
*Helping the poor against major illness:
a comparative analysis of medical financial
assistance in four counties of China*

Juying Zhang, Xiao Ma, Kristof Decoster, Xiujuan Tang, Xia Gao and
Bruno Meessen

Abstract

Over the last decades the poverty resulting from major illness has become more and more serious in rural areas of China. Medical financial assistance (MFA) for rural areas is a scheme that helps rural poor people cope with major illness and alleviate their burden from major illness.

This paper reviews four counties' medical financial assistance in Hubei and Sichuan province in 2006 and draws lessons for future policy making.

To some extent, MFA was helpful to solve the problem of poverty due to major illness, but the scheme needs to be improved further. Substantial problems remain for instance in financing, utilization and management of funds. The scheme uses several ways to ration a limited budget and provides only very partial assistance. Some views on how MFA can be perfected will be raised in the study.

Introduction

Over the last few decades, the Chinese economic success story has caught deservedly the attention of the whole world: double digit growth for almost 30 years, a reduction of poverty which many developing countries envy China for, the modernization of infrastructure over the whole country at breakneck speed. The market-driven economic boom seems unrivaled in the world.

Nevertheless, there is a downside to this story: a rising gap between rich and poor, overlapping to some extent the rural - urban divide and the regional disparities between the wealthy east coast and the poorer heartland and western regions of China, skyrocketing expenses for education and health care by private citizens. The "economy first" policy has had vast

repercussions on the Chinese society that only now begin to sink in fully.

Chinese rural health care is a case in point. The Rural Cooperative Medical System (CMS), established in the 50s and highly successful in the 1960s and 70s collapsed after the reforms started. The abolition of the commune system and the decreasing political support for the scheme left tens of millions of people without insurance. CMS coverage dropped from 90 % (during the seventies) to as low as 10 % in 1993 (Gu 2006). The rural population's access to medical treatment suffered, even more so because at the same time the supply-side went through major changes. A market-driven overhaul of China's health system led to more autonomy for township hospitals, as they were no longer financed through the communes or local government. Lack of government funding induced the need for self-financing. Phenomena such as over-prescription of medication and a general increase in medical expenditure resulted. Prices in city hospital and in rural health centers did not differ much in spite of the increasing income gap between cities and the countryside; consequently in the poor rural areas many people could no longer cope with the escalating costs of seeking health care (Gu 2006; Lu *et al.* 2004). This triggered the vicious cycles of 'poverty due to illness' and 'illness due to poverty'. Illness accounts for 32.2 % of all cases of poverty, out of the 25 million¹ poor people, according to Chen (2004) and Yan *et al.* (2004).

The Chinese leadership is increasingly concerned about the rural poor's health care predicament (see Wang in this issue). More and more high-level policymakers and policy think tanks emphasize that social development should complement economic growth. So there has been a shift in thinking², which - in the case of rural health care - materialized later on in a series of decisions, decrees and regulations, aiming at establishing social and medical protection for rural people. The 'Decision to further strengthen rural health work' (2002) established the New Cooperative

¹ This figure comes from the baseline survey of the civil affairs ministry. A national poverty county is identified by the state council according to a series of criteria including per-capita annual income, living status etc.

² On October 15th, 2007, Hu Jintao addressed the 17th National People's Congress and referred to the aim of an 'all-round affluent society' (*xiaokang shehui*) - an ambition stated for the first time in 2002 - to be reached by 2020. This would include a social insurance system and affordable medical care for the whole population, both in urban areas and the countryside.

Medical System (NCMS) and stated that its purpose would be to solve the poverty trap due to major illness. A scheme that focused on very poor rural households, Medical Financial Assistance (MFA), would be another building block of the new rural health policy. After a few pilot projects with MFA for the rural poor in Shanghai and in Guangdong province, a national decision was taken to implement MFA in the State Council 2002 Decisions (see Xu *et al.* in this issue). In the document 'Proposals on the Implementation of Rural MFA' (2003), principles were outlined for the implementation of MFA.

It goes without saying that the MFA scheme could become an important component in this social security framework. It is indispensable in order to build a truly harmonious society (hexie shehui).

However, with the development and progressive rolling out of the MFA scheme, a series of questions appeared. How should MFA be implemented and what are the main difficulties? How extensive should the scope of assistance be? How is MFA integrated in the health service system? The discussion of these and other questions will allow local governments to develop and implement MFA in a more efficient way. At the same time, elaborating on these questions is very important for the sustainable development of MFA. It will also provide relevant reference for policy makers and researchers.

According to Liang *et al.* (2006), MFA schemes vary across localities and counties. This is also highlighted by Xu *et al.* in this book. Hence it is important and necessary for us to assess MFA in different counties.

The aim of this paper is mainly descriptive, as we provide an overview of how MFA is being implemented in four counties in Hubei and Sichuan province, and emphasize commonalities and differences. Meanwhile, we also hope to give the governments at various administrative levels some clues to develop and implement MFA a more efficient way.

In the first section, the methods and study sites of the study are presented. Next, we make a case for using an analytical framework to research the way MFA is performed in these four counties. In section three, which focuses on the results, we try to give an overview of some of the more common features of this implementation through a comparative framework, while at the same time we also point out striking differences between the counties' schemes. The final section features a discussion of the main findings, including their policy relevance.

Study sites and methods

Comparative studies can shed light on the current problems and challenges of MFA. Through comparison of four counties, we will summarize the views of experts in different research fields, compare relevant patterns of MFA and outline similarities and differences. Eventually this will allow us to put forward recommendations to improve the MFA policy.

Our comparative study rests on four cases: Xiaochang, Hongan, Langzhong and Fushun counties. The former two are located in Hubei, the latter in Sichuan province. Hubei province is one of the central provinces in China while Sichuan is situated in the southwest of China. There were four key criteria for the selection of the sites: (1) the counties were covered by MFA in 2006. Xiaochang, Hongan and Langzhong were selected as poverty-stricken counties, while Fushun (Sichuan) was selected as representative of counties that are not poverty-stricken; (2) The counties met the purpose of the POVILL project (for more information on POVILL: see the paper by Lucas et al. in this issue); (3) The counties provided an illustration of the variety of models (all were covered by NCMS in 2006 except Xiaochang); (4) MFA had been in place for some time in order to allow for reliable data on the experience.

Table 1 shows the basic information of the four counties (2006) in terms of population, economic situation, medical facilities. The specific year the implementation of MFA and NCMS started in the counties, is also being provided. Fushun has a higher population, a better economic situation and more medical facilities than the other three counties. Fushun started to implement NCMS in 2005, hence it did so earlier than the other counties.

Table 1. Basic Information of the four counties in 2006

	Xiaochang	Hongan	Fushun	Langzhong
Population (thousand)	643	654	1,016	860
Rural population (thousand)	557	544	825	598
Average annual income in rural area (yuan*/person)	2,051	2,328	3,400	2,889
Threshold* for defining a poor family (yuan/per person per year)	683	720	625	668
Number of medical facilities	387	210	1,021	593
The year MFA started	2005	2005	2005	2005
The year NCMS started	2007	2006	2005	2006

1 RMB=0.1251 USD on 30th June, 2006 ; 1 RMB=0.0987 EUR on 30th June,2006

Data were gathered through the study of official documents of the four counties (issued jointly by the county civil affairs bureau, county health bureau and county financial bureau), interviews with policy-makers and the relevant officials (officials of the county civil affairs bureau, county health bureau, county hospital, township hospital and civil affairs office). All data were collected from January 2006 to December 2006.

Questionnaires were submitted to the civil affairs bureaus and health bureaus in the four counties. Semi-structured interviews were conducted by researchers with officials of county health bureaus, county civil affairs bureaus, county hospitals, township hospitals and civil affairs offices. The interviews focused on policies related to MFA, its implementation, performance and problems and suggestions for MFA. All data and information were progressively integrated into the framework presented in the next section. We conducted a comparative analysis of these four counties iteratively and systematically; while doing so, we came across some previously relatively neglected aspects of MFA that will necessitate further study.

Analytical framework

In this paper, we draw on the framework developed by Noirhomme *et al.* (2007) for Health Equity Funds in Cambodia to divide our research question into two main themes: (1) who does what and (2) how is it being done? The main benefit of such a comparative framework is that it requires researchers

to identify and document key aspects of the schemes. The comparison may - by highlighting similarities and differences - reveal possible determinants of scheme performance neglected otherwise. Furthermore, similarities and differences are informative in themselves. Similarities may indicate similar constraints for the scheme operators (e.g. the obligation to implement a law or to follow a guideline); differences are indications of some decentralization in the design or implementation. So our framework zooms in on actors, functions that are to be fulfilled and the strategies for carrying out these functions.

The first part of the framework documents the possible actors involved in financing as well as the MFA operators (on a daily basis), identifiers of beneficiaries, health care providers, and monitoring and evaluation agents. Obviously, an actor may fulfill more than one task. The second part compares the strategies developed for these functions. There are various ways to identify the poor, purchase the services and contract with the provider. Unfortunately the health outcomes of the scheme could not be addressed due to a lack of data. Consequently, we were not able to explore the determinants of MFA performance in these 4 counties, as we had no good measures of their respective performance. Hence we will only provide some tentative data on the MFA performance in these counties. However, general flaws and common problems with MFA in all the 4 counties could be detected.

The data on the four cases will be reviewed and compared along this framework in the next section. It also provides the backbone for the discussion section as we will be able to draw some lessons from the application of the framework in the 4 counties.

Results

WHO DOES WHAT?

Starting in October 2002, a series of policies were promulgated by key ministries of the central government, like the Ministries of Health (MoH), Civil Affairs (MoCA) and Finance (MoF), sometimes jointly. Policy measures announced were respectively 'the decision to further strengthen rural health work' made by the Central Committee of the Communist Party of China and the State Council (China 2002), 'The view on implementing rural

medical financial assistance' (MoCA 2003), 'The notice from MoF and MoCA to print and distribute Temporary Measures of Rural Medical Financial Assistance Fund Management' (MoF 2004), 'The notice from MoCA, MoH and MoF to promote rural MFA' (MoCA 2005). Through this series of policies, the rural MFA system was established. The policy measures were helpful to guide, supervise and promote the scheme and to organize the implementation of MFA.

WHAT IS THE SITUATION IN THE FOUR COUNTIES IN TERMS OF ACTORS?

According to the central policy decrees and the local situation, the four counties have adjusted their corresponding policies and assigned the workload to different sections and bureaus.

The county civil affairs bureau is in charge of the daily operation of MFA, the county financial bureau takes charge of the collection and supervision of funds, whereas the county health bureau is in charge of supervising the provision of medical services.

The county civil affairs bureaus are in charge of the management, supervision, auditing, the opening of an account, the distribution of funds and data analysis. The county civil affairs bureaus are under the administrative command of municipal civil affairs bureaus and under the financial supervision of county finance bureaus. The township civil affairs offices, which are under the supervision of the county civil affairs bureaus, deal with propaganda, identification of beneficiaries and the visiting of households; the village civil affairs cadre or village cadre is in charge of (limited) publicizing, the (tentative) selection of beneficiaries, household assessment, gathering feedback on qualification.

Of the four counties, Fushun is a little different from the other counties. To streamline the procedure of MFA in Fushun county, funds were transferred to the town civil affairs office at the end of 2006. The illnesses with medical expenditure less than 800 yuan are taken care of (through assistance) by the town civil affairs office. The county civil affairs bureau allocated a part of the MFA fund to the town civil affairs office. A person specially assigned is responsible for the management of the fund.

The county financial bureaus (which are supervised by municipal financial bureaus) are in charge of financing and fund supervising. MFA funds are allocated by the upper level financial department to the relative lower level financial department, for instance, funds are being transferred from the

central to the provincial level. And eventually the funds from all sources are under the management of the county financial bureaus through a special account (see Figures 1 and 2). The county health bureau (supervised by the municipal health bureau), is responsible for providing medical services through the hospitals in the four counties, because all the hospitals are under the management of the county health bureau.

Although no single special department is in charge of supervising the three departments (county civil affairs bureaus, county financial bureaus, county health bureaus), all the departments are supervised by the related department from a higher level. Moreover, the work of county civil affairs bureaus is checked by the county financial bureaus. Eventually, meetings that gather officials from the three departments are organized to discuss affairs of MFA.

Table 2. Who does what in the four counties in 2006?

	Xiaochang	Hongan	Fushun	Langzhong
Actor and roles				
Policy formulation	Jointly by three departments of the central government (MoCA, MoH and MoF)			
Design	According to the MFA policies of the central government and taking into account the local situation, the county civil affairs, the public health and the county finance bureau design the local MFA policies			
Financing	Central, provincial and county finance department	Central, provincial and county finance department	Central, provincial and municipal finance department	Central, provincial, municipal finance department, county finance department
Allocating and managing the fund	County financial bureau			
Monitoring & supervision	County civil affairs bureau, Township civil affairs office, County Financial bureau			
Data analysis and management	County civil affairs bureau, Township civil affairs office(activity report)			
MFA daily management*	County civil affairs office, Township civil affairs office, Village civil affairs cadre		County civil affairs office, Township civil affairs office, Village cadre	

	Xiaochang	Hongan	Fushun	Langzhong
Identification of beneficiaries	Village civil affairs cadre		The village cadre	
Approval of beneficiaries	County civil affairs bureau			
Supply of medical services	County hospitals, Township hospitals for those living far away from the county centre	Hospitals appointed by NCMS	Any hospital	
Coordination with NCMS	Not applicable	County civil affairs bureau pays the premium of NCMS for the households eligible for MFA, and the county civil affairs bureau and public health bureaus are responsible for the coordination between MFA and NCMS		

* Village civil affairs cadre: somebody mainly in charge of social welfare in the village in Xiaochang and Hongan;
Village cadre: is in charge of the daily operation of the village (including social welfare) in Fushun and Langzhong.

From Table 2, we can derive that the duties of different departments are similar across the four counties. This is clear evidence that the central level has been very influential in terms of the design of the scheme. The providers of medical services are more specifically defined in Xiaochang and Hongan, while in Fushun and Langzhong any hospital is acceptable for MFA. In Xiaochang, no coordination with NCMS existed at the time of research because NCMS had not been implemented yet in this county in 2006. In Hongan, Fushun and Langzhong on the other hand, the county civil affairs bureau pays the NCMS premium for the objects eligible for MFA, and the county civil affairs bureau and public health bureaus are responsible for the coordination between MFA and NCMS.

ELIGIBILITY CRITERIA AND IDENTIFICATION

In order to be eligible for MFA, people should meet certain criteria (see Table 3), which are different for respective categories of (potential) beneficiaries. The (*ex ante* and *ex post*) criteria you find in the table are the theoretical criteria in place in the counties; in practice the scope of the possible recipients of assistance in the four counties is much more flexible: actually almost everybody who suffers from illness and is in desperate need of help can get assistance from MFA.

Table 3. How are the poor identified in the four counties in 2006?

	Xiaochang	Hongan	Fushun	Langzhong
Criteria*				
<i>Household characteristics</i>	Wubao, Dibao, Tekun, Youfu, the households with special difficulties identified by the county government	Wubao, Dibao, Tekun, Youfu	Wubao, Tekun, the households that became poor due to major illness	Wubao, Dibao, Tekun, Youfu
<i>Health status</i>	Suffered from major illness 1 month before applying Illness categories: cerebral apoplexy; chronic renal failure; serious empyrosis, psychosis, acute abdomen; cancer or aplastic anemia; tuberculosis; cardiac disease; major illness authorized by county government.	Suffered from major illness 3 months before applying Illness categories: cerebral apoplexy; chronic renal failure; serious empyrosis, psychosis, acute abdomen; cancer or aplastic anemia; major illness authorized by county government.	Suffered from major illness (defined as an illness with a major impact upon daily life)	Suffered from major illness (defined as: inpatient expenditure of over 5,000 yuan)

	Xiaochang	Hongan	Fushun	Langzhong
<i>Health care expenditure*</i>	The out of pocket expenditure is more than 1,000 yuan		None	The inpatient expenditure is more than 5,000 yuan
<i>Other</i>	None		The one who gets reimbursement from NCMS	has priority for MFA
Identification process				
<i>Selection process</i>	After receiving the application for MFA assistance from the targets, the village committee, town and county civil affairs management check the entitling documents and make a household assessment through home visits. Eventually, the county civil affairs management approves the eligible beneficiaries. (see figure 2)			
<i>Entitling documents</i>	<ul style="list-style-type: none"> - Certification of household characteristics - Receipt of hospitalization - Certification of discharge from the hospital 		<ul style="list-style-type: none"> - Certification of household characteristics - Receipt of hospitalization - Certification of discharge from the hospital - Certification of getting reimbursement in NCMS 	
<i>Approval frequency</i>	Once every month	Once every 2 months	No more than 1 month after the application	Once during the first half year and once every three months during the last half year

* Criteria: due to budget constraints in the 4 counties, the criteria are usually stricter than what is displayed in table3. MFA must take budget constraints into consideration, thus the more serious the situation the applicants face, the higher the possibility that they will get assisted (although the ranking system is not completely commensurate with the size of the problem).

Out-of-pocket expenditure: the amount of medical fees paid by the patients themselves.

The main categories of households that are being assisted in MFA are Wubao, Dibao, Tekun, Youfu (see also Xu *et al.* in this issue). These households are identified by the Five Guarantee Program (Wubao), the Minimum Income Guarantee Scheme (Dibao), the Assistance for the Extremely Poor Households (Tekun) and the Regulations on Special Care and Treatment for Servicemen (Youfu) respectively, hence they are not identified by MFA. These categories are mutually exclusive and defined before the process of beneficiary identification of MFA.

The Regulation of supporting Wubao states that Wubao households must meet the following criteria: firstly, there is no caregiver in the family to support him or her, or the caregiver is incapable of bringing him/her up; secondly, they must lack the ability to work; thirdly, they lack resources to lead a normal life. The government provides Wubao with food, clothing, housing, medical care and a funeral. Dibao are those households whose annual income per person is lower than the local poverty line. Most of them are suffering from disability or are old people and lack the ability to work or lead a difficult life. Tekun are the households whose annual income is lower than the local 'extreme poverty' line or households that have a certificate of extreme poverty. The Tekun households are poorer than Dibao households. Youfu are preferential poverty aid targets including disabled soldiers, veteran, martyrs' family members, etc. Dibao, Tekun and Youfu can get cash assistance directly from the local government to ensure their livelihood.

In Hongan and Langzhong, Wubao, Dibao, Tekun and Youfu households can be included in MFA. In Xiaochang besides Wubao, Dibao, Tekun and Youfu households, other households suffering from major illness who live a hard life can also be included in MFA as long as their situation is confirmed by the county government. In Fushun besides Wubao and Tekun, people who suffer from poverty due to major illness can also be included in MFA.

The health status of targeted people is defined specifically in Xiaochang and Hongan, the illness categories included in MFA are very well circumscribed and clear in these counties, while in Fushun and Langzhong the definition of major illness is relatively vague. In Fushun major illness is only identified as illness which has a major impact on daily life such as cancer, nephropathy ect.. In Langzhong, major illness means illness with inpatient expenditure of over 5,000 yuan.

After getting the application for MFA, the village civil affairs cadre or

village cadre makes a household assessment of poverty and diseases by paying a visit to the applicants' homes and their neighbors, checking their household characteristics, as well as through village cadre discussion. Then the applicants are ranked at township level according to the extent of poverty and medical fees. According to the quota of assistance as allocated by county civil affairs bureau, beneficiaries are identified. After verification by the civil affairs office, certificates are awarded as evidence of MFA qualification. The number of assisted beneficiaries depends on the budget.

As indicated in Table 3, household characteristics including Wubao, Dibao, Tekun, Youfu are *ex ante* criteria, whereas other criteria are applied during the beneficiary identification process, which means after the household submits its application for MFA.

In the process of identification, the county civil affairs bureau bears the main financial risk, it allocates the funds only after receiving the money from various administrative levels. Consequently the identification process is relatively conservative, especially in the first half year, to prevent a fiscal deficit in MFA.

In short, identification processes in the four counties are quite similar, but in Fushun and Langzhong, households who receive reimbursement in NCMS get priority for MFA assistance over other households.

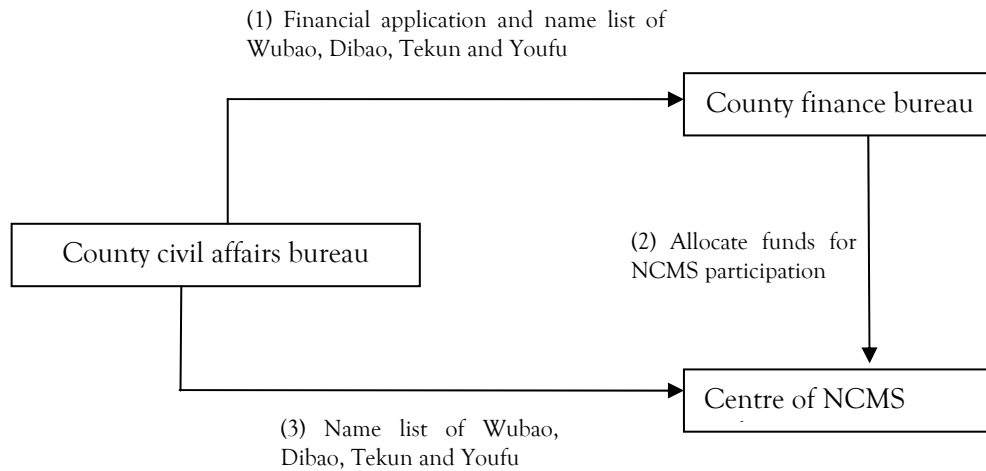
HOW ARE BENEFICIARIES ASSISTED?

MFA benefits are paid out in two ways. One way is to give direct cash assistance from the funds, as is the case in Xiaochang, the only county where there is no NCMS in 2006: eligible households are paid only with direct cash subsidies (*ex-post*). In the counties where there is NCMS on the other hand (like in Hongan, Fushun and Langzhong), MFA provides the premium for the households meeting the criteria of household characteristic in Table 3 to participate in NCMS once a year: a NCMS *ex-ante* pre-identification in other words. For households supported for NCMS participation, direct cash assistance of MFA is also available after their medical costs are reimbursed by NCMS. Indeed, MFA and NCMS are relatively independent social insurance systems; once households have paid the premium of NCMS by themselves or MFA has done so for them, they can be partially reimbursed by NCMS. If the out-of pocket expenditure is still high though and the applicants meet the eligibility criteria of MFA, they can get direct cash assistance.

The basic mode of paying the premium NCMS for the applicants

eligible for MFA in Hongan, Fushun and Langzhong where NCMS is already implemented in 2006, is illustrated in Figure 1. In Xiaochang NCMS is only introduced in 2007.

Figure 1. Paying the premium of NCMS for Wubao, Dibao, Tekun and Youfu in Hongan, Fushun and Langzhong³

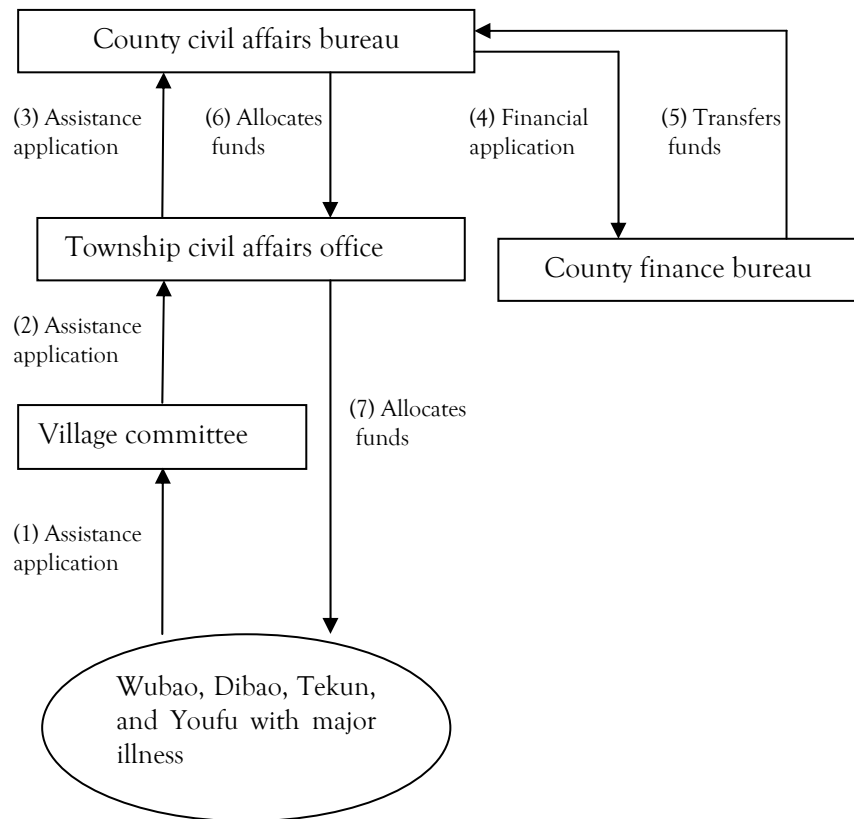


The county civil affairs bureau submits financial applications (for paying the premium of NCMS) to the county financial bureau for Wubao, Dibao, Tekun, or Youfu (Action 1). According to the name list submitted by the county civil affairs bureau, the county financial bureau allocates the funds for NCMS participation to NCMS (Action 2). In the meantime, the name list of participants in NCMS is handed over by the county civil affairs bureau to the centre in charge of NCMS (Action 3).

The mode of direct cash assistance in the four counties in 2006 is illustrated in Figure 2.

³ Xiaochang did not have this procedure at the time, as NCMS had not been implemented yet in 2006.

Figure 2. Direct cash assistance in the four counties in 2006⁴



Wubao, Dibao, Tekun, or Youfu with major illness eligible to apply for MFA assistance submit an application to the village committee⁵ after the utilization of medical care (which means MFA is implemented in the form of post-assistance) (Action 1). Once the application is approved by the village committee, the applicant list is publicized. If there is no resistance from any

⁴ The County civil affairs bureau allocates the funds to the applicants directly in Xiaochang.

⁵ The Village committee deals with public affairs and public welfare undertakings, mediates civil disputes, helps maintain social order and reflects the views, requirements and recommendations of the villagers to the governments.

villager against the names on the list, the application will be submitted to the township civil affairs office (Action 2). Since many households may apply for MFA and the funds are relatively limited, in order to let households have equal access to MFA, this publication policy has been adopted at village and township level. Every stage of the MFA procedure is made public to ensure that the households that desperately need MFA can get help, while at the same time guaranteeing that MFA remains under public supervision. The application is checked by the township civil affairs office, and as said before made public again. Once approved by the township civil affairs office and if there is no opposition to this decision, the application is submitted to the county civil affairs bureau (Action 3). The County civil affairs bureau verifies the application and submits a financial application to the county finance bureau (Action 4). There is a special account for MFA in each county. The county civil affairs bureau submits an application for the utilization of the MFA fund. After auditing by the finance bureaus, the fund is transferred to the county civil affairs bureau (Action 5). The County civil affairs bureau allocates the funds to the township civil affairs office (Action 6). Eventually, the applicants get the assistance in cash in the township civil affairs office (Action 7). Usually the whole process from applying for MFA till acquiring the cash takes several days to half a year. This mainly depends on the frequency of approval (See Table 3). Once approved, the beneficiaries can get the money within several days.

In Xiaochang and Hongan, there is some extra aid for Wubao, Dibao, Tekun, and Youfu targets. With the relevant certifications, they can get the registration in the hospital and the diagnosis for free, and just have to pay part of the fees for bed, nursing, operation, examination and medicine. The assistance standard and threshold are more specified in Xiaochang and Hongan than in Fushun and Langzhong.

Table 4. The assistance standards & package of MFA in the four counties in 2006

	Xiaochang	Hongan	Fushun	Langzhong
Premium for NCMS participation (yuan/person)	Not relevant	15	10	10
Direct cash assistance standard	According to illness and out-of-pocket expenditure ; (the amount of out-of-pocket expenditure-1,000 yuan) ×reimbursement rate (reimbursement rate: 30%)	According to illness and out-of-pocket expenditure ; (the amount of out-of-pocket expenditure-1,000 yuan) ×reimbursement rate (reimbursement rate: 20% ~ 30%)	According to the level of hospital, out-of-pocket expenditure and reimbursement of NCMS the amount of out-of-pocket expenditure ×reimbursement rate (reimbursement rate: 15%-30%)	No specific assistance standard, just according to the expenditure of hospitalization
Threshold (yuan/person)	1,000	1,000	non-specific	non-specific
Ceiling (yuan/person)	2,000	3,000	3,000	3,000
Other help	100% of the clinic service and diagnosis fees; 50% of the bed fees ; 10% of the nursing, operation and examination fees if any of these are over 100 yuan	100% of the registration fees, 10%-20% of examination fees, 5%-10% of injection fees, 5%-10% of drugs fees	None	None

CONTRACTS BETWEEN THE ACTORS INVOLVED AND SCHEMES

As we have seen, there are coordination mechanisms between the three key departments at county level. An interesting question is whether there are also contracts formalizing obligations and rights of the different actors involved in the scheme.

A remarkable feature of the schemes in the four counties is the absence of a formal contract between MFA and providers. MFA reimburses health services to households who purchased them from health care providers. The administrators of MFA complain that providers are overcharging which makes MFA funds insufficient.

As for the contract between the County Health bureaus (which are under the supervision of the MoH) and the providers: in Xiaochang and Hongan, the County health bureau helps hospitals designated by MFA develop assistance service, publicize the exemption regulation and provide good health services for MFA targets.

The contract between NCMS and providers contains the appointment of some NCMS hospitals by the health bureau. These hospitals must comply with the rules of the NCMS scheme when they provide services to patients covered by NCMS and prepay the reimbursement for NCMS to the patients. If the patients' expenditure is later proven to be eligible for reimbursement of NCMS, the hospitals will eventually get back the money from NCMS. If not, NCMS will not reimburse for the patient and the hospitals will suffer the loss.

MFA coordinates with the NCMS scheme as follows. In 2006, MFA pays the premium of NCMS for the Wubao, Dibao and Tekun in Hongan, Fushun and Langzhong. In Fushun, MFA applicants have to apply for MFA with a voucher of having (the right to) reimbursement from NCMS and only the out of pocket expenditure will be taken into account. That means MFA and NCMS share part of the bill of health services of those people. In Langzhong, due to limited funds, the applicants with NCMS get a high priority to receive MFA assistance. So there is rationing of the (limited) budget there, as households' applications for MFA are ranked. These households with NCMS get reimbursement from NCMS first, after which they can apply for further assistance by MFA.

Table 5. Contract between the provider, MoH, NCMS and MFA in the four counties in 2006

	Xiaochang	Hongan	Fushun	Langzhong
MFA and providers	None			
County Health Bureau and providers	County Health Bureau helps providers develop assistance service, and advertise the exemption services of MFA		None	
NCMS and providers	Not applicable (because there is no NCMS scheme in this county)	Pays part of the expenditure for the patients with NCMS		
NCMS and MFA	Not applicable	MFA pays premium of NCMS	MFA pays premium of NCMS; Apply for MFA after NCMS reimbursement	MFA pays premium of NCMS; Due to limited funds, the applicants with NCMS are more likely to get MFA assistance

FRAGMENTARY AND EARLY EVIDENCE ABOUT PERFORMANCE OF MFA AND PROBLEMS

As mentioned earlier, we do not have full data on the utilization of Medical Financial Assistance by the rural poor. Nevertheless, in Table 6 we provide some fragmentary data of the four counties, that give an indication of MFA's assistance to the rural poor people in 2006.

Table 6. The utilization of MFA in the four counties in 2006

	Xiaochang	Hongan	Fushun	Langzhong
Budget (thousand yuan)	810	490	1,240	1,640*
Poor households as confirmed by government in rural areas(%*)	14,336(6.9)	27,400(13.0)	Not available	19,355(7.1)
Pay NCMS premium for the applicants eligible for MFA (thousand yuan)	Not relevant	230	132	105
Persons enrolled in NCMS due to MFA (thousand)	Not relevant	15	13	11
Beneficiaries(direct cash assistance ^l (person-time)	263	179	338	688
Benefit/beneficiary (yuan)	1,883	2,200	700	1,293

*Versus the total number of households

The MFA budget of Xiaochang and Hongan (Hubei province) is lower than the budget of Fushun and Langzhong (Sichuan province), but the benefit amount per capita in Xiaochang and Hongan is higher than the amount in Fushun and Langzhong. The number of peoples enrolled in NCMS thanks to MFA is relatively similar in Hongan, Fushun and Langzhong, but the total expenditure of paying the NCMS participation fee is substantially higher in Hongan than in Fushun and Langzhong due to the higher NCMS participation fee per person in Hongan. It is remarkable that the number of people enrolled in NCMS through MFA in Hongan and Langzhong is much lower than the number of households identified as poor by the local governments.

Another source of information on the effect and performance of MFA consisted in our interviews with local officials.

Officials in the four counties all claim that the funds of MFA are limited. The governments above county level had allocated the funds on time, but Xiaochang and Fushun had not received the funds of the budget from the county-level government timely in 2006.

The MFA officials in Xiaochang said MFA had been implemented for three years (up to 2006), but MFA was too limited to solve the problem of poverty due to major illness. When the poor were unable to prepay for hospitalization, MFA was incapable of paying either. Hence MFA just reflects the government's concern for the poor with major illness, but it can not solve the problem, at least for now.

The MFA officials in Hongan acknowledged that MFA was a good scheme, but stated at the same time that its impact was limited. For example, the expenditure for some major illnesses such as leukemia and uremia was huge, but the relief as provided by MFA was inadequate in dealing with major illness because the ceiling of MFA was only 3,000 yuan. In other words, MFA just mitigated the problem instead of solving it. Even though the government made efforts to help the poor cope with major illness, it proved to be very difficult to assist them sufficiently.

The MFA officials in Fushun said that MFA was useful in relieving poverty due to major illness. According to them, in order to solve the problems, some measures should be taken such as allocating more funds by governments at all levels, lowering the thresholds of MFA and increasing the reimbursement rate. But these measures all depend on the funding of MFA. They said that they had paid the premium of NCMS for some poor, but none of them got assistance from MFA in 2006. The reason was obvious: the poor were not able to prepay for the major illness. For those who need pre-assistance, the MFA scheme that is currently in place is ineffective due to the post-assistance mode, that only provides assistance after people have paid their bills in the hospital.

The MFA officials in Langzhong said that over 90% of beneficiaries were satisfied with MFA. However, again, owing to a lack of funds, MFA could not solve the poverty trap due to major illness completely. In the officials' view, better MFA mainly depends on new MFA policy making and more funding.

Discussion

The purpose of this paper was to illustrate MFA with cases from the field, and evidence similarities and differences between practices and counties. More in particular, in this study MFA was examined in four counties in Hubei and Sichuan province, in terms of design, implementation, the actors

involved, eligibility and identification of beneficiaries, the mode and amount of assistance. We drew on a comparative framework developed by Noirhomme (2007) to analyze MFA in these four counties. Based on this comparative field research, we tried to find out whether in these four counties MFA solved the problem of poverty due to major illness.

As for the design of MFA in these counties, the four counties developed their MFA policies and assigned the work to different sections and bureaus according to the central policies and local situation. The duties of different departments were similar across the four counties. The county civil affairs bureau played a key role in dealing with MFA application, the financial bureau was mainly in charge of funds supervision, whereas the health bureau was responsible for the supervision of medical service provision. Obviously the central government plays a key role in the MFA policy making, but the local government has sufficient leverage to adjust this central policy, if necessary, to local conditions, for example with respect to the assistance standards and packages of MFA. The providers of medical services were more specifically defined in some counties.

From the previous section it is clear that MFA (local) policy is jointly made by the county civil affairs bureau, county financial bureau and county health bureau, and is implemented by the civil affairs, financial and health departments at all levels. Thus MFA is a scheme in which several administrative departments - and not just the civil affairs bureaus and departments - are involved, in spite of the link of MFA with social assistance programs. The fact that coordination is mostly organized through the government bureaucracy is remarkable; contracts are not used as key instruments, which is very different from current practice in Cambodia. This may impede the full seizure of benefits stemming from purchaser-provider split arrangements (Hardeman *et al.* 2004).

Generally speaking, Wubao, Dibao, Tekun or Youfu households can be eligible for MFA. Eligibility follows a rights-based approach, and is linked to the social assistance scheme categories (Wubao, Dibao, Tekun or Youfu). We believe that this integration of different assistance programs and the fact that the policy establishes a clear entitlement is a strong asset for future developments (see Criel *et al.* in this book for an example of social assistance in a high-income country).

Households suffering from major illness who live a hard life could also be included in MFA in some counties as long as their situation was

confirmed by the county government. People who suffered from poverty due to major illness were also included in MFA in some counties. In practice, the scope of possible objects in the four counties was even wider than implied by the criteria in Table 3. Hence, more rural residents in desperate need of MFA could be covered even if they were theoretically speaking - according to the criteria - not eligible. In other words, sometimes this practice violated the (design) assistance criteria, which might cause new problems in the implementation of MFA.

The main purpose of MFA is to help the rural people deal with major illness. There were clear definitions of major illness in some counties, while in other counties there was no clear-cut definition. In Langzhong, major illness was defined as disease that required inpatient treatment and with expenditures of more than 5,000 yuan. According to the literature, definitions of major illness varied in different places and different studies (see Lin (2007) for example). Yao *et al.* recommend major illness should refer to diseases with inpatient treatment (even in the case of only a one day stay), or if expenditure exceeds 5,000 yuan (Yao *et al.* (2003)). Lu stated that the definition of major illness should be commensurate with the amount of medical fees which a household can not afford; in other words, to the extent that they render the household poor. In the process of the implementation of NCMS, major illness is usually defined as hospitalization.

Identification processes in the four counties were fairly similar, but in the Sichuan counties, households who received reimbursement in NCMS got precedence for MFA assistance over other households.

As for the assistance mode, MFA benefits were paid out in two ways. In Xiaochang, where there was no NCMS in 2006, only direct cash assistance from the funds was given. In the counties where NCMS was already in place, MFA provided the premium for the current social assistance recipients to participate in NCMS. Nevertheless, (additional) direct cash assistance by MFA was also available after they were already reimbursed by NCMS.

The process to obtain MFA was rather similar in the four counties, although obviously it differed between counties with NCMS and the county without NCMS (Xiaochang). The assistance standard was mainly based on the out-of-pocket expenditure, but was different in the four counties. MFA was only available after the utilization of medical service. Officials in Sichuan counties emphasized the lack of pre-assistance, i.e. getting assistance before

utilization of medical care. In their opinion, due to the post-assistance procedure of MFA, not all the poor who needed help got MFA, because they could not afford to pay for the medical services in advance.

From this overview of MFA in the four counties it is clear that rationing the limited budget was a key issue. There were several ways to do so: through limited advertisement of the program, very restrictive eligibility criteria, limited assistance (see for example the respective reimbursement rates, ceilings, ...) etc.

Effective communication and coordination between the departments in charge of MFA and other relevant departments was mostly lacking. As there was no clear-cut contract between MFA and health service providers, many officials responsible for MFA complained bitterly. However, obviously MFA only reimburses, it does not purchase health services.

In short, in line with what the MFA officials in all four counties stated, MFA seems useful in relieving the poverty due to major illness, at least to some extent. They all admitted though that its relief was inadequate owing to a lack of funds and due to the post-assistance mode. Generally speaking, the funds, items, coverage and impact of MFA in the four counties were limited. Categories of illness covered were rather limited as well in general. The local departments of civil affairs were reluctant to advertise MFA. Limited funding as well as a huge demand explained this phenomenon. Consequently, some of the poor people were unaware of MFA, which prevented them from acquiring necessary medical services. Thus the problem of equity in MFA did exist in these four counties.

It goes without saying that this comparative study only provides indications; based on evidence from only four counties you can not make general conclusions about the implementation of MFA. Another drawback of this study was the lack of good indicators to measure the outcome and performance of MFA in these counties.

If one compares MFA with other experiences in the region - for example Health Equity Funds - then it seems clear that MFA provides only very partial assistance and reimbursement. It appears that so far a clear understanding and analysis of the life and health seeking behavior of the rural poor has been lacking in China. This gap should be addressed, if MFA is to become more effective. Due to the absence of contracts, MFA is at present also a rather weak mechanism in terms of accountability.

In line with what was stated above, the definition of 'major illness'

needs to be broadened. In order to avoid “major illness leading to poverty”, the focus of MFA, all health events with a possible major impact on household economy should be included (see also the paper by Lucas *et al.* in this issue). More specifically, a definition of major illness should implicate at least the following three kinds of cases: firstly, to be an inpatient with high medical expenditure; secondly, to be an outpatient suffering from chronic disease with (recurrent) high medical expenditure; thirdly, somebody who suffers from illness but is not able to afford medical service. Moreover, major illness should be measured at the household level, not just at the individual level.

Ideally MFA should combine pre-assistance, mid-assistance (getting assistance during the utilization of medical service) and post-assistance procedures. In the Chinese context though, this is easier said than done. Indeed, if pre-assistance and mid-assistance were actually implemented on a large scale, the funds of MFA could easily spiral out of control and become virtually unmanageable.

In conclusion: quite a few questions need to be addressed in further studies, among others: what kind of assistance mode should be adopted to ensure the effectiveness of MFA? How should major illness be defined? How can the coordination in and between different departments or schemes be improved? Finally, how can the effect and performance of MFA be assessed?

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