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Universal health insurance coverage for 1.3 billion people: What accounts for China's success?☆

Hao Yu*

RAND Corporation, USA

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ABSTRACT

China successfully achieved universal health insurance coverage in 2011, representing the largest expansion of insurance coverage in human history. While the achievement is widely recognized, it is still largely unexplored why China was able to attain it within a short period. This study aims to fill the gap. Through a systematic political and socio-economic analysis, it identifies seven major drivers for China's success, including (1) the SARS outbreak as a wake-up call, (2) strong public support for government intervention in health care, (3) renewed political commitment from top leaders, (4) heavy government subsidies, (5) fiscal capacity backed by China's economic power, (6) financial and political responsibilities delegated to local governments and (7) programmatic implementation strategy. Three of the factors seem to be unique to China (i.e., the SARS outbreak, the delegation, and the programmatic strategy.) while the other factors are commonly found in other countries' insurance expansion experiences. This study also discusses challenges and recommendations for China's health financing, such as reducing financial risk as an immediate task, equalizing benefit across insurance programs as a long-term goal, improving quality by tying provider payment to performance, and controlling costs through coordinated reform initiatives. Finally, it draws lessons for other developing countries.

1. Introduction

Universal health insurance coverage is rarely found in developing countries. That is why international experts are greatly impressed by the universal coverage recently achieved by China, the world's largest developing country with 1.3 billion population. For example, a World Bank report praised China's achievement as "unparalleled," [1] representing the largest expansion of insurance coverage in human history. One study concluded that China's experience is "exemplary for other nations that pursue universal health coverage" [2]. The achievement also drew attention of the mass media [3]. While China's success in coverage expansion is widely recognized, few studies have systematically examined reasons for the success. This study aims to fill the gap. The study findings will help answer three questions that are of interest to policymakers and researchers both within and without China:

1. What are the major drivers for China's achievement of universal health insurance coverage?
2. What are the policy challenges for sustaining the achievement in the next decade?
3. What lessons can be learned from China's experience?

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* Correspondence to: RAND Corporation, 4570 Fifth Avenue, Pittsburgh, PA 15213, USA. Tel.: +412 683 2300 4460; fax: +412 683 2800.
E-mail address: hao_yu@rand.org

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To analyze these questions, this study drew data from public sources. It searched the PubMed (http://www.ncbi.nlm.nih.gov/pubmed) for journal articles published in English language, the China Knowledge Resource Integrated Database (http://www.cnki.net/) for journal articles published in Chinese language, and the Internet for mass media reports and government documents. Using the data, this paper first briefly summarizes China's achievement. Then it analyzes major drivers for the achievement before discussing policy challenges and recommendations. Finally it summarizes the lessons from China's experience.

2. China's achievement of universal health insurance coverage

China's achievement is impressive for both the scale of coverage expansion, which is the largest expansion in human history, and the speed of expansion—by 2011, 95% of Chinese population was insured, compared with less than 50% in 2005 (for a brief summary of the evolution of China's health care financing systems, see Table 1) [1]. The coverage is offered through three public insurance programs. Table 2 summarizes key features of the three programs.

1. New Rural Cooperative Medical Scheme (NRCMS), launched in 2003 in rural areas. Its enrollment rose to 97% of rural population in 2011 [4].
2. Urban Resident Basic Medical Insurance (URBMI), launched in 2007 to target the unemployed, children, students, and the disabled in urban areas. It covered 93% of the target population in 2010 [2].
3. Urban Employee Basic Medical Insurance (UEBMI), launched in 1998 as an employment-based insurance program. Its coverage reached 92% in 2010 [2].

3. Significant factors for China's universal health insurance coverage

3.1. SARS outbreak as a wake-up call

To a large extent, China's recent coverage expansion represents a long-overdue government investment in the country's health care system. While the past three decades have witnessed China's economic take-off, the country's health care system has not kept pace with the economic development [5,6]. As government officials became increasingly occupied by economic development, government health expenditures dropped from 37% of total health expenditures in 1980 to 18% in 2004 [7]. The economic reform also unexpectedly led to serious deterioration in insurance coverage [8,9], with insurance rate falling to 5% and 38% in rural and urban areas respectively in 1998 [4,10]. Many researchers were alarmed by the falling coverage, and some researchers started experimental studies in the 1990s in an effort to rebuild the health insurance system, especially in rural China [11–13]. While the studies produced a wealth of experience that was eventually drawn on by Chinese policymakers, the studies did not lead to immediate policy actions, especially at the national level. At the turn of the 21st century, deteriorating insurance coverage coupled with a rapid increase in health care costs pushed health care affordability to the top of the list of public's concerns [14].

However, Chinese leaders did not pay close attention to the concern until the 2003 outbreak of severe acute respiratory syndrome (SARS), which spread from China to 37 countries with 775 deaths reported world-wide [15,16]. The SARS also incurred huge economic losses [17]. Consequently, it served as a wake-up call to Chinese leaders, who recognized how underinvestment in the 1980s–1990s had led the health care system to be unprepared for an emergency [18]. Within several months of the SARS outbreak, Chinese leaders decided on massive investment in the public health system [12], including heavy subsidies for the nation-wide implementation of NRCMS, which marked a new era of health care financing in China.

3.2. Strong public support for government intervention in health care

Whereas the NRCMS implementation represented China's efforts to rebuild rural health insurance system, there were no similar efforts in urban areas in the three years after the SARS outbreak, resulting in dissatisfaction among urban residents as they had difficulty paying medical bills, or had to go without care [6]. Summarizing the wide-spread discontent, a report by a high profile think tank that is affiliated with the State Council, China's Cabinet, concluded that the health care reform before 2005 "was basically not successful" [19]. The report raised the political stake to a higher level because of its immediate popularity, and more importantly, its high profile authors, who rarely publicly criticize government policies. Therefore, it sparked a national debate about health care reform in 2005.

One unique feature of the debate is strong public support for government intervention in health care, making China differ greatly from many countries [20,21]. Historically, both the famous "barefoot doctors" and the cooperative medical scheme, the predecessor of NRCMS, were keenly promoted by the governments in the 1960s–1970s [22]. Given the governments' past success in the health sector, it is not surprising that Chinese people expected for renewed government role in the 2000s.

Another reason for the public support for government intervention is the problems caused by privatization of China's health care system. While China's governments never formally published any privatization policies, they reduced political and/or public funding support substantially and forced doctors and health care facilities to function much like for-profit entities [23], resulting in the phenomenon of de facto privatization as concluded by researchers of the Chinese health care system [24]. For example, the barefoot doctor system in rural China, which was once praised by WHO as a successful example of providing health care services in developing countries [25,26], declined rapidly after China's economic reform started in 1978 because it no longer enjoyed political backing from the central government and financial support from local governments and communities [27]. By the late 1980s, barefoot doctors either became private practitioners or