in access to services and treatment. Many people now pay directly for their own medical treatment, with private expenditures in 2000 accounting for 63.4 per cent of total expenditures on

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Unfair and under-funded, China's healthcare system favours city-dwellers over peasants, the majority of the population. PHOTOCOME

health, up from 53.3 per cent in only 1995. In 2000, only 16 out of 191 countries had a lower share of government spending, and according to the WHO, in 1997 China ranked only 188th out of 191 countries in terms of fairness in the distribution of the health care finance burden.

China's declining performance in the fairness of its health care financing is due largely to falling health insurance population coverage in both cities and the countryside during the 1980s and 1990s. In rural areas, a system of local co-operative health service provision that benefited nearly 90 percent of the population by the late 1970s collapsed in the 1980s when the communes were dismantled. Today as few as 10-15 per cent of the rural population participates in the newly-promoted rural collective health schemes. The pre-reform insurance system for urban employees and their dependants also has been eroded by market reform, and may now reach as few as 15 per cent of urban dwellers in some cities. Although a new urban basic medical insurance system has been promoted since the late 1990s, it is targeted only at those in work and so does not reach a majority.

When tackling outbreaks of diseases like SARS, the decline in insurance coverage and the rise in the numbers of people who must pay for medical treatment themselves means that the poor may not seek treatment when they fall ill. This is not only potentially life-threatening for the sick, it also makes tracing and identifying contagious diseases difficult. And it is for this latter reason the central government announced in April that all patients diagnosed with SARS would be treated free of charge. The danger is that people may fear demands for payments should they seek treatment for SARS but be diagnosed with some other illness.

### An Opportunity for the Health System?

New state funding has so far been directed mainly at tackling the immediate outbreak. The central government has announced large injections of cash to deal with SARS and support those institutions most closely involved in containing it. As of early June, the central government had spent one billion *yuan* of a two billion *yuan* SARS prevention fund. Most of this had been allocated to the treatment of poor patients diagnosed with SARS, subsidies for health workers, and SARS treatment-related equipment, medicine and research. Local governments are reported to have allocated another 5 billion *yuan* for dealing with SARS.

Part of the new funding is directed at developing the public health emergency and disease prevention and control systems. The centre has also earmarked at least 310 million *yuan* for improving public health emergency response mechanisms and a further 3.5 billion *yuan* for improving the CDC system. This should bring longer-term benefits and may help reverse the post-Mao period shift away from prevention work toward providing often unnecessary and expensive hospital treatment that few can afford. Similarly, SARS may also succeed in focussing attention on infectious diseases like tuberculosis, Hepatitis B, and AIDS that at present affect far greater numbers of people.

Stringent quarantining measures appear to have brought SARS under control both inside and outside China. Attention has turned to its longer-term impacts. The international media have asked whether improvements in reporting cases and tackling the outbreak are signs of political change. In particular, have China's new leaders learned the lessons of trying to control information when their country is enmeshed in globalised networks of travel, trade, and media?

But just as important a political change would be the reordering of policy priorities and resources away from pure economic growth and toward development that delivers access to better medical care for the mass of China's population.

Although the SARS crisis has highlighted fundamental deficiencies in the health system, it is still unclear whether it will stimulate a reassessment of China's health policy and mobilise the immense political and budgetary resources needed to develop better co-ordinated and fairer health service provision. But it has at least succeeded in demonstrating that public health is an important component of development, and that its neglect can threaten economic growth. 

**“Public health is an important component of development - its neglect can threaten economic growth..”**

## CHINA UNDER NEW LEADERSHIP



Wilton Park is holding its annual conference on China at Wiston House, Sussex, from

**Monday 3rd – Thursday 6th  
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The conference will provide an in-depth assessment about the new Chinese leadership and the way it is tackling the major economic, political and social challenges which China is facing.

Held in an attractive Elizabethan house the residential setting enables excellent networking opportunities for those working on China to meet policy makers and experts from China for “off-the-record” discussions.

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