What are the problems facing China’s healthcare system? What are the historical and cultural roots of these issues? With his presentation “China’s Health Care and the Collapse of Ethics” William Hsiao drew attention to the structural and ethical dilemmas besetting health care in China. Since the beginning of reform, health care has become increasingly unaffordable and inaccessible for many Chinese. While problems such as the neglect of primary and preventive care, the lack of health insurance for rural residents, and the over-prescription of needless surgeries and medications have roots in market reforms which pushed public hospitals to become for-profit institutions, they are also related to a deeper problem in health care and Chinese society at large: the denigration of ethics. Solving China’s health care problems will require more than structural reforms – it will necessitate changing the collective psyche.

The market reforms in 1978 were accompanied with the benign neglect of the health care system in China through the 2000s. Focused almost exclusively on economic growth and initially with scant national government revenues, top leadership pursued a market solution for the health care system, dismantling the social welfare system that characterized the pre-reform era. Even with the tax revenue reforms in 1994, however, which greatly increased national government revenues, funding for health did not increase. As a result, while before the market transition Chinese public hospitals received fifty to sixty percent of their budget from the government, after the transition direct government budget funding only made up eleven percent. This shift was compounded by a lack of health insurance for rural residents. With the switch to the household responsibility system in farming, communes were dismantled and the rural cooperative medical scheme collapsed. Peasants were left without insurance and forced to pursue self-care or, in the case of major illness, borrow money, sell off assets, or, in some cases, prostitute young daughters to pay for hospital visits.

In addition to a financial squeeze, public hospitals were also constrained in their fundraising efforts by government policy, making their survival difficult. Hospitals attempted to earn income to cover expenses by charging patients, but central planners became worried that many Chinese would not be able to afford life-saving procedures. As a result, public hospitals were required to keep prices below actual cost for staff’s time for health services. Hospitals and clinics were allowed, however, to make a fifteen percent profit on drugs and new technology testing to pay for staff’s compensations and bonuses. The government thereby encouraged and legitimized the commercialization and a for-profit transition for public hospitals and clinics.

The impact of these policies have been numerous and detrimental. Prevention and primary care have been entirely neglected and substituted mostly with self-care. Distrusting local clinics, patients flood to 3rd tier hospitals even with modest illness. Most disturbingly, public hospitals exploit patients for profit. Hospitals set revenue targets for each ward, tying doctor compensation to revenue generation. As a result, many doctors over-prescribe the medications and procedures the hospitals can profit from to meet these targets. This trend has resulted in a general decline of public trust in hospitals and doctors.

The SARS Epidemic in 2003, caused by the neglect of prevention and food and drug safety, was in many ways a result of these disastrous trends. This medical emergency awakened top leadership to the problems infectious diseases pose for national security and resulted in some serious reforms during the Hu/Wen administration. In 2009, on the advice of international experts, China shifted public health and primary care back to public responsibility, rejecting the earlier market “solution.” Public investment in primary care facilities in village, town, and urban neighborhoods
greatly increased. Universal health care insurance plans for every citizen and public management and distribution of essential drugs were also instituted. As a result of these reforms, ninety-seven percent of Chinese now have health insurance, more health services and essential drugs are affordable, and more facilities are available. However, the behaviors of hospitals and doctors have not changed. Most of them still place profit-making as their priority. Now, the greatest challenge for Chinese health care is not funding or a lack of facilities, but the profit seeking of providers through over-prescribing drugs and ordering unnecessary testing, hospitalization, and procedures.

In sum, the major challenges remaining for Chinese health care surround ethics in medicine. There remains a substantial dearth of quality care for most Chinese citizens. Many doctors and staff, in rural areas especially, still lack proper training. Meanwhile, per capita health care expenditures have increased dramatically over the past several years, leading many observers to question the sustainability of the current system. Finally, the question of patient-doctor trust remains a salient issue. At the root of this distrust is a lack of ethics in Chinese medicine: Doctors remain committed to profits over any allegiance to the Hippocratic Oath of “doing no harm.” Solving this issue will require the commitment of the national government to institute incentives and policies to encourage ethical behavior and a reform of medical education and doctor selection. Restoring ethical medical behavior is particularly difficult when the prevalent ethics for Chinese society aims toward the idea that “to get wealthy is glorious.”