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China's Social Transition and Healthcare Reform Under Demographic Change

Ling Li

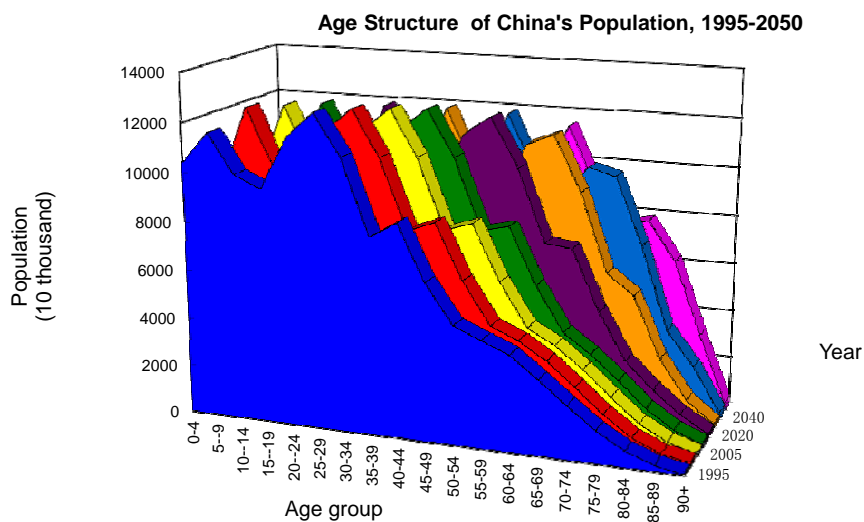
National School of Development, Peking University

I. China's Social Transition

- High economic growth rate
 - 9.8% annual GDP growth rate during 1978-2008
 - Second largest economy in the world since 2010 (only because of population size: >1.3 billion)
- Emerging and long-term challenges for China's development
 - **Economic sustainability**: **Aging**, Human capital investment
 - **Social stability**: public order disturbance
 - Other challenges: Urbanization, Globalization.....

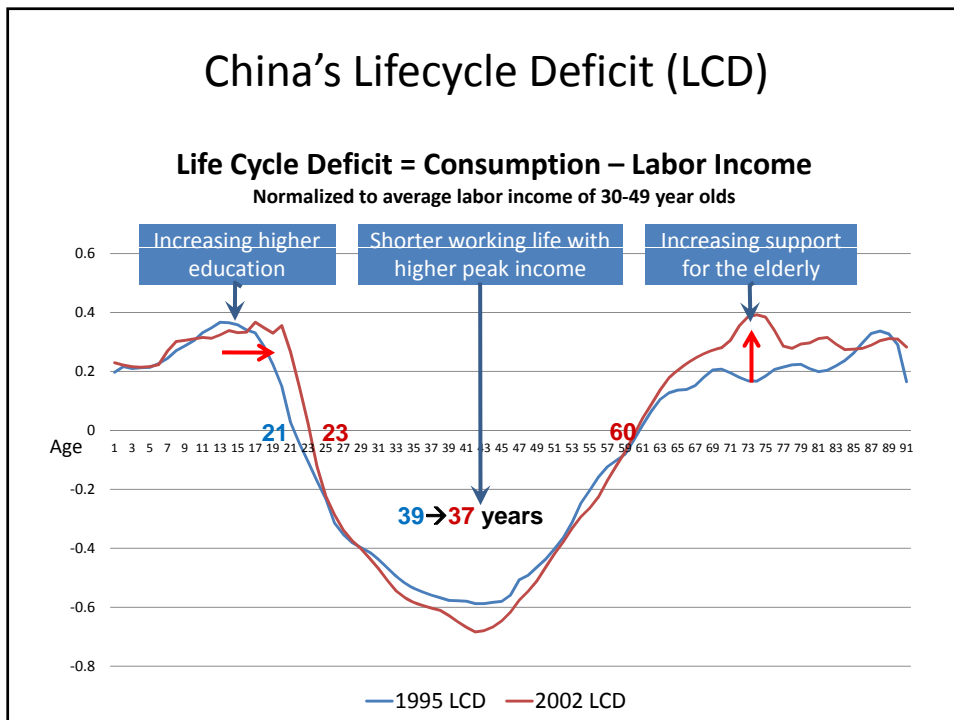
- China's Third Development Transition
 - 1st (1949-1952): Socialist transformation
 - 2nd (Since 1978): Market reform
 - 3rd (Since 2003; especially with the current “twelfth five-year plan”)
 - Balance economic development and social development
 - Improve people's lives and happiness

Largest Population, with Rapid Aging



Sources: NBS, China (projected from Census 2000, assuming TFR=1.65)

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Lifecycle Deficit Changing in China and Some Asian Countries

	1995		2002			
	Cutting Ages	Working Life	Cutting Ages	Working Life		
Lifecycle Deficit	21	60	23	60	37	2 ↓
Public Transfer	23	59	23	56	33	3 ↓
Family Transfer	26	67	26	63	37	4 ↓
- Intra Household	26	70	26	67	41	3 ↓

The working life was getting shorter as in some other Asian NTA countries, but it was still longer than in these other countries.

Lifecycle Deficit	Cutting ages	Working Life	Lifecycle Deficit	Cutting ages	Working Life		
Japan 2004	26	60	34	Thailand 1996	25	59	34
S. Korea 2000	24	56	32	Thailand 2004	26	58	32 ↓
U.S. 2003	26	59	33	Philippines 99	27	60	33
India 1999	27	63	36	Indonesia 99	28	59	31 ↓
India 2004	27	59	32 ↓	Indonesia 05	29	58	29

Source: Data from NTA website

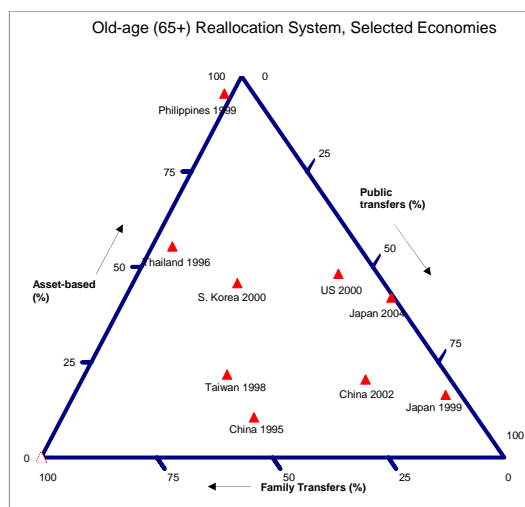
Selected Recent Social Reforms and Policies



- 2011 Pilot project for Pension Insurance for Urban Residents
- 2010 National education reform and development of long-term planning programs
- 2009 Health Care Reform Plan
- 2009 New Rural Pension Insurance System
- 2008 Housing Security Project for Low Income
- 2007 Pilot project for Medical Insurance for Urban Residents
- 2007 "Two exemptions and one supplement" in rural compulsory education
- 2003 New Rural Cooperative Medicare System

- 1994-1998 Basic Pension Insurance for Urban Employees
- Basic Medical Insurance System for Urban Employees
- 1986 Compulsory Education

Old-Age Support Systems in China and Some Other Asian Economies



- Family support is still a main living source of the elderly.
- But China is moving quickly to a so called modern market economy with increasing public transfers (with broader social welfare).

Source: data from NTA website

II. China's Healthcare Reform

- 1st Transition: During the period from 1950 to 1978, China had many achievements in health sector to be proud of
 - rapid and large reductions in mortality rate, despite China's low income per capita at that time
 - create a low cost, wide coverage primary health care system
- 2nd Transition: After 30 years of economic reform, China's healthcare system has not improved as well as its economy did. Instead, it has deteriorated in many aspects
 - Accessibility and affordability are both decreased
 - Patients, providers and government are all unsatisfied

“Kan Bing Gui, Kan Bing Nan” (看病贵、看病难)



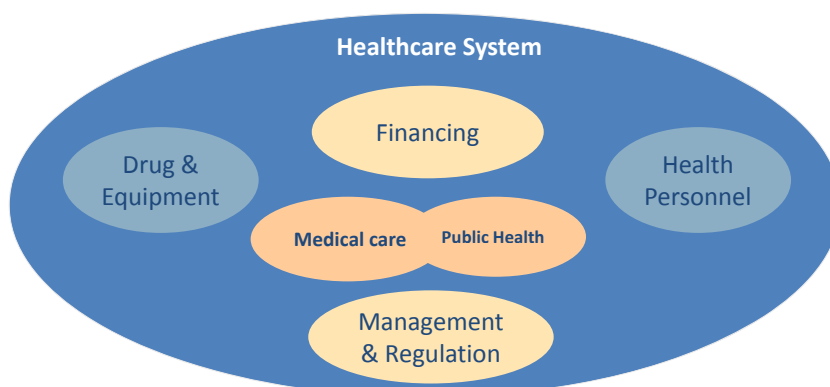
Health Care System Transition

- 3rd Transition: Increasing government role in health sector: universal basic healthcare insurance. But
 - Hot debate: subsidize supply side or demand side? Bismarck or Beveridge?
 - Big challenge: Rising health care expenditure /cost.

Health Care Reform Goals

Goals

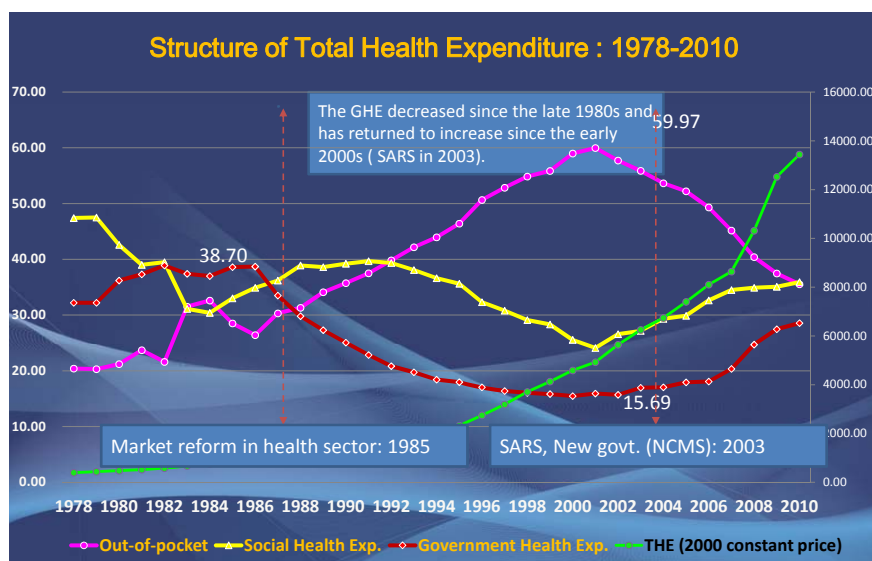
Basic Health Security for All



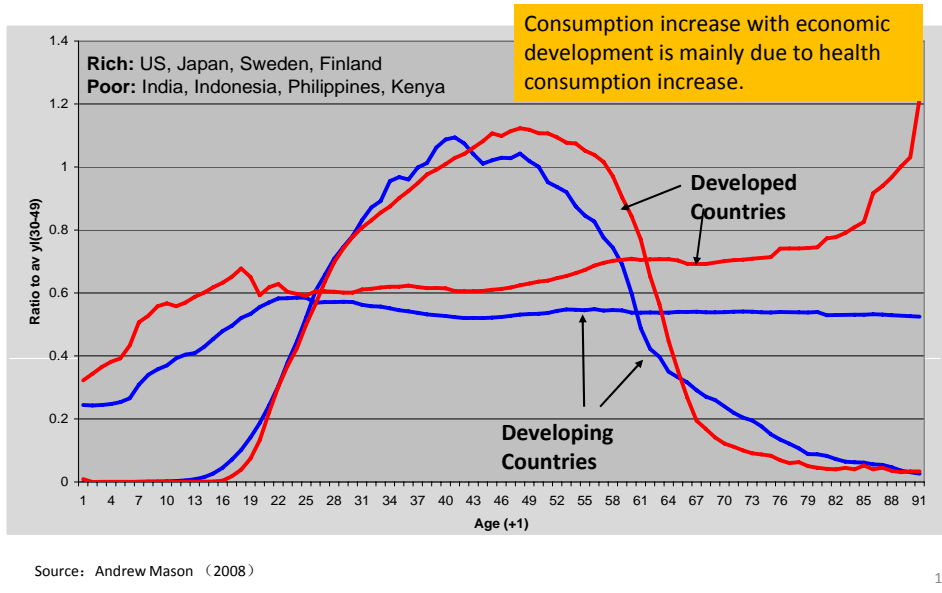
Five Priorities of Health Reform Action Plan in 2009-2011

1. Expand basic medical insurance system
2. Establish National Essential Medicine system
3. Strengthen the healthcare delivery system at grassroots
4. Promote equitable access to essential package of public healthcare services
5. Public hospital reform pilot

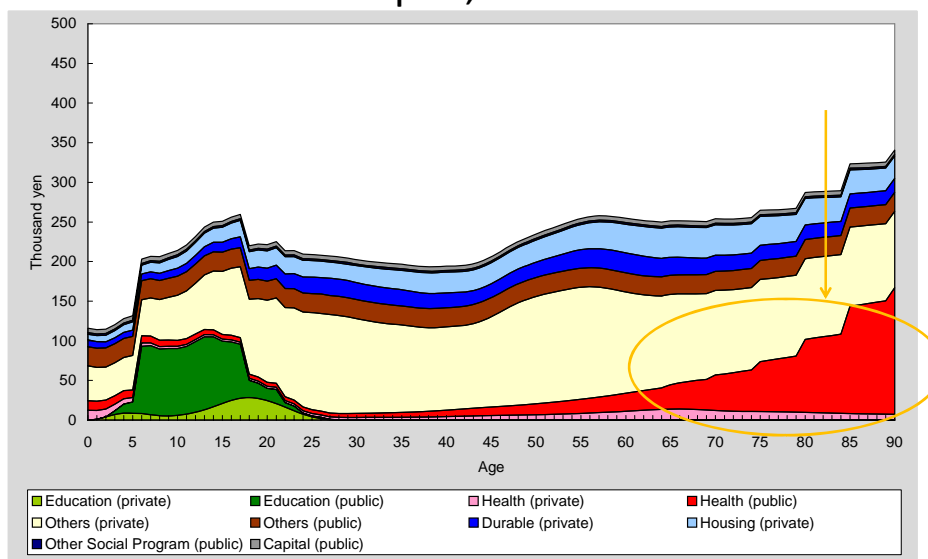
Challenges: Cost Control



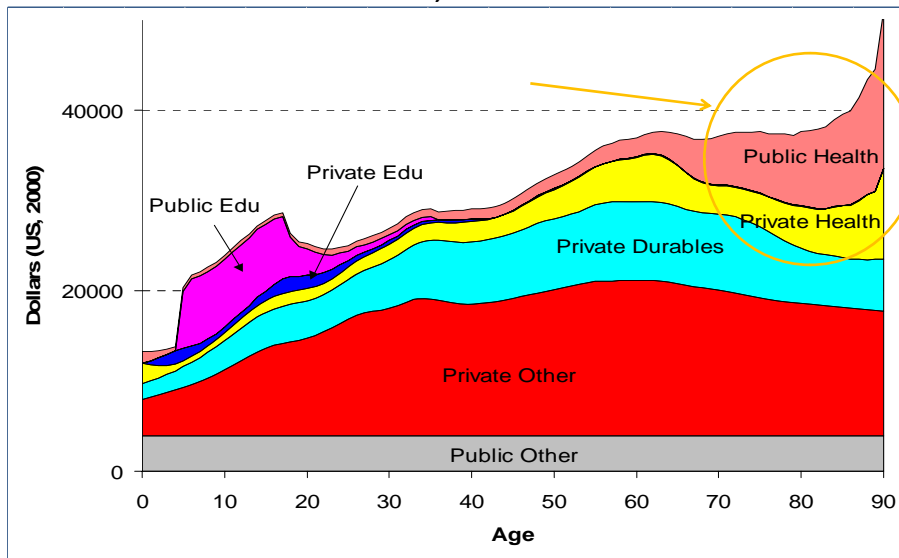
III. Health Care Under Demographic Change



Increasing Health Expenditure for the Elderly (Japan, 2004)

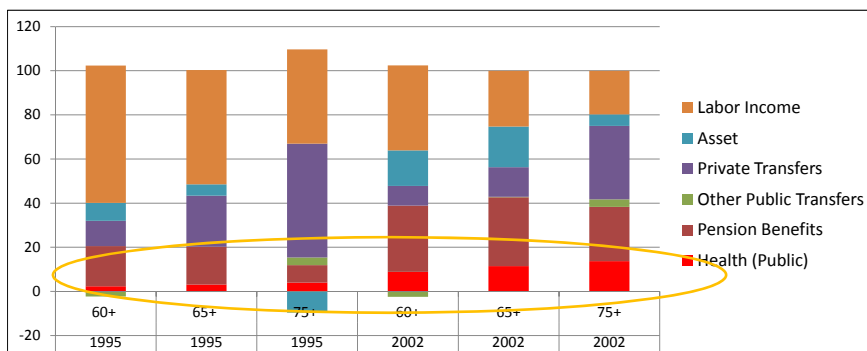


Increasing Health Expenditure for the Elderly (U.S., 2003)



Source: NTA database

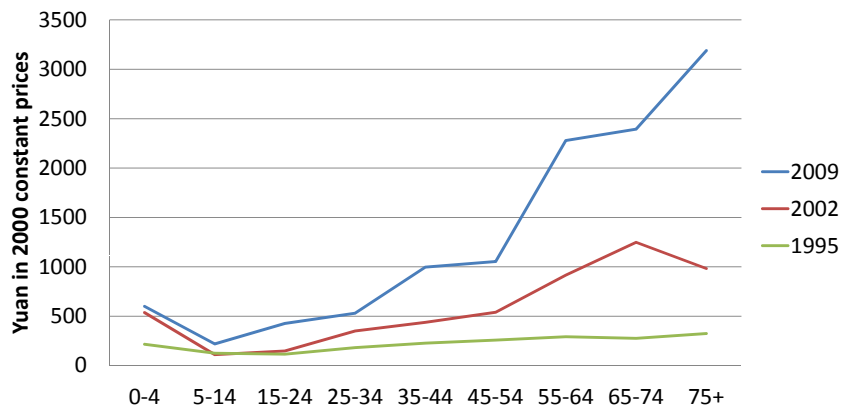
Increasing Health Expenditure for the Elderly, China



Old Age Support System	1995	1995	1995	2002	2002	2002
	60+	65+	75+	60+	65+	75+
Health (Public)	2.29	3.15	4.01	8.81	11.4	13.7
Pension Benefits	18.3	17.1	7.86	30	31.2	24.6
Other Public Transfers	-2.32	-0.31	3.52	-2.46	0.19	3.43
Private Transfers	11.5	23.1	51.5	8.98	13.5	33.3
Asset	8.08	5.1	-9.66	16.1	18.4	5.23
Labor Income	62.2	51.8	42.7	38.5	25.3	19.8

Increasing Health Expenditure for the Elderly (China, 1995-2002-2009)

Per Capita Health Expenditure in 2000 constant prices

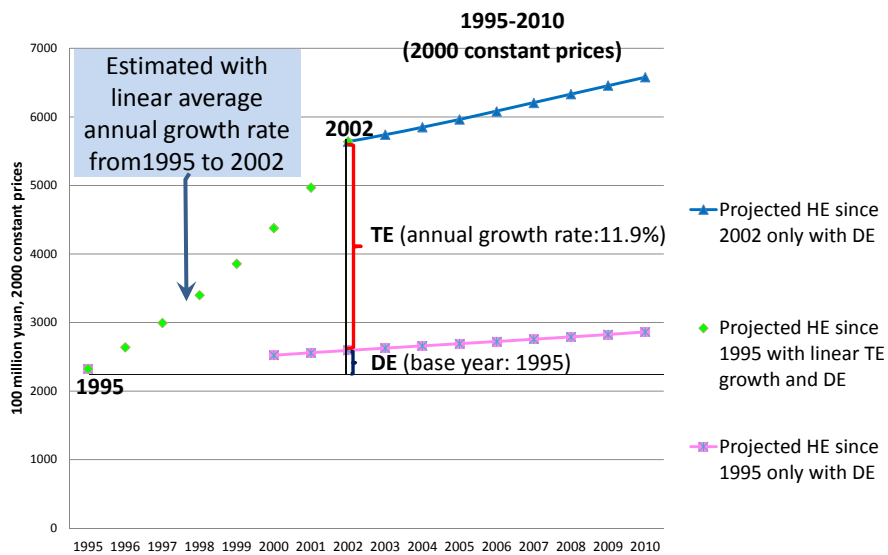


Note: 1995 and 2002 data was estimated from China Household Income Project Survey CHIPs 1995 and 2002. 2009 data was estimated from Chinese Family Panel Studies, CFPS 2010.

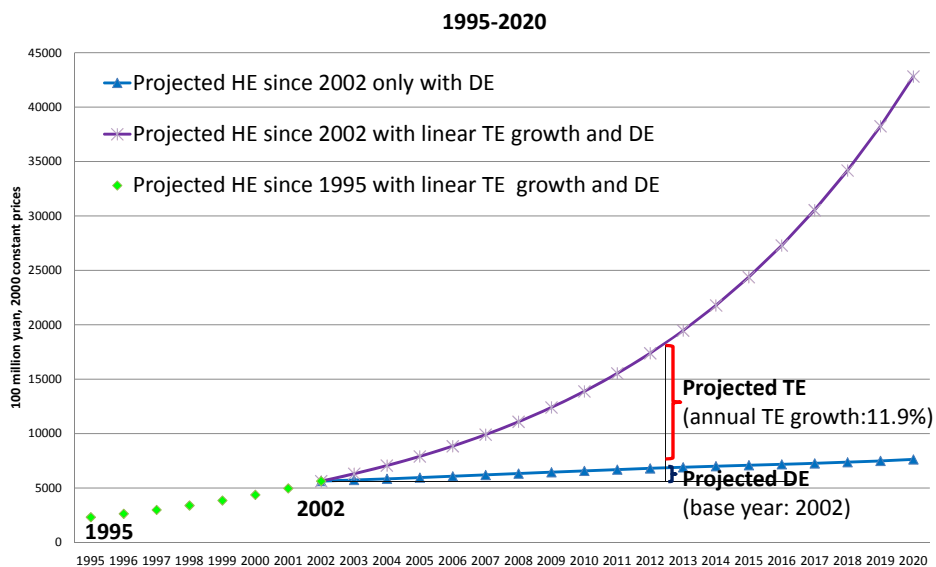
Demographic Effect and Transition Effect in Developing Countries

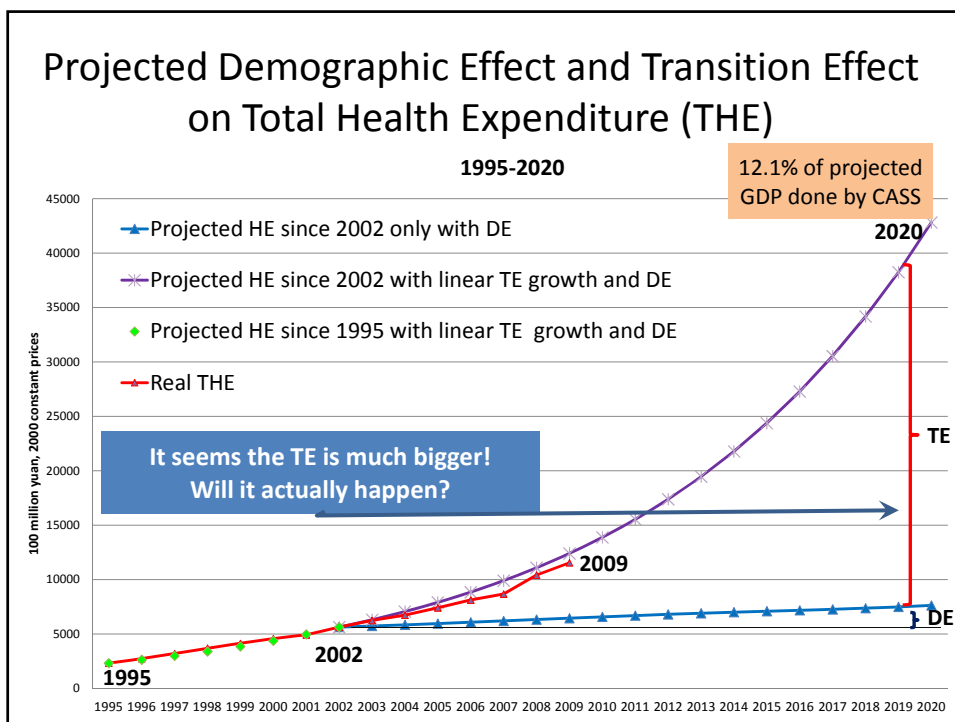
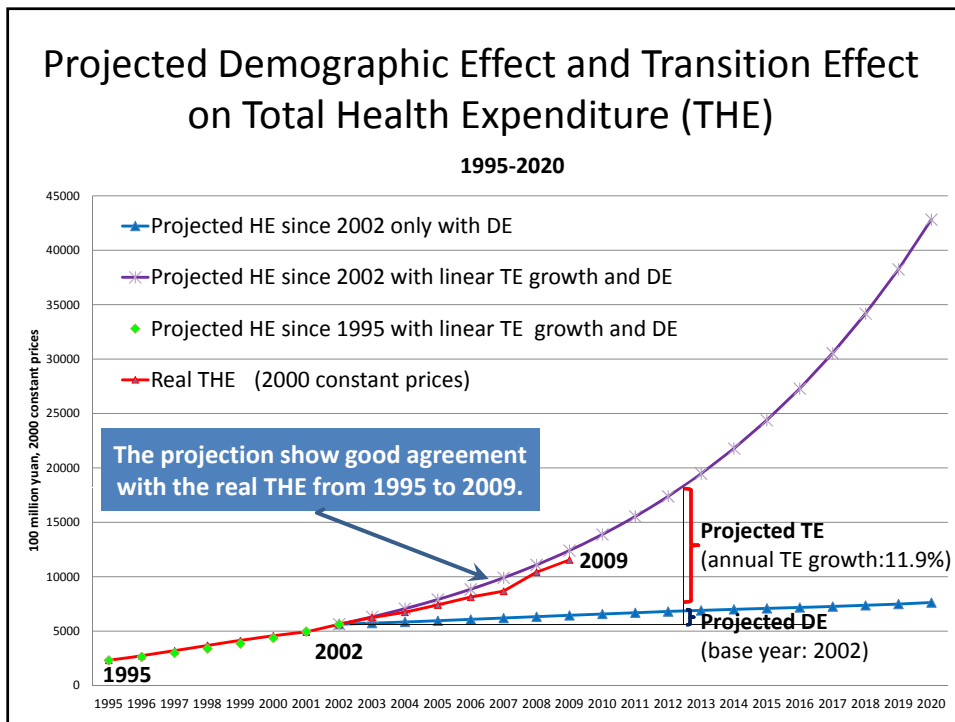
- Demographic effect (DE)
 - How much will demographic change affect the burdens on families and public support systems, such as pensions and health care financing, *assuming the current level of transfers for each age group?*
- Transition effect (TE)
 - How will social transitions such as disease pattern, reform of social security systems, such as pensions and health care *change the level of transfers for each age group?* The case of health care reform
- In developed countries with a mature society, the effects of demographic change may be dominant. How about developing countries?

“Demographic Effect” and “Transition Effect” on Health Expenditure from 1995 to 2002



Projected Demographic Effect and Transition Effect on Total Health Expenditure (THE)

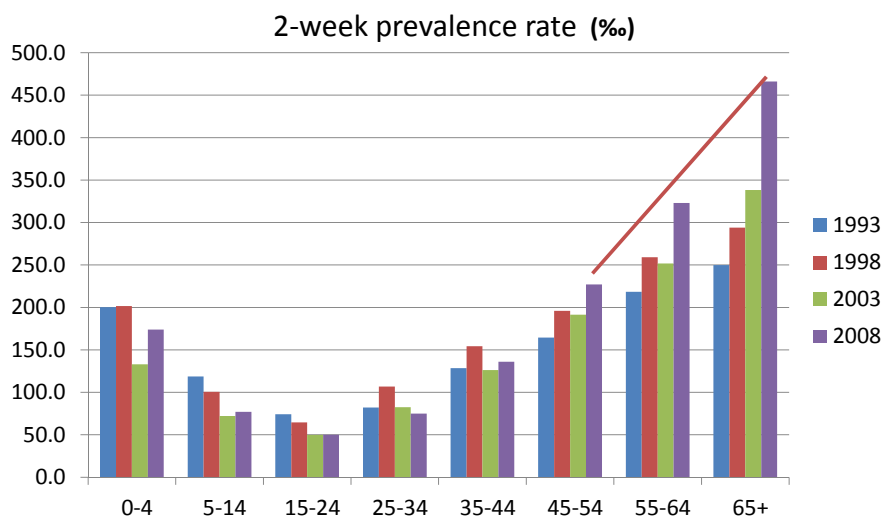




Health Care System and Health Expenditure

- What will induce the fast growth of health expenditures?
 - 1. Disease pattern transition
 - 2. Health care system transition
 - What has happened to other countries and regions with Bismarckian social health insurance systems?

Health Demand Under Demographic Change



Source: National Service Survey

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Social Health Insurance Coverage in China

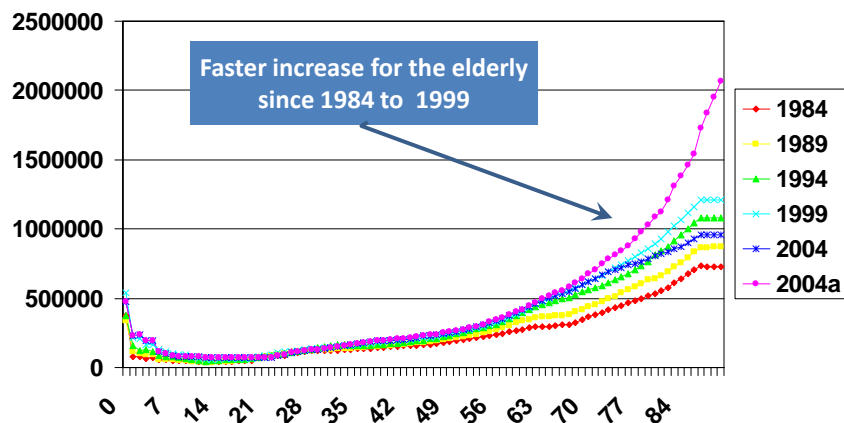
(Million people)

	1999	2001	2003	2004	2005	2006	2007	2008
Basic Medical Insurance System for Urban Employees	20.653	72.859	109.017	124.036	137.829	157.318	180.203	199.956
Medical Insurance for Urban Residents							42.911	118.26
Rural Cooperative Medicare System				80	179	410	726	815

By the end of 2010, **1.260 billion** people in China have been covered by at least one social health insurance program.

Source: China Labor Statistic Yearbook 1999, China Health Statistic Yearbook 2009.

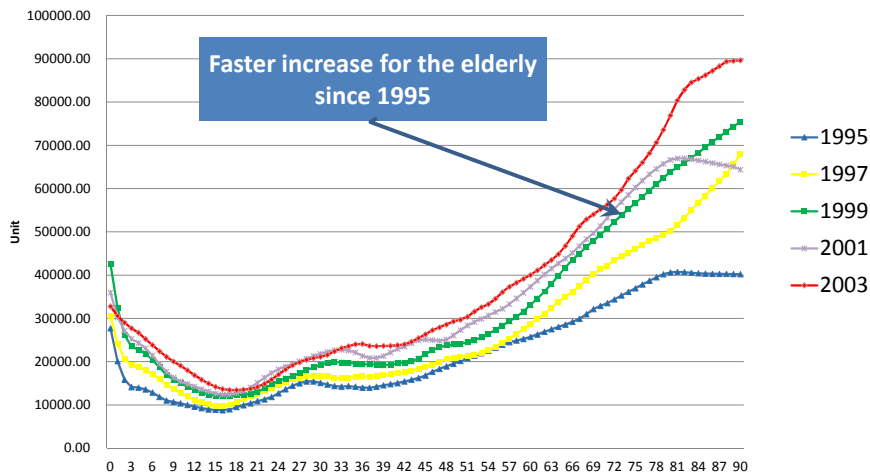
Per Capita Health Expenditure in NHI system, Japan 1984-2004



Note: Long-term care introduced in early 2000s included in 2004a.

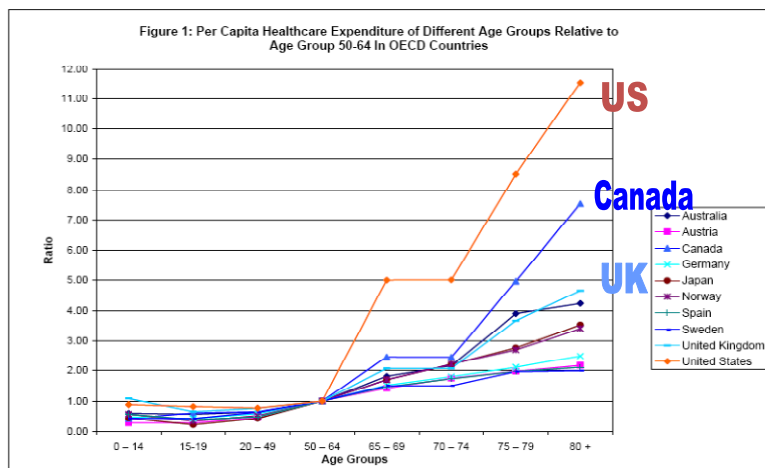
Source: Cited from Andrew Mason's presentation

Per Capita Health Expenditure in NHI system, Taiwan Province 1995-2003



Source: data from NTA website

Health Expenditure relative to Age Group 50-64 in OECD Countries



Source: Fang and Gavazza (2007).

Note : NHS system: Norway, Spain, Sweden, United Kingdom; NHI system: Austria, Germany, Japan, Australia, Canada; Business Insurance: United State.

Conclusions

- Increasing higher education, with no increase in retirement age, so shorter working life; increasing support for elderly; resulting in increasing total Life cycle deficit .
- China is moving quickly to a so called modern market economy with Increasing public transfers (with broader social welfare.
- China is carrying on a comprehensive health reform with the goal of universal primary health care for all.
- Fast health expenditure increasing is a big challenge facing China.
- As in a developing country, demographic effect and transition effect are both important for the social security systems such as health care system.

Thanks!