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REFORMING CHINA'S PUBLIC HOSPITALS: A ROUNDTABLE HOSTED BY CHPAMS

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On June 9th, 2013, China Health Policy and Management Society (CHPAMS) hosted a roundtable discussion about China's public hospital reform during the 2013 Chinese Economists Society's annual meeting in Chengdu, China. As CHPAMS members initiated the discussion by introducing their recent paper about the privatization experience of township-village health centers, panelists from academia, government and the media shared their thoughts about where the public hospital reform in China should head for.

1. Introduction by Dr. Zhuo (Adam) Chen

The China Health Policy and Management Society (CHPAMS) has always intended to participate in China's health policy debate. We want to promote a dialogue between academia and policymakers. In addition, with the overseas education background of CHPAMS members, they could have many meaningful exchanges with scholars from within China. The reform of public hospitals in China is one of the hottest topics in China's health care reform agenda. Thus we host a roundtable forum at the 2013 China Economists Society's annual meeting in Chengdu, China and focus on the topic of public hospital reform, inviting panelists from academia, the government and the media to join the discussion.

The distinguished panel includes Professor Shanlian Hu, Director of the Shanghai Health Development Research Center, Shanghai Bureau of Health, and Professor, Fudan University; Professor Hengqiu Xu, Director, Office for Food Safety, Anhui Province, Deputy Director, Anhui Department of Health, Professor, Anhui Medical University; Professor Gordon Liu, Director, Institute for Health Economics, Peking University; and Lian Dai, Executive Editor, CN-healthcare.com.

CHPAMS member Lu Shi will open the discussion by introducing his recent paper on a descriptive study of the hospital privatization in Haimen County, Jiangsu Province*, which epitomizes the nationwide trends of township-village health center (TVHC, weishengyuan) reform in the past decade.

2. Panel Discussion

The following is a brief summary of the discussion points provided by Dr. Lu Shi, with inputs from Ms. Lian Dai. Note that the summary is only for the purpose of stimulating further discussion on this topic and has not been reviewed by the panelists. Any inaccuracies shall not be attributed to the panelists.

Dr. Lu Shi:

In 2002 local governments privatized many TVHCs only to find a serious exodus of TVHC employees following the privatization, coupled with significant revenue loss and caseload reduction among the privatized entities. Since 2008, there has been a new trend among local governments whereby the government bought back these privatized TVHCs and reassign the identity of "public

* Huang, J., Shi, L., & Chen, Y. (2013). Staff retention after the privatization of township-village health centers: a case study from the Haimen City of East China. *BMC Health Services Research*, 13(1), 136.

employees" to people working in TVHCs. What does this Haimen story of TVHC privatization tell us? Does it mean privatizing health care providers is infeasible without compatible reforms in health insurance and household registration system in China? If so, how do we still see successful private or for-profit hospitals in China? Or does the Haimen story of TVHC privatization merely reflect the depopulation of Rural China in the past decade?

2.1 Prof. Shanlian Hu: the difficulty of public hospital reform

There are mainly two aspects of our reform in public hospitals. The first is the fiscal part: the local governments are required to increase their fiscal input to health care; drug price will be adjusted to break the financial link between health care and drug sales. The second is the governance part: reform the personnel system, establish the corporate governance structure, build up the hospital network system, and diversify the ownership makeup.

The difficulty of health care reform in China is threefold: excessive physician workload due to demand increase, premature governance structure of health care providers, and lack of incentives for the hospital staff. In reforming public hospitals, we lack a legislated reform that changes the compensation scheme and have not moved the hospitals toward the patient-centered "accountable care organization."

The conclusion is: the health care reform in China needs to have a top-down design and long-term planning; reforming the public hospitals needs the support and collaboration from different government agencies; we need to look back at the experiences of this four-year reform

2.2 Dr. Hengqiu Xu

The Haimen story is not alone. As the TVHCs got "marketized" ordinary citizens can hardly find a place to see a doctor. The old cooperative health care scheme in Rural China collapsed and few people provided public health service there. Hence the big "buyback" trend, partly thanks to the New Rural Cooperative Medical Scheme.

For community health centers and TVHCs, the first problem is that we are short-staffed at the community health care level. Ordinary citizens still do not trust physicians at that level. The second one is that efficiency of service: TVHCs and community health centers now avoid high-risk operations that they do have the capacity to perform. For hospitals at or above the county level, the first priority is still to reform the compensation scheme. We need to increase the "sunshine income" of health care professionals while controlling those unnecessary expenditure items in pharmacological treatment and medical supplies.

2.3 Prof. Gordon Liu

Case study is a classic research method but we need to "get the big picture right." Do we really need public hospitals? Yes! The focus should be on the community level as you cannot afford to focus on both ends. Let the societal forces take care of the higher end and let the government's hand help the lower end.

Empirically, is it possible for non-governmental forces to operate high-end hospitals? I have data that compare the inpatient cost per hospitalization in Beijing and in Taipei. In Taipei the physicians' salary is ten times as high as that of Beijing physicians and 70% of Taipei hospitals are private whereas almost all hospitals in Beijing are public. You might think that a hospitalization in Taipei would cost more than one in Beijing, but in 2012 a hospitalization in Beijing cost more than 21,000 yuan while one in Taipei cost more than 17,000 yuan. My question is: where did our money go? If we allow societal forces to operate hospitals, our cost could actually be lowered rather than be increased.

My take is that the public hospital reform should encourage the societal forces to invest in the high end and then invest the very scarce government resources at the community level.

2.4 Ms. Lian Dai

I would like to share my perspective as a media person. First I would respond to Dr. Shi's Haimen case. In 2010 I did field work in Suqian, Jiangsu for more than ten days, covering townships and villages as well. I did a similar investigation in Anhui's villages and townships. And yes, Haimen is not alone. All reformed TVHCs experienced similar results. One reality is that before 2006 both private and public TVHCs were in really bad shape. TVHCs have very poor capacity in attracting talents, and it could take more than ten years to hire one university graduate. What caused such poor record in staff retention? Does ownership change alone cause it? When the ownership structure changed, does the government change its attitude toward the physicians in the privatized THVCs as well? Did the rating and training infrastructure disappear for the physicians in the privatized TVHCs? Did the expansion of the larger hospital attract a lot of people away from the privatized THVCs? I agree with Professor Shi's point that reforming public hospitals cannot be done without related reforms in household registration system and the personnel system. Does the "third way out" exist other than the public ownership and the private ownership (say, public-private partnership)? Or do we really need TVHCs at all? Can we just allow doctors to operate their own clinics?

My understanding of public hospital reform in China is not to reform the existing pool of hospitals. Rather we focus more on the new private hospitals, which grow in size, quality and number to challenge and change the way public hospitals operate.

My second question is: how shall we evaluate the reform of public hospitals? Professor Hu just mentioned that our goal is to set up an affordable health care system that satisfies the patients. But what about stakeholders like physicians? Our top-down design includes these stakeholders or not? The top-down design might need to be perfected, but besides a top-down design, will a bottom-up reform be more powerful?

My third question is, different agencies in the State Council have various expert panels to evaluate the health care reform. But none of the evaluation results have been shared with the public. We from the media want to know what the results are: what kind of reform cases will be informative to other places?

3. Responses and comments

Prof. Xu: I would respond Ms Dai's question as to whether TVHCs should exist. TVHCs should definitely exist. They have both the health care provider function and the health administration function. Villages and townships do not have health bureaus and the administrative functions at this level go to TVHCs.

Prof. Liu: I would respond to Ms Dai's question about reforming the existing hospitals vs the new hospitals. I think that both the establishment and the increment need to be reformed. Our existing public hospitals have very poor efficiency and thus reforming the establishment and reforming the increment are mutually supportive.