

Bulletin

August 24, 2005

To Clients and Friends of the ChinaCare Group:

You may have recently heard references to a report issued by the Development Research Center of the State Council of the People's Republic of China (DRC) which has been critical of the healthcare reform initiative launched by the government in 2000. Accounts of this report which was released last week have begun to appear in international publications such as the New York Times and others this week. This report is interesting for a number of reasons but the ChinaCare Group does not believe that it signifies a significant shift in the government's position on healthcare reform and the liberalization of policies which encouraged foreign investment in Chinese healthcare.

This bulletin will summarize key aspects of the report, identify areas where our analysis of the report suggests possible changes to the existing policies might occur and provide a broad understanding of the issues associated with the report. An English translation of the full report is being developed now and will appear on the ChinaCare Group website (www.chinacaregroup.com) within the next day or two.

Who issued the report?

The report was prepared by the Development Research Center which is a government advisory body charged with reviewing and analyzing major government policies. The World Health Organization co-sponsored the report and played a role in the development of the conclusions which were expressed.

What was the focus of the report?

The principal focus of the report was the emphasis on requiring patients to pay for their own healthcare which was a prominent feature of the healthcare reform initiative of 2000. The report believes that this approach reduces the public's access to healthcare, unfairly overcharges those who do pay and is responsible for a deterioration in key healthcare statistics.

What were the conclusions of the report?

1. The focus on requiring patients to pay for healthcare services has reduced access and caused hardships to those who require care and are unable to pay for it.
2. Hospitals are overcharging patients through increased drug charges, over-utilization of medical services and long length of stays.
3. The government should play a more active role in ensuring that poor patients are fairly treated in hospitals and have full access to care.
4. There has been a recurrence of a number of diseases that had been almost totally eradicated under the former policies of the government. Specifically cited were tuberculosis and schistosomiasis.

Analysis

The main conclusions of the report have been the topic of discussion in Chinese healthcare circles for some time and are not remarkably new. It is not uncommon to see small public demonstrations in front of the Ministry of Health offices by individuals claiming to have been denied care for financial reasons. It has generally been acknowledged that healthcare reform effort has not been successful in the manner in which it was projected to be. As evidence of this, the portion of healthcare expenditures payable by the individual has risen dramatically over the last five years and now represents over 60% of total healthcare expenditures. In addition, hospitals have been slow to embrace improvements in their management systems. As a result, few Chinese hospitals have what could be regarded as a modern form of hospital management and the majority has simply continued in their past practices despite the encouragement of the reform effort.

The report concludes that the response of the hospitals to the decline in government support has been to over-utilize and over-prescribe in order to make up the shortfalls which have occurred and this has created hardships for ordinary citizens. Our reading of the report shows no criticism of the opening up of the healthcare marketplace to private investors, either Chinese or foreign, but instead a focus on the inequities that have occurred in some instances in access to healthcare. The ChinaCare Group has made inquiries with contacts and influential individuals both in the government and associated with the healthcare industry and has not heard anything that would suggest that the reforms associated with foreign investment have been challenged nor that any changes to these policies are being considered. What can be assumed is that there will be some form of revision to the reform policies as they apply to the poor and their access to healthcare.

Please do not hesitate to contact the ChinaCare Group if you have any questions about the report or its ramifications for your project or anticipated involvement in a China-based healthcare activity.

[The ChinaCare Group](#)