

### *A new development chapter: since 2002*

Based on the above-mentioned experiences, the Central Committee of the Party and State Council finally issued a “Decision on Strengthening Rural Health Works” in late 2002, deciding to reintroduce the RCMI system with new principles. In line with this, detailed policies and measures have been formulated by central government to guide, facilitate and monitor the development process. Some aspects of this are outlined below:

#### ***Participation***

The targeted population is, in principle, the rural residents with some slight variations, in practice. Unlike a social insurance system, the participation in the NRCMI is voluntary, which is insisted upon by central government and embodied in all local schemes. Due to high subsidies and an enforced government leadership – two outstanding characteristics that will be explained in more detail later – the voluntary nature of the scheme has not resulted in low coverage: more than 75 per cent of the targeted population, as indicated earlier, actually participated in the NRCMI schemes in 2005.

It should be borne in mind that the workforce of the rural population comprises mainly self-employed farmers. Due to the reform of the agricultural land system, undertaken in the early 1980s, each rural household is entitled to a piece of land distributed equally among all residents of each village. Only a small number of the insured are workers who have migrated to the cities, though some of them do return to their home village during the high farming seasons.

Like all social insurance schemes, to be actually insured under a NRCMI scheme, the participant has to pay a contribution in full and on time, except for two to three groups, namely the poor, “Five Guarantees” (the elderly, disabled or orphans who have no working capacity, no income and no relatives to support them) and occasionally veterans. Normally, it is the local governments who will pay contributions due on behalf of these groups. Over the period of 2003-September 2005, the local governments had paid 31 million yuans for them, equal to 1.1 per cent of the overall amount of contributions received by the schemes as a whole.<sup>1</sup>

Another condition is household-based enrolment and payment of contributions, i.e. all members of the same household have to join the scheme simultaneously.

#### ***Financing***

It is financed mainly from two sources: household contributions and government subsidies. This is illustrated clearly by the following statistics: by the end of September 2005, the NRCMI schemes had mobilized 6,498 million yuans, of which 2,735 million yuans were from the insured rural households, 3,524 millions yuans from the government and 239 million from other sources.<sup>2</sup>

The government allocation is very high and this striking characteristic is what distinguishes the NRCMI from its predecessor the RCMI, as well as from the current urban health insurance, as they do not have a regular government input. It should be noted that such a

---

<sup>1</sup>The Public Communication Office of the Ministry of Health. “The pilot of the NRCMI is smoothly unfolding across the country.” (7 Jan. 2006). Available: <http://www.moh.gov.cn/public> Visited on 6 April.2006

<sup>2</sup>The Public Communication Office of the Ministry of Health. “The pilot of the NRCMI is smoothly unfolding across the country.” (7 Jan. 2006). Available: <http://www.moh.gov.cn/public> Visited on 6 April.2006

subsidy is actually shared between the central, provincial, prefecture, municipal and county governments, sometimes including even the commune governments. But, no standard subsidy-sharing rate exists, except for the ratio of the subsidy from the central government and that from local governments as a whole, which is normally one to one when the scheme is a recipient of the central government subsidy.

To understand which schemes qualify for the central government subsidy, we have to refer briefly to the classification of three regions. In mainland China, three regions, namely the Eastern, Central and Western regions, are grouped. From a development standard, the Eastern is considered to be the most developed zone while the others are less developed, because they present a very different weight in the economy: each producing 60.5 per cent, 22.6 per cent and 16.9 per cent, respectively of the GDP in 2004.<sup>3</sup> In line with this classification, the central government subsidy initially went only to the schemes operated in the Central and Western regions except for those in their municipal areas. As from 2006, the eligible places have been extended to those operated in the municipal areas in the Central and Western regions, as long as the targeted rural population account for more than 70 per cent of the total. It has also been extended to the schemes implemented in six selected provinces of the Eastern region, though a reduced rate is applied to them. In addition, 2006 has seen a rise in the standard subsidy rate from 10 yuans to 20 yuans per participant per annum. Reinforced by an envisaged increase in the number of schemes, the amount of subsidy from the central government alone will be raised from 500 million in 2005 to 4,700 millions in 2006.<sup>4</sup>

To be eligible for the central government subsidy, the recipient provinces are required to add at least an equal amount of allocation to their NRCMI schemes regardless of how it is shared among the local governments. This brings the overall government subsidy to 20 yuans in the period 2003-2005 and to 40 yuans in 2006. For those excluded from the central government subsidy some of them are even excluded from the provincial or municipality subsidies, so the actual amount of subsidies they receive from local governments is not necessarily less and sometime even higher.

With regard to the contribution rate, it varies from scheme to scheme, but generally ranges from 10 to 30 yuans per participant per annum. Together with the subsidy, the aggregate income rate was around 30 yuans during 2003-2005 and 50 yuans in 2006.

In addition, it is prescribed that all management costs should not be charged against the regular revenue of the NRCMI schemes. Again, it is the government who foots the bill. As the schemes are pooled and managed at the county level, it is understood that the bills are paid by county governments, sometimes supplemented by their subordinate commune governments and contracted medical institutes when they have to assume part of the management task.

Another important medical aspect is the pricing system of medicines, as they account for as much as 60-80 per cent of the overall medical expenditure in the rural areas. The general price level is considered too high, not only for the NRCMI, but also for the urban health insurance. The government has succeeded in pushing it down somewhat on several occasions, but it is still judged too high, especially from the point of view of the rural population.

---

<sup>3</sup> National Bureau of Statistics of China, compiled. China Statistic Yearbook 2005. Beijing. China Statistics Press, 2006.

<sup>4</sup> Zhu, Zhigang (Vice Minister of the MOF). Interview. 12 March 2006. Available: <http://www.yzdsb.com.cn>. Visited on 10 April 2006.