The technical assistance supported the Ministry of Health to adopt policy recommendations for reforming health provider payment methods to help address the high cost of care in the People’s Republic of China.

A systematic and evidence-based approach to reform payment mechanisms for health care providers is necessary.

Sufficient financial and human resources need to be allocated in impact assessments when designing and proposing policy reforms.

BACKGROUND

In 2003, the People’s Republic of China (PRC) launched the New Rural Cooperative Medical Scheme (NRCMS). A national health insurance scheme, the NRCMS aims to address the high out-of-pocket expenditures for health care in rural areas. With its rapid progress during implementation in 2008, the NRCMS was able to cover 100% of the PRC’s counties and enrolled a total of 833 million people (94% of the target population) in 2009. This achievement made it the largest insurance scheme in the world. By reducing out-of-pocket expenditures for health care, the NRCMS represented a major step toward a more equitable and efficient rural health financing system. Increased funding for this scheme has translated into a higher level of financial protection for the insured rural residents. Actual reimbursement rate increased from 25% in 2004 to 41% in 2009.

However, the NRCMS faced several challenges. First, the rising medical costs led to less financial protection especially when patients suffer from catastrophic illnesses that require expensive medical treatment. Second, the design of the scheme, which reimburses primarily inpatient care, has created an incentive for the insured to avail of costly inpatient care rather than low-cost outpatient care. Third, since health care providers were paid primarily on a fee-for-service basis, there was an increase in excessive and expensive treatments with providers having a tendency to increase their income by selling medicines and providing high-tech care. Additional funding made available to health care providers puts an upward pressure on the cost of health care without necessarily improving the quality of health services.

To address the high cost of health care, counties were required by the government to reform their provider payment methods (PPM). Although some counties had piloted different payment methods, there was no systematic and evidence-based approach to reform payment mechanisms for health care providers.
THE TECHNICAL ASSISTANCE

The technical assistance (TA) was designed to help identify appropriate health PPM to strengthen the health services purchasing capacity of the NRCMS. The intended outcome was for the Ministry of Health to adopt policy recommendations on reforming PPM for the NRCMS. The TA has (i) supported the scoping of international experience and best practices in PPM for both rural and remote areas; (ii) assessed the PPM used under the NRCMS; (iii) conducted field investigations in several counties considered of particular interest for the future reform of PPM; (iv) distilled lessons from pilot tests in two counties; and (v) produced a report on the NRCMS PPM that was shared with key stakeholders.

In addition, the TA (i) facilitated the development and pilot-testing of training materials on PPM; (ii) conducted the training for health care providers, NRCMS managers, and health authorities; and (iii) organized an international study tour on PPM for key decisionmakers and implementers to learn from successful models in more developed economies. Dissemination and knowledge-sharing workshops were also supported by the TA.

The TA benefited from regular participation and inputs of other development agencies also involved in similar activities in the PRC such as the World Health Organization and the World Bank.

MAJOR LESSONS AND RECOMMENDATIONS

Policy reforms, with far-reaching impacts on both the government and the beneficiary, should be accompanied by rigorous evaluation to measure the effects of the reforms. This implies the need for sufficient resources, both financial and human, to be allocated in making impact assessments when designing and proposing policy reforms.

The TA recommends the setting up of technical committees involving key stakeholders from governments, the private sector, and development partners for similar studies. It is expected that in the future there will be greater demand from governments and international donors to provide evidence on the efficiency of interventions.