

China's encouraging commitment to health

But reforms must be extended to deliver better outcomes

In 2009, the Chinese government published *Opinions on Deepening Health System Reform*,¹ a political commitment to establishing an accessible, equitable, affordable, and efficient health system to cover all people by 2020.²

Health is a public right in China, and the health service is delivered and regulated by central and local governments.³ As the second largest world economy with a population of 1.4 billion, China has seen its economy grow over the past 40 years followed by challenges from emerging health problems such as non-communicable diseases, an ageing population, and people's rising expectations about health.

Difficulties with health financing, healthcare delivery, and public health made health service reform urgent. In 2003, 45% of the urban population and 79% of the rural population were not covered by social health insurance schemes,⁴ limiting access to healthcare and increasing financial burden. Out-of-pocket payments accounted for more than 50% of health expenditure.⁵

The financing model for public hospitals and primary healthcare facilities was distorted by incentives from drug mark-ups, leading to overprescription and irrational use of medicines, particularly antibiotics. Inappropriate financial incentives also hampered primary care practitioners in providing a high quality service to patients.⁶ Consequently, patients bypassed primary care with public hospitals providing over 80% of health services and consuming half of all health expenditure.⁷

Limited public health services were provided before 2009, with most focused on maternal and child health and control of infectious diseases.⁸ Therefore, the 2009 reforms focused on strengthening the capacity of primary care, expanding social health insurance, delivering an essential public health package, revamping the public hospital sector, and improving the essential medicines policy.⁹ Promoting universal health coverage was a central pillar of the reforms.

Towards universal health coverage

This *BMJ* collection of articles (<https://www.bmj.com/china-health-reform>) analyses the achievements and challenges of the

health system reforms that started in 2009. Government investment in healthcare increased after the reforms. Total health expenditure grew from 5% of gross domestic product (GDP) in 2009 to 6.4% of GDP in 2017.⁹ China expanded its three main social health insurance schemes to cover more than 95% of the population. Out-of-pocket expenditure dropped to 29% of total health expenditure in 2017 and is projected to reach 25% by 2030.¹⁰ Differences in maternal and infant mortality rates between rural and urban areas were reduced.⁹

Primary care facilities now provide essential public health services to all citizens. These are co-funded by central and local governments and are free at the point of delivery. An expanded public health package was designed to integrate health education, non-communicable diseases, and mental illnesses, with particular focus on the health of elderly people and rural women.⁸

The reforms changed the financing model for public hospitals and primary care facilities. A performance based salary system was introduced to realign incentives for primary care practitioners, separating physician income from drug prescription in an attempt to encourage better quality services.⁶ To compensate for revenue loss from drug sales, the government funded a reimbursement scheme to cover the deficit in primary care⁶ as well as increasing fees for medical services and subsidies for public hospitals.¹¹ By introducing a policy of tiered charges and co-payments for medical consultations, for example, Beijing saw a reduction in outpatient volumes in tertiary care and greater use of primary care.¹²

An essential medicines list was created to regulate prescriptions, combined with enhanced antimicrobial stewardship to curb misuse of antibiotics. As a result, the rate of antibiotic prescription in both inpatients and outpatients decreased in tertiary hospitals.¹³

Health system reform is complicated, and it can be especially challenging for low and middle income countries with huge populations, such as China. Although systemic approaches have helped with progress and pushed the reforms forward, many problems remain. China's health system reform is a complex and long term

challenge. The capacity and use of primary care providers are inadequate, and better collaboration between different health sectors is essential to provide integrated care. Further reform should focus on building competency and realigning incentives to recruit and retain primary care practitioners. The current separate financing mechanisms for treatment, covered by social health insurance, and prevention, covered by a basic public health services package, should be combined to bolster universal health coverage and contain health expenditure, thereby encouraging hospitals to provide more public health services. An effective performance evaluation system is also needed to assess health outcomes and quality of care.⁹

A well functioning health system of high quality and efficiency is integral to China's desire to improve population health and shift to a national development model that prioritises health. This ambition is embodied in China's commitment to achieving Healthy China 2030, a statement of political will to prioritise population health and respond to global commitments related to realising the United Nations sustainable development goals.¹⁴ After a decade of progress since the health reforms of 2009, ongoing challenges in health require China to further extend its health system reforms and meet the growing health expectations of its people.

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