

# **Collaborative Governance in China's Health Sector: A Comparison with Education, Housing, and Long-Term Care**



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# Research questions



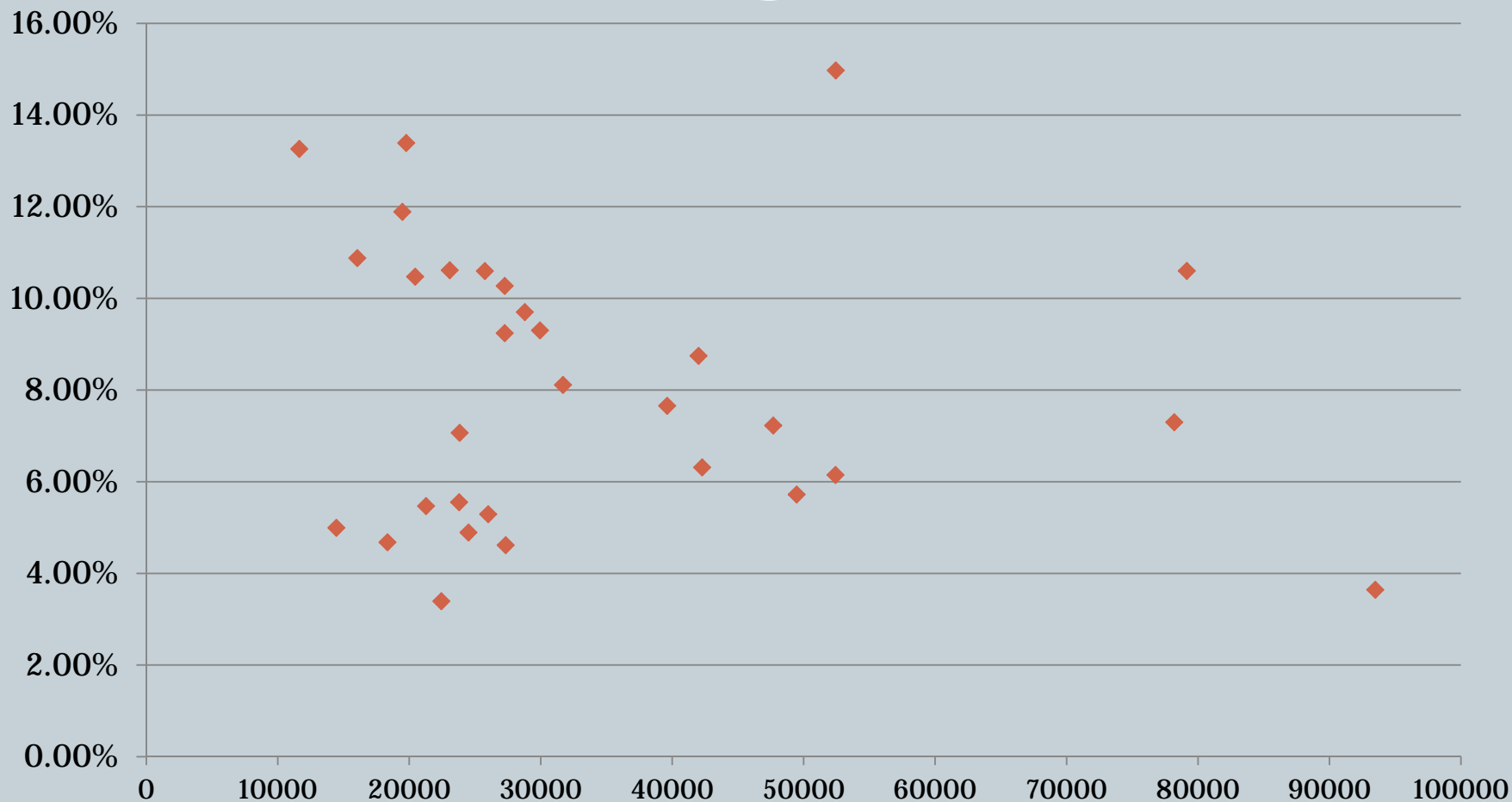
- What is the role of the private sector in contemporary China's health sector, compared to other sectors (e.g. education, long-term care, affordable housing)?
- Government initiatives to engage non-government providers:
  - How prevalent across medium-sized cities?
  - What might explain heterogeneity in approach?
  - Examples of “collaborative governance”?
- Descriptive/positive analysis (vs. prescriptive/normative)

# Public financing of health expenditures

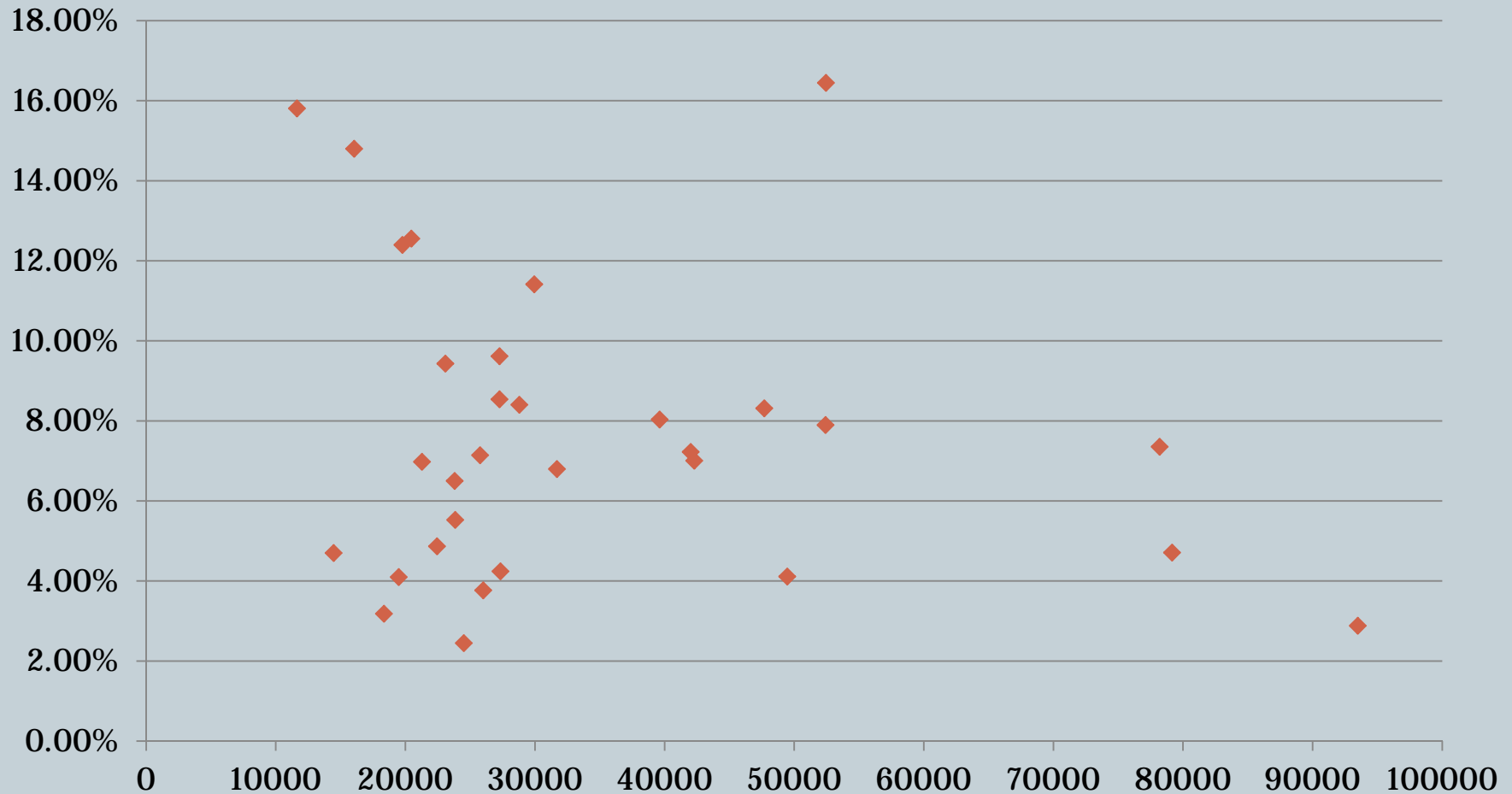


- **China's public spending now constitutes a little over half of China's total health spending,**
  - much higher than many low- and middle-income countries;
  - similar to US and South Korea;
  - significantly lower than average 72% among OECD.
- Source: National Health Account estimates of the China National Health Development Research Center (2011), compared to OECD database.

# Figure 2a. GDP per capita and private share of hospital outpatient visits, PRC 2010



# Figure 2b. GDP per capita and private share of inpatient admissions, PRC 2010



## National role of *minban* schools



- Share of private primary school enrolment rose from less than 2% in 2001 to over 5% in 2010.
- Share of middle school enrollment in private middle schools rose slightly more, from 2.5% in 2001 to slightly over 8% in 2010.

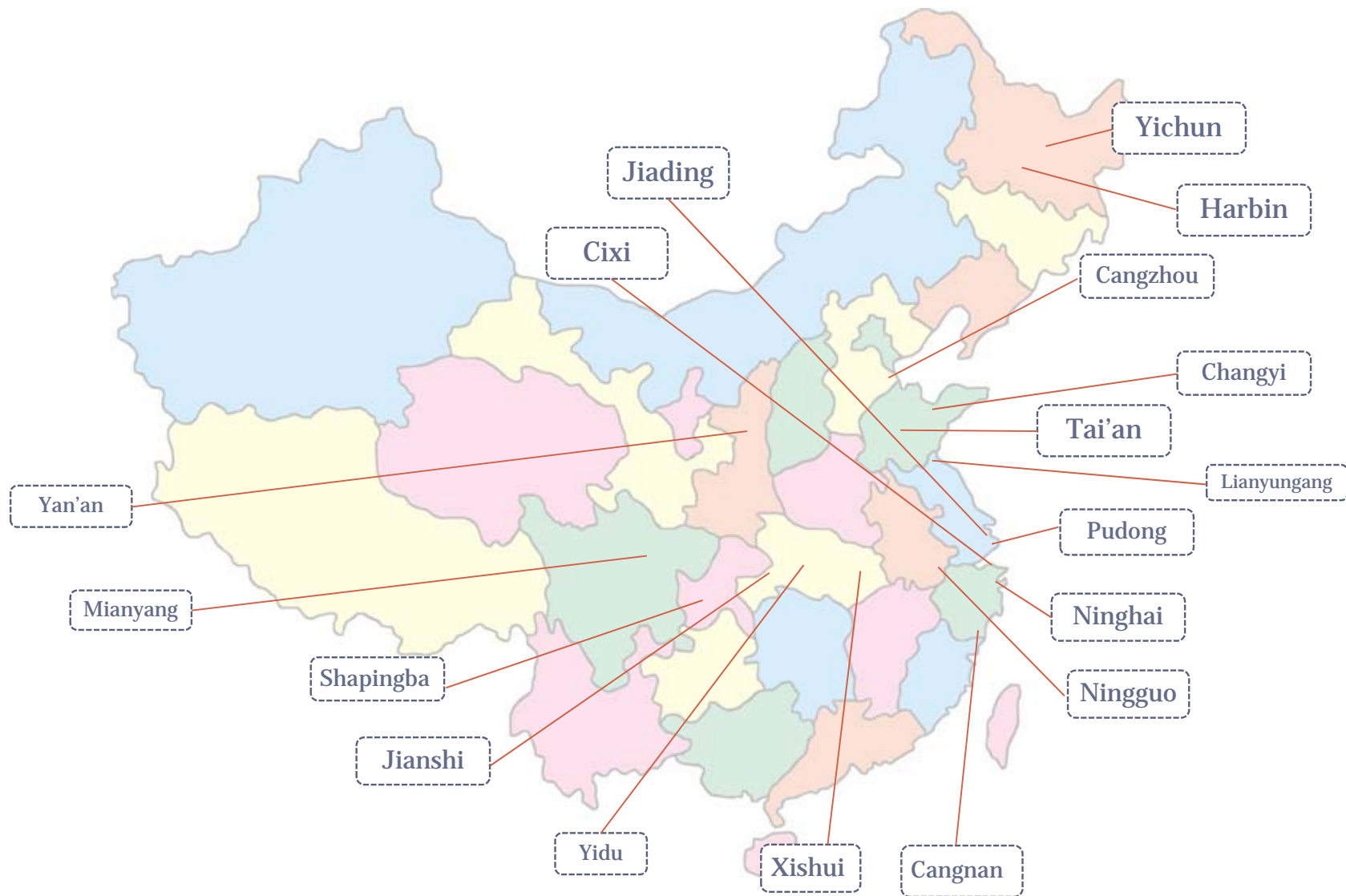
# Conceptual framework: Comparative advantage of contracting out or collaborative governance



- ❖ **Public (or sometimes private NP) providers have a comparative advantage for health services with some combination of the following characteristics:**
  - ❖ (a) hard to contract;
  - ❖ (b) involve pure public goods or high externalities;
  - ❖ (c) are not monitorable by patients, in the sense that they can discern provider quality distortions; and
  - ❖ (d) are highly susceptible to inefficient patient sorting.
    - ❖ Examples might include care for the severely mentally ill, population-based health initiatives, blood banks, and long-term care for elderly.
- ❖ **Private providers have a comparative advantage for services that combine one or more of the following features:**
  - ❖ (a) readily contractible;
  - ❖ (b) quality monitorable by patients (directly or through provider reputation);
  - ❖ (c) susceptible to competition;
  - ❖ (d) not amenable to dumping of unprofitable patients, or for which risk adjustment of payment is feasible and reasonably accurate; and
  - ❖ (e) incentives for rapid quality innovation are more valuable than low-powered incentives for quality-damaging cost control.
    - ✦ Examples include elective surgery and most dental care, as well as the provision of drugs and many aspects of primary care.

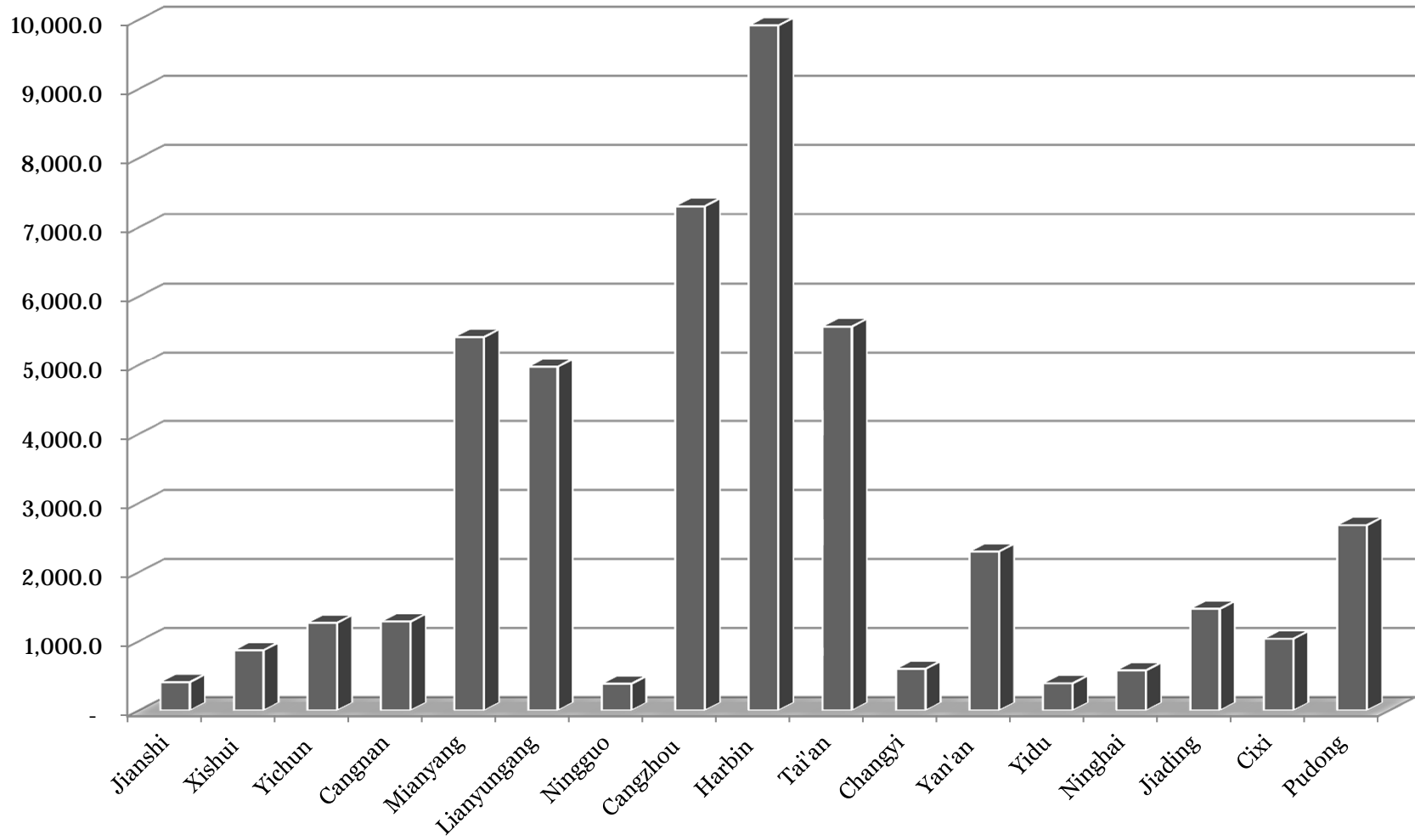
Eggleston and Zeckhauser, "Government Contracting for Healthcare," published in *Market-Based Governance: Supply Side, Demand Side, Upside and Downside*, John D. Donahue and Joseph S. Nye Jr., eds., Brookings Institute, 2002: 29-65.

# Interviews in 18 Cities, Jan-Feb 2013

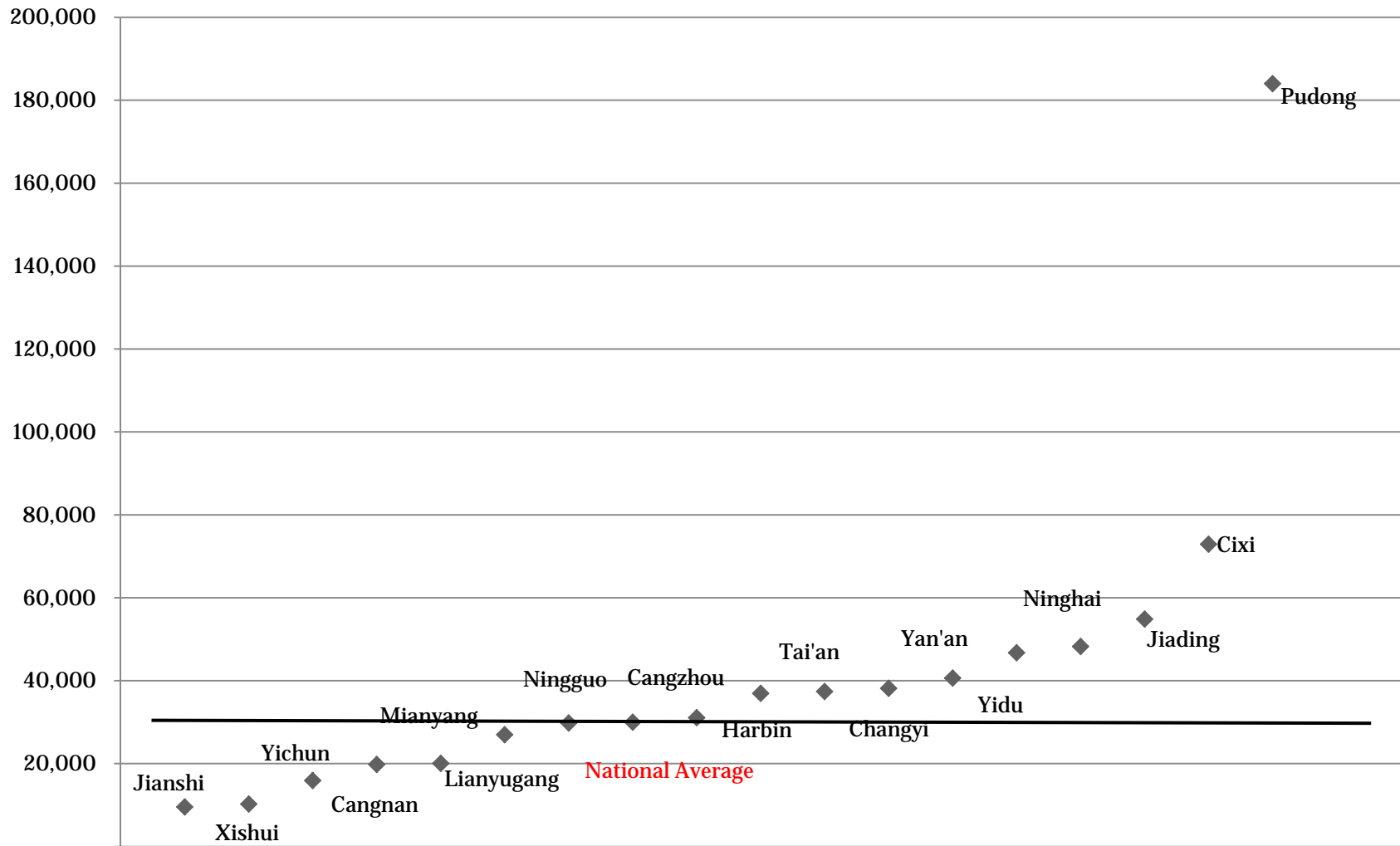




## Population (1000 person)



# Per Capita Income



# 1. Emergency Medical Services



City	Private Sector Engagement	City	Private Sector Engagement
Cangnan	Independent operation	Jianshi	No private participants
Mianyang	Independent operation	Yidu	No private participants
Tai'an	No legal private participants.	Shapingba	No private participants
Yichun	No private participants	Lianyungang	No private participants
Ninghai	No private participants	Jiading	Independent participation
Changyi	Not enough data	Cixi	Independent participation
Xishui	Not enough data	Harbin	No private participants
Pudong	Not enough data	Ningguo	No private participants
Cangzhou	No private participants	Yan'an	Independent operation

# Representative Quotes: Ambulance Services



- **“我觉得私人承包车辆是不太可能的，因为太特殊化了。要考虑到运费……而且我们当地也没有这些私人承包的观念。观念落后。”——建始县 救护车司机**
- **“I think it almost impossible for private parties to contract ambulance services, because of specialization and high cost... Moreover, local people hardly understand the concept of private contracting. We have backward concepts.” – Ambulance driver of Jianshi County, Hubei Province.**

## 2. Health Insurance & Services

City	Private Sector Engagement	City	Private Sector Engagement
Cangnan	Contract outsourcing	Jianshi	No private participants
Mianyang	Not enough data	Yidu	No private participants
Tai'an	No private participants	Shapingba	Not enough data
Yichun	No private participants	Lianyungang	No private participants
Ninghai	Not enough data	Jiading	Government subsidy
Changyi	No private participants	Cixi	Independent operation, 1 hospital JV
Xishui	No private participants	Harbin	Independent operation
Pudong	No private participants	Ningguo	Independent operation
Cangzhou	Independent operation	Yan'an	Independent operation, plan contract-out catastrophic ins.



CHC holds a majority stake (70%) in CHC International Hospital, a joint venture with the local municipal government of Cixi located in Zhejiang Province. With a total investment upwards of 870 million RMB, the hospital aims to admit its first patient by mid-2013. The Tier 3A 500-bed 80,000 square meter general hospital will replace the 150-bed Second People's Hospital that is now in place. <http://www.chc-healthcare.com>

Karen Eggleston, Stanford

# Representative Quotes: Inpatient Services



- “私立医院在服务的提供上肯定不如公立医院，由于资源和资金的限制。”——嘉定县官员
- “Private hospitals certainly deliver worse services than public ones, due to their limited resources and funds.” – Government officer, Jiading County, Shanghai
- “作为民营医院，生存很困难，争夺患者也很激烈。如果能有办法管得好，引入肯定有利，公立医院和政府的负担都能减轻，关键看能不能管好、办好。”——哈尔滨官员
- “Private hospitals need to fight for their life and actively compete for patients. If we can have proper management, private hospitals could be truly beneficial, helping to share the burden on public hospitals and the government. Appropriate management and regulation are the most crucial factors.” – Government Officer, Harbin, Heilongjiang Province.



# 3. Elderly Care



City	Private Sector Engagement	City	Private Sector Engagement
Cangnan	No legal private participants	Jianshi	No private participants
Mianyang	Government subsidy	Yidu	Independent operation
Tai'an	government subsidy	Shapingba	Not enough data
Yichun	Government subsidy	Lianyungang	Government subsidy
Ninghai	Not enough data	Jiading	Government subsidy
Changyi	Government subsidy	Cixi	Receiving subsidy
Xishui	No private participants	Harbin	Receiving subsidy
Pudong	Contract outsourcing	Ningguo	Receiving subsidy
Cangzhou	Government subsidy	Yan'an	Independent operation

Photo credit: Chris Lee

# Representative Quotes: Long-term Care



- “困难首先是引进企业。因为要一个企业按国家标准建养老院并且盈利几乎是不可能的。”——苍南县官员
- “The biggest obstacle is attracting private firms, for it is almost impossible for a private company to run a profitable nursing home according to the national standard.” – Government officer, Cangnan county, Zhejiang Province.
- 民办养老院弥补了一些不足，分担了一些压力，但由于资金有限，设施简陋，存在这样那样的问题，使得整体效果一般。——伊春市官员
- “Admittedly, private nursing homes have ameliorated the shortage of supply and alleviated some of the pressure on the public sector. However, due to their limited budgets, low quality facilities, and other problems, overall effectiveness is limited/moderate.” – Government officer, Yinchun, Heilongjiang Province.
- “不鼓励民营加入养老行业……养老行业应该由政府投入承担。养老行业不赚钱，是亏钱的。”——嘉定县官员
- “We do not encourage the private sector to be involved in the elder care (long term care) industry... Elder care should be undertaken by the government, since it is a costly activity, not a profitable business.” – Government officer, Jiading County, Shanghai.



## 4. Care for the Disabled



City	Private Sector Engagement	City	Private Sector Engagement
Cangnan	Government subsidy	Jianshi	No private participants
Mianyang	No private participants	Yidu	Government subsidy
Tai'an	Independent operation	Shapingba	Not enough data
Yichun	Close collaboration between an NGO and the government agencies.	Lianyungang	Government subsidy
Ninghai	Independent operation	Jiading	Private organizations and public agencies interact closely to establish better service programs for the disabled.
Changyi	Government procurement	Cixi	Contract outsourcing
Xishui	No private participants	Harbin	Receiving subsidy
Pudong	Government procurement	Ningguo	No private participants
Cangzhou	Government subsidy	Yan'an	No private participants

# Representative Quotes: Care for the Disabled



- “政府购买服务的资金补贴很低，只有3600元一人，民营的不可能经营下去。”——浠水县官员
- “The government subsidy (for government procurement of care for the disabled) is quite low – merely 3600 yuan per patient. Private providers cannot sustain operations in such a situation.” – Government officer, Xishui County, Hubei Province.
- “资金短缺，找不到基金会赞助.....希望多些社会的援助，得到更多人的关注”——连云港市某潜能开发中心老师
- “We are running out of money, with little patronage from welfare foundations... I wish that we can receive more aid and notice from the society.” – Teacher at a care facility for disabled, Lianyungang, Jiangsu Province.

# 5. Compulsory Education



City	Private Sector Engagement	City	Private Sector Engagement
Cangnan	Not enough data	Jianshi	Independent operation
Mianyang	<i>Some famous public schools become shareholders of private schools by sharing brands and teachers with the latter ones.</i>	Yidu	Independent operation
Tai'an	Independent operation	Shapingba	Not enough data
Yichun	No private participants	Lianyungang	No private participants.
Ninghai	Independent operation	Jiading	Government franchise
Changyi	Not enough data	Cixi	Independent operation
Xishui	Independent operation	Harbin	Independent operation
Pudong	Government franchise	Ningguo	Independent operation
Cangzhou	<i>4 community primary schools constructed by the community developers and operated by the government.</i>	Yan'an	Independent operation

# Example: *Minban* schools



- **Mianyang, Sichuan** (20,053 RMB per capita income)
  - In compulsory education, private education plays a significant role, and service deemed to be of relatively high quality
  - Attract students who originally come from outside Mianyang
  - Government supports private education significantly
    - ✦ providing government-hired teachers, with official assurance that teachers who go to private schools can return to the public schools;
    - ✦ subsidizing private kindergartens;
    - ✦ one of its county governments provides funding to a private middle school on the same terms as for public middle schools .
- **Jiading District, Shanghai** (54,861 RMB per capita income)
  - Two types of Minban schools:
    - ✦ migrant children schools
      - lower quality but vital : **56%** of residents (常驻人口) are from other provinces
      - tuition and fees are exempted
    - ✦ private corporate schools (higher quality, higher tuition), operate independently

# 6. Affordable Housing



City	Private Sector Engagement	City	Private Sector Engagement
Cangnan	Competitive bidding and contract outsourcing.	Jianshi	Competitive bidding and contract outsourcing.
Mianyang	Competitive bidding and contract outsourcing.	Yidu	Competitive bidding and contract outsourcing.
Tai'an	Not enough data	Shapingba	Competitive bidding and contract outsourcing.
Yichun	Competitive bidding and contract outsourcing.	Lianyungang	Competitive bidding and contract outsourcing.
Ninghai	Not enough data	Jiading	Contract outsourcing
Changyi	Not enough data	Cixi	No private participants.
Xishui	Not enough data	Harbin	Competitive bidding and contract outsourcing.
Pudong	Not enough data	Ningguo	Competitive bidding and contract outsourcing.
Cangzhou	Competitive bidding and contract outsourcing.	Yan'an	No private participants.

# Explaining Heterogeneity

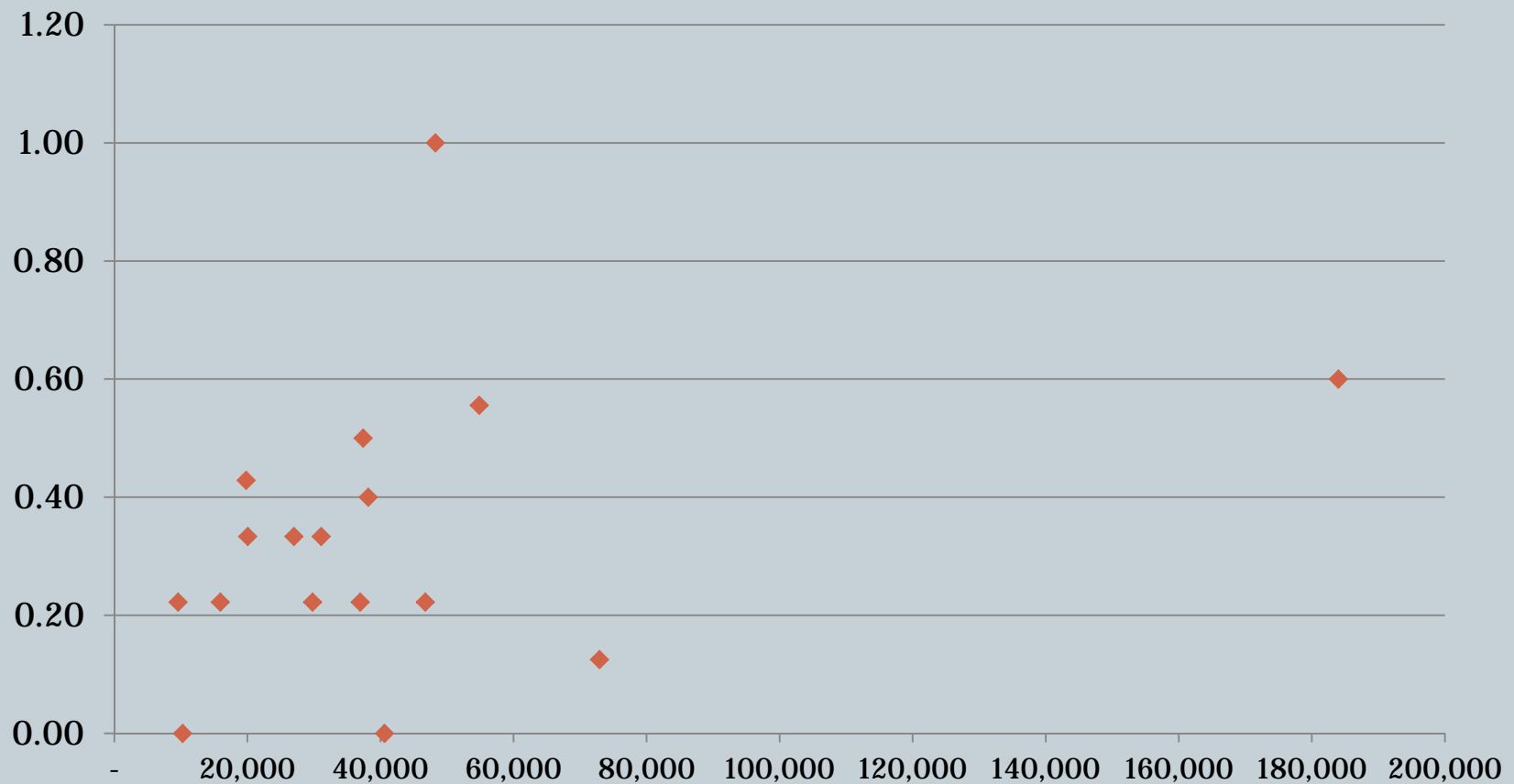


- Unsurprisingly, private engagement is most common for affordable housing, and absent for Emergency Medical Services (where it is technically illegal)
- Few services appear to have truly “collaborative” governance
  - Long-term care for elderly and disabled: a few cases of collaborative governance across the 18 cities we surveyed.
- Localities tend to adopt their own approaches to each service; we found little correlation across cities in the ratio of private engagement, or across services (Table 3).
- Modest positive association between private engagement (measured as the “collaboration ratio” in Figure 3) and GDP per capita in each municipality we surveyed.

# Extent of Collaboration in 18 Cities



**Collaboration Ratio vs. GDP per capita**



# Conclusions



- Survey results confirm what the national and provincial-level data suggested:
- Although localities differ in the extent of private sector hospitals and clinics, in all surveyed cities
  - public sector continues as dominant insurer and provider;
  - few cities systematically contract with private providers;
  - no cities adopt an explicitly collaborative approach in the health sector.
- Within health insurance, medical services and public health, private engagement has been peripheral but seems poised to expand.



# Conclusions



- **Private sector role varies across subcomponents of health sector**
  - little presence in population health or emergency medical services
  - significant presence in medical devices, pharmaceutical manufacturing, and biomedical innovation.
- **Private presence in education is larger—comparable for compulsory education, and greater for preschool, vocational, and tertiary education.**
- **Private role in in long-term care delivery and affordable housing is larger still, and expanding.**

# 谢谢



- Many thanks to ... my co-authors
- Yingtian He, Sen Zhou, Xiaochen Fu, and Fudan students for excellent research assistance
- Stanford Shorenstein Asia-Pacific Research Center for financial support of this research
- Local officials in the 18 cities for sharing their views
- Organizers of this conference
- YOU for listening!

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