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# Government Responsibility in New Rural Cooperative Medical Care System from the Perspective of Equity and Efficiency

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**Abstract** Equity and efficiency, as two essential parts of social security, always influence construction of China's new rural cooperative medical care system. The new rural cooperative medical care system is a rural social security system particularly intended to make it more affordable for the rural poor. It is a multi-channel fundraising system with fund of comprehensive arrangement for serious disease composed by the government, collectives and individuals. Since its implementation, it has made considerable achievements, but there are still many apparent and hidden problems. Through analyzing existing problems in the implementation of new rural cooperative medical care system, from the perspective of equity and efficiency, it reached the conclusion that government should take corresponding responsibilities. At the same time of constantly increasing efficiency, it is recommended to attach importance to the equity, so as to realize the objective of improving the security level of new rural cooperative medical care system.

**Key words** New rural cooperative medical care system, Equity, Efficiency, Government responsibilities

## 1 Introduction

In June 2002, Central Committee of the Communist Party of China and the State Council made the *Decision on Further Strengthening Rural Health Work* in view of low coverage of rural cooperative medical care and serious problem of farmers' poverty or falling backing to poverty due to diseases. In this *Decision*, it firstly the decision of establishing a new rural cooperative medical care system and expects to basically cover all farmers by 2010. The implementation of new rural cooperative medical care system manifests people-oriented and for-the-people philosophy of the Party and government, and the new rural cooperative medical care system is an essential measure for solving issues concerning agriculture, farmers and rural areas, improving farmers' health condition, integrating coordinated urban and rural socio-economic development, and building a moderately prosperous society in all respects<sup>[1]</sup>. The new rural cooperative medical care system is a mutual aid rural social security system with the fund of comprehensive arrangement for serious diseases as the major part, and it is a multi-channel fundraising system with organization, guidance and support of the government and voluntary participation of farmers<sup>[2]</sup>. The new rural cooperative medical care policy is a major strategic decision made by Central Committee of the Communist Party of China and the State Council for implementing the people-oriented Scientific Outlook on Development, adapting to the requirement of socialist market economic development, and solving the problem of rural residents' poverty or falling backing to poverty due to diseases<sup>[3]</sup>. Established on the basis of traditional rural cooperative medical care system and combining changes of social environment and social development, the new rural cooperative medical care system has following features: (i) increasing financial

support; (ii) giving prominence to comprehensive arrangement for serious diseases; (iii) breaking township (village) community limits and increasing level of comprehensive arrangement; (iv) stressing the principle of voluntary participation and granting farmers right to know and supervise; (v) government responsible for guiding, establishing and organizing coordination, handling and supervision organizations; (vi) establishing supporting medical assistance system<sup>[4]</sup>.

## 2 Government responsibilities and major existing problems in performance of responsibilities in the new rural cooperative medical care system

**2.1 Government responsibilities** Medical and health care is an essential part of social security system and belongs to typical public goods, so the government has the responsibility of making up for market failure. (i) Government has the responsibility of improving system design to make medical insurance system more scientific and reasonable. (ii) Government has financial responsibility through advocating multi-part input mechanism and multi-channel fund raising mechanism, and improving working skills and living conditions of rural medical workers. (iii) In the environment of new rural cooperative medical care system, government should formulate strict laws and regulations to regulate and support development of cooperative medical care undertaking<sup>[5]</sup>. (iv) Government should establish strict supervision system to ensure implementation of the new rural cooperative medical care system.

### 2.2 Existing problems in performance of responsibilities

Since the implementation in 2003, with close attention and energetic support of government at all levels, the new rural cooperative medical care system has made considerable achievements and the framework of new rural cooperative medical care system has been established and operating mechanism is also improved. However, with deepening of implementation of cooperative medical care pi-

lots and rapid economic development, the problem of equity and efficiency becomes more and more prominent and government reflects many problems and drawbacks in performing its responsibilities of balancing equity and efficiency.

## **2.1 Imperfect system design and low participation rate of farmers**

**2.1.1** It covers serious diseases but excludes minor illness, and scope of comprehensive arrangement is relatively narrow. The objects of comprehensive arrangement of the new rural cooperative medical care system are mainly serious diseases, and the compensation is also mainly hospitalization and large amount medical expenses, while the compensation for clinical expenses and minor illness is relatively small. Because the comprehensive arrangement is narrowed and neglects coverage of the majority for basic medical care demands, some farmers are unwilling to participate in the new rural cooperative medical care system.

**2.1.2** The compensation proportion is low and the function is not fully brought into play. The fund of comprehensive arrangement is too low and compensation coverage is narrow, so farmers fail to receive high compensation and accordingly it is impossible to reach the purpose of prevent poverty or falling back to poverty due to diseases.

**2.2 Enormous difference between urban and rural social security level and obvious dual structure** The urban and rural dual social security system keeps step with the urban and rural dual economic structure, and it exposes equity principle of social security. According to the equity principle, the provision of social security should be based on universal demand of all citizens, so the social security should provide equal opportunity of participation for all citizens and provide rights to equally enjoy treatment of social security. However, the existing multiple social security system manifests loss of equal opportunity<sup>[6]</sup>. The existing social security covers employees of urban enterprises and institutions, but not includes farmers. Besides, policy support of government for farmers' social security is insufficient and farmers fail to receive due right of social security. Such unequal allocation leads to widening of the gap between urban and rural social security level and deepens the urban and rural barrier of dual economic structure.

## **2.3 Backward health infrastructure and lack of reasonable personnel mechanism**

**2.3.1** The distribution of health resources is not balanced. Government inputs most funds to urban health and medical care services, while allocates little to rural areas. Uneven resource distribution will inevitably lead to backward rural medical facilities and deficient technical personnel. In such condition, it will certainly influence farmers' enthusiasm for participating in the new rural cooperative medical care system.

**2.3.2** Human resource of health and medical care has low technical level. Deficient technical personnel in township commune hospitals mainly lie in lack of funds. Many high educational people are unwilling to work in commune hospitals due to poor conditions there. Now, among the workers of rural hospitals, most are

changed from barefoot doctors in the period of People's Commune, so the overall rural health and medical care level is relatively low<sup>[7]</sup>. Backward facilities and low professional level will lead to dissatisfactory result of farmers' seeking medical advice. This is also the major reason for farmers' low participation in the new rural cooperative medical care system.

**2.4 Lagging of legal construction** At present, the new rural cooperative medical care system is not perfect and stable, and its legal status is not definite and lacks laws to regulate, so it is urgent to strengthen the legal construction. At present, the operation of new rural cooperative medical care system relies only on some rules. Methods of new rural cooperative medical care system are not unified; rights and obligations of participating farmers are not clear; specific responsibilities and election methods of medical care personnel are not definite<sup>[8]</sup>; these will cause that the new rural cooperative medical care system is just experimented but not determined in the specific implementation process, and it is difficult to have laws to abide by.

**2.5 Insufficient government input and high difficulty of fund raising** The new rural cooperative medical care system stresses multi-channel fund raising of the individual, collective and government, and it implements the fund-raising mechanism of individual payment, collective support and government subsidies<sup>[9]</sup>. Although the government specifies the individual, collective and government fund-raising principle, there is no detailed requirement, especially for the amount contributed by the collective. Due to no official allocation to rural financial expenditure, it seriously obstructs prompt and effective fund raising.

## **3 Policy recommendations for improving the government responsibilities in the implementation of the new rural cooperative medical care system**

**3.1 Improving the new rural cooperative medical care system and improving the security level** Since it was launched by the State Council in 2003, the new rural cooperative medical care system is being improved all the time. At the starting stage, due to imperfect system construction, the fund raising and coverage scope are relatively narrow, and rights of most farmers fail to be guaranteed, accordingly it seriously influences equity of the implementation and reduces the efficiency of the system implementation. At present, the new rural cooperative medical care system is multi-channel fund raising system with government subsidy, collective support and individual contribution. To better satisfy demands of farmers for medical care, government should take wider fund raising channels to improve the security level of the new rural cooperative medical care system. For example, local government may guide rural residents to participate in the new rural cooperative medical care system, or advocate or encourage social circles to solicit contributions for the new rural cooperative medical care system<sup>[10]</sup>. Besides, government may formulate different payment criteria according to local actual situations. On the basis of subsidies for serious diseases and hospitalization cost, it is recommen-

ded to provide certain subsidy for minor illness and clinical expenses, gradually expand scope of the coverage of medical care system, and simplify the compensation process to provide convenience for farmers.

**3.2 Narrowing the gap in the scope of coverage between urban and rural medical care to gradually realize urban and rural integration** Urban and rural residents have a great gap in medical care investment and enjoying preferential treatment. It is unequal. Besides, with rapid development of economy and constant acceleration of urbanization, more and more rural people flow to cities. In this situation, government should make effort to solve the problem of integrating the new rural cooperative medical care system and urban resident medical care security system. In accordance with the urban and rural integration requirement of the Scientific Outlook on development, it is required to give impetus to the equalization of urban and rural basic public services, manifest the equity of medical care public goods, break the urban and rural dual structure of medical care security system, and establish urban and rural integrated medical care security system as soon as possible<sup>[11]</sup>.

**3.3 Attaching importance to personnel cultivation to improve the health care service quality** Rural areas are situated in remote regions, so it is difficult to attract personnel to work in rural areas. It seriously influences the implementation efficiency of the new rural cooperative medical care system. In view of shortage of professional medical care personnel in rural medical care organizations, government should establish proper reform system for attracting professional medical care personnel to rural areas and work out feasible methods for cultivating rural existing medical care personnel. At the same time of pushing forward rural medical care reform and strengthening construction of rural medical care organizations, government should improve rural medical care facilities and improve hardware level of medical care organizations. In addition, government should improve the software level of medical care services and improve quality of grass-roots medical care personnel, which is the fundamental measure for improving quality of medical care services. High level medical care personnel are foundation for guaranteeing medical care level of grass-roots medical care organizations and also the fundamental point for farmers obtaining high quality medical care services<sup>[12]</sup>. To improve quality of grass-roots medical care personnel, government should increase input, raise treatment of grass-roots medical care personnel and ensure their basic living quality, so as to attract excellent personnel to work in rural areas.

**3.4 Accelerating related legislation to ensure stability of the new rural cooperative medical care system and policy** Legal construction of the new rural cooperative medical care system is not perfect yet. The related legislation fails to keep step with the implementation of the system. As a result, local government legislation is separate and the system implementation lacks legal basis and is highly random. Imperfect legal construction leads to unequal problem in the implementation of the new rural cooperative

medical care system. Legal construction lagging behind results in the new rural cooperative medical care system lacking restriction and regulation, and consequently difficult to implement effectively and seriously obstructs sustainable and high efficient development. The new rural cooperative medical care system is an essential part of social security system. To ensure effective implementation of the new rural cooperative medical care system, it is required to regulate the new rural cooperative medical care system through legislation. Through accelerating the legislation of the new rural cooperative medical care system, it is expected to make clear responsibilities of government at all levels in the new rural cooperative medical care system, safeguard rights and obligations of farmers, and call village collective to support farmers, protect rights and interests of farmers, collective and government, to form unified regulation and ensure normal operation of the system. This not only ensures sustainable and stable development of the new rural cooperative medical care system, but also ensures sustainability and stability of the policy and strengthens confidence of farmers in the policy. Furthermore, to ensure stable development of the new rural cooperative medical care system, government should make clear development direction of the new rural cooperative medical care system, make reform of the medical system, and formulate proper management system in accordance with local realities<sup>[13]</sup>.

**3.5 Increasing government input** Rural economic living condition is far less than urban areas. Poor living condition directly influences physical health of rural residents. Therefore, government should increase input in rural medical care and health care resources. Besides, the new rural cooperative medical care system adopts multi-channel fund raising principle, so the more participants of the system, the more subsidies government should provide<sup>[14]</sup>. For backward rural areas with low participation rate of the new rural cooperative medical care system, government should properly adjust the fund-raising input proportion. For example, government may assume the basic medical care expenses through transferring payment and providing subsidies, and alleviate the situation of poverty due to diseases, to reflect the equity of the new rural cooperative medical care system<sup>[15]</sup>. Besides, to safeguard stable construction of the new rural cooperative medical care system, government should increase input in the rural medical care undertaking and provide more subsidies for farmers in medical care.

**3.6 Establishing and improving rural medical care supervision and management system** Implementation of a system can not do without effective supervision and management of government. Without effective supervision, there will be a series of disorder problems and will seriously influence the implementation efficiency. In the supervision and management of the new rural cooperative medical care system, government should reinforce the fund management and increase the implementation efficiency practically, so as to effectively realize the expected effect. For example, in view of unreasonable use of medicines in rural commune hospitals, government may take following supervision and manage-

ment methods: (i) establishing supervision committee with participation of farmers, to make farmers become supervision subjects of the medicine use in the new rural cooperative medical care system; (ii) auditing department appointed by the state conducting auditing for hospitals and disclosing auditing results, rectifying mistakes and making stern punishment, to let farmers rest assured; (iii) giving reward for reporters who make real report, to encourage farmers to actively participate in supervision of the new rural cooperative medical care system; (iv) reinforcing the control of medical care cost. The rise of medical care cost is rooted from imperfect medical care service market organizations, so government should reinforce the supervision and make effort to control monopoly trend of designated medical care service organizations in the new rural cooperative medical care system<sup>[16]</sup>. Through these measures, it is expected to stop the action of lifting medicine price and using ineffective medicines, to make medical care funds effectively serve farmers, safeguard interest of farmers and ensure long-term development of the new rural cooperative medical care system.

#### 4 Conclusions

A well-established social security is integration of equity and efficiency. Establishment of social security system is favorable for stabilizing society and developing economy. Unreasonable implementation of the social security system results in loss of the social security and reduces the social efficiency. Existing problems in the implementation of the new rural cooperative medical care system should also ascribe to the equity and efficiency. To establish perfect new rural cooperative medical care system, government should solve the problem of equity and efficiency. In accordance with the principle of equity and efficiency, government should make clear its responsibilities, balance the relationship between equity and efficiency, and effectively solve the problem in the operation of the new rural cooperative medical care system. In the system design, government should focus on practical demands of farmers to really benefit farmers. Besides, government should narrow the gap between urban and rural social security level, to realize urban and rural integration as soon as possible. In addition, government should improve the supervision and management of the new rural cooperative medical care system and ensure due rights of farmers,

to attract farmers to actively and voluntarily participate in the new rural cooperative medical care system, and so as to accelerate the new socialist countryside construction.

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and livestock pollution control, and speed up the relocation and pollution control of farms in the forbidden areas; strengthen supervision on industrial enterprises in Huangjueya Town, make a thorough investigation into the illegal sewage discharge of enterprises, and shut down the polluting enterprises along the river; build the sewage treatment plants and trash holding pipes in the upstream section to intercept the domestic sewage.

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