Good Governance in non-democratic contexts: The example of NRCMS in the PRC

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Agenda: Good Governance as an analytical category

1. *Good Governance in non-democratic contexts*
2. *Good governance in center-periphery relations*
3. *Good governance at the level of local government*

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Good Governance in non-democratic contexts

Recent developments in the PRC see the regime in a severe crisis. The main reasons for this crisis are inflation, inequity and inefficiency.

In lack of procedural legitimation, the regime seeks for confidence, support and stability by defining efficiency and equity as the main criterion for legitimacy.

The introduction of the New Cooperative Medical Scheme is part and parcel of the regime‘s attempt to renew its legitimacy.

Good Governance in center-periphery relations

- 2002: Turnover in national welfare policy: NRCMS in all counties by 2010
- 2004 start of implementation
- 2006: 40% coverage: establishing pilot counties
- **State intervention does not mean state dominance**

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Good Governance in center-periphery relations: The role of the central state

- The central State provides subsidies for every peasant participant
- The central state defines objectives and basic procedures
- However: The central state allows for a high degree of autonomy at the local level
- It allows for local adjustments and local decision making.

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Good Governance at the level of local government: Responsiveness as a result of inbuilt feedback loops

- Governance at the local level is good if responsive to the requirements of the targeted population.
- Governance at the local level is informal rather than institutionalized and formalized.
- Good governance at the local level is based on feedback loops and self-regulation.

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The objectives of the central state

- Reduce illness-induced poverty.
- Make participation in NRCMS voluntary.
- Focus NRCMS on reimbursing costs for serious illnesses.

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The methods of the central state

- Time-schedule
- Earmarking
- Co-payment

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The local state: NRCMS in X County, XUAR, PRC

- 2005: The Health Bureau of XUAR approves of establishing a pilot in X County
- 2006: 86% of the local population (=161.164 people) join NRCMS
- 2007: 93% (=162.723 people)

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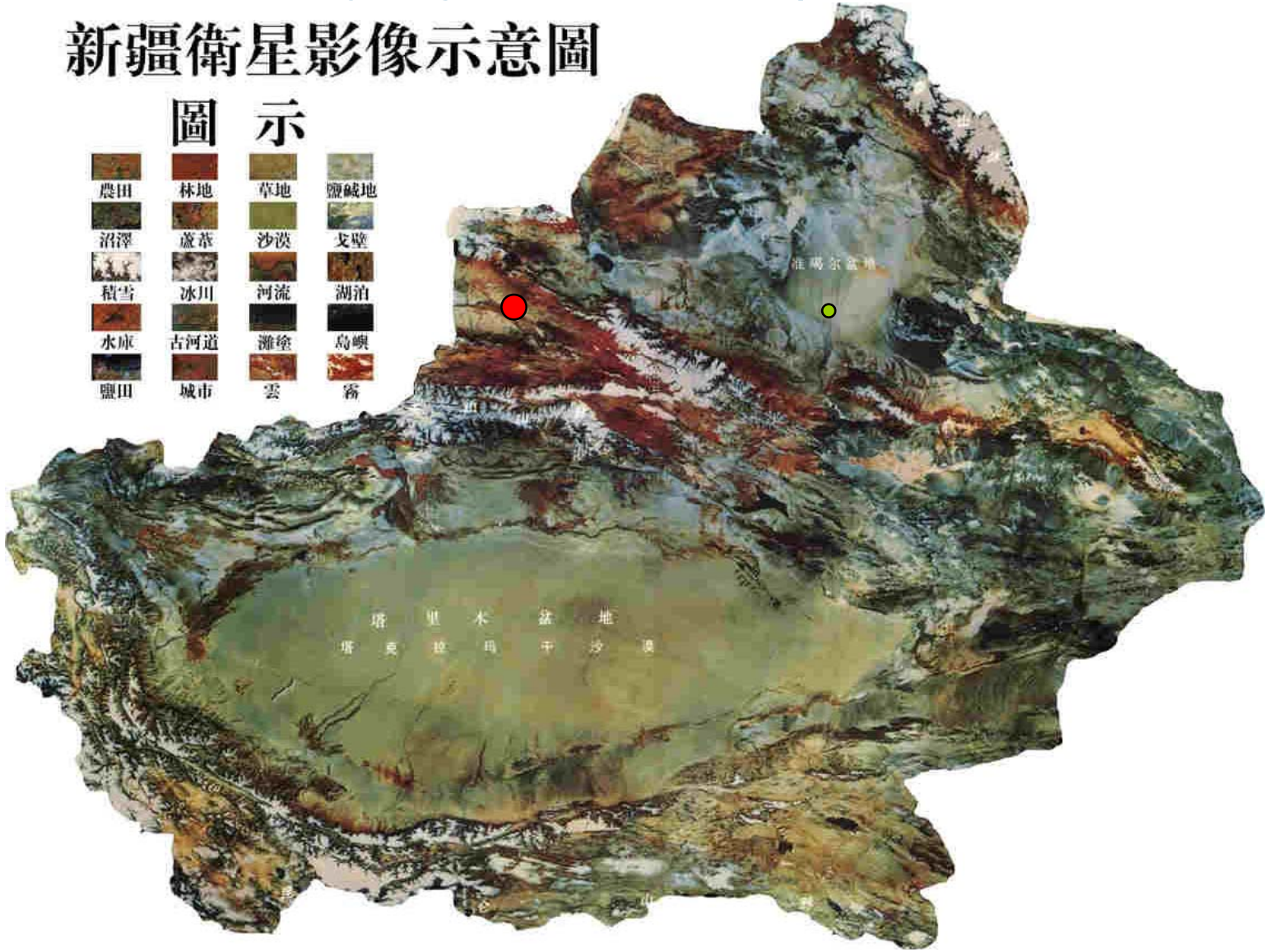
Location of field study in China: Autonomous Uigur Region (AR) Xinjiang

Location: AR Xinjiang – seen from space



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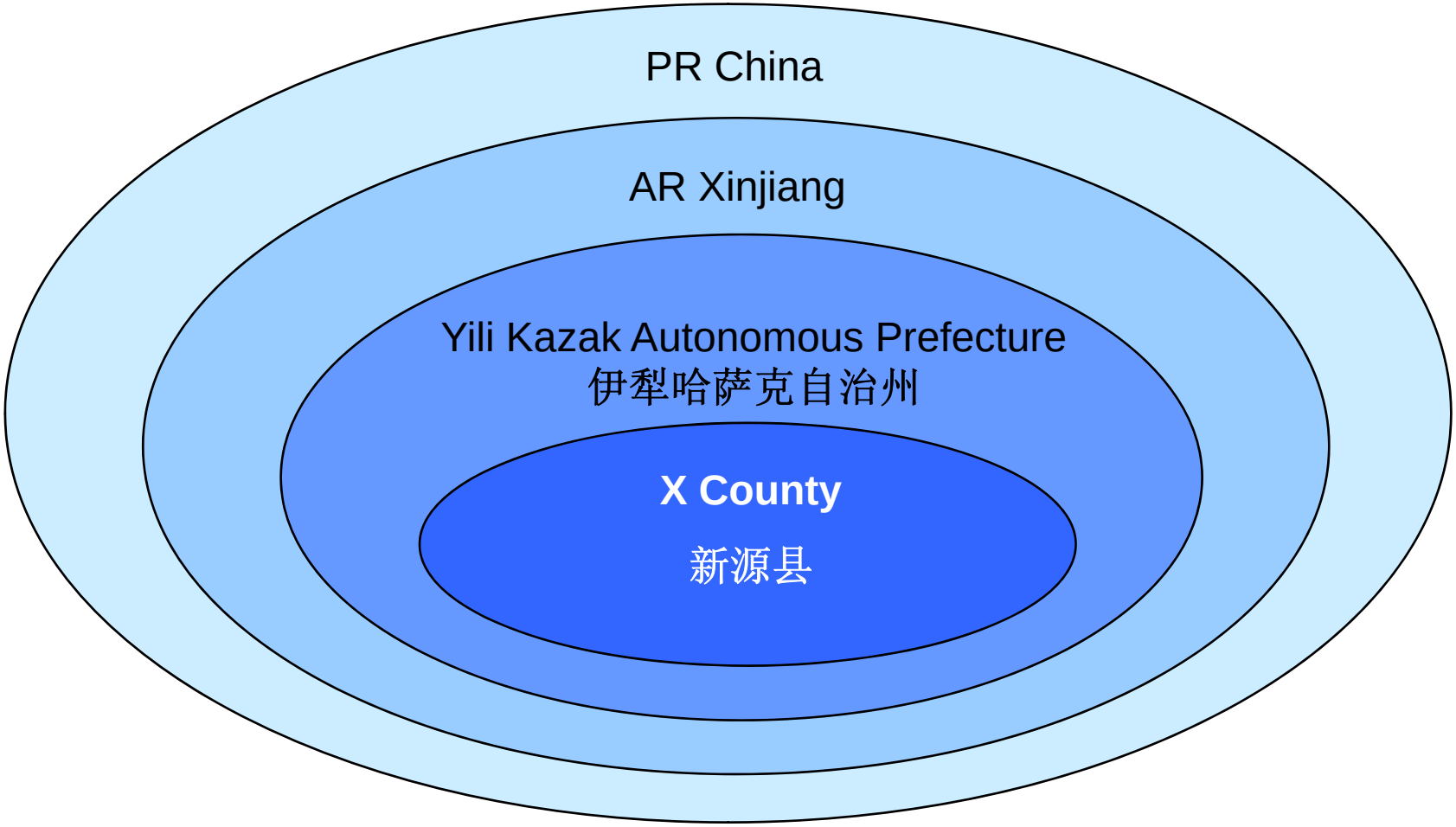
Project county in AR Xinjiang, PR China



Life in X County

- Population
- 286.000 inhabitants
- *Ethnic composition:*
- 43% Kazaks
- 39% Han-Chinese
- 13% Uygurs
- 5% others

- Animal husbandry and stockbreeding
- Seminomadic stock-farmers
  - Winter: houses in villages of the valleys
  - Summer: yurts in the highlands

- Average per capita income of rural dwellers:
  2867 Yuan RMB/year
  (280€/year, 2006)

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Doing research at the grassroots level

Field study in pastoral areas

NRCMS in X County in 2006

- Financial contributions:
- Participant: 25 Yuan
- County and Provincial Governments: 10 Yuan each
- Central government: 20 Yuan
- 2 Yuan for reserve account
- Double account system
- 48 Yuan for in-patient treatment
- 15 Yuan for out-patient treatment

[1]

Item \ Period	*Jan-May 2006*	*Jun'06-Apr'07*	*From May'07*
Contribution p.a.			
Central Government	20	20	20
Province	10	10	10
County	10	10	10
Participants	25	25	25
TOTAL	**65**	**65**	**65**
Franchise			
Township hospital	100	100	80
County hospital	300	300	200
Province hospital	600	500	500
Reimbursement Rates			
Township hospital	50%	60%	70%
County hospital	40%	50%	55%
Province hospital	30%	40%	40%
Reimb. Ceilings p.a.			
In-patient	8,000	12,000	12,000
Out-patient	15	25	25

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Benefits for the patients: The perspective of the year 2006

- Benefits are very modest: average out of pocket spending for in-patient-treatment at 3826 Yuan, yearly per capita income 2867 Yuan
- Participants complain that focus is on in-patient treatment
- Participants dislike the double account system
- Participants do not trust the sustainability of the system
- Participants do not use the system extensively
- Participants show 60% satisfaction, 30% dissatisfaction, 10% no opinion

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Readjustment of the system in 2007

- Health services outside X County are reimbursable.
- Disposition for out-patient treatment increases from 15 Yuan to 25 Yuan/participant.
- Free annual health check provided that no reimbursement was received during the previous year.
- Reimbursement levels and reimbursement ceilings for in-patient treatment are higher, franchises lower.
- Example for 2006: 1500Yuan-100Y (franchise)x60% (reimbursement rate)= 700 Yuan (47%)
- Example for 2007: 1500 Yuan-80Y (franchise)x70% (reimbursement rate)=994 Yuan=66%

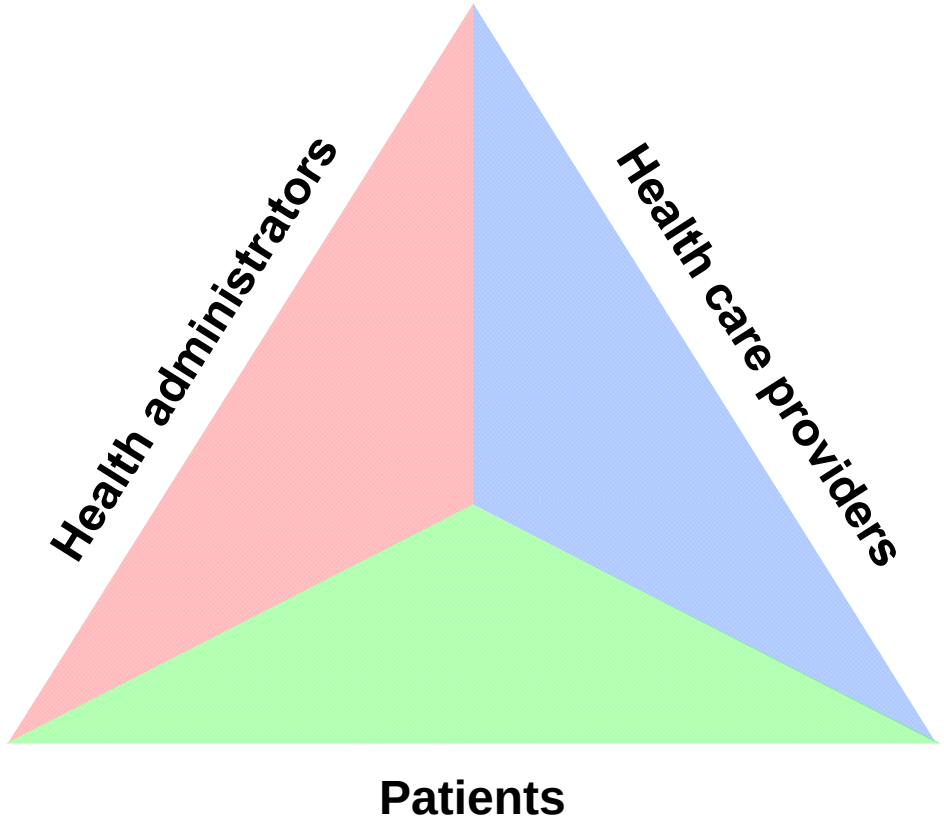
Opting in and out as in-built feedback loop

- Participation is based on family rather than individual participation and is decided upon every year.
- Institutional feedback is organized by commitees, however, their role was never mentioned in any of the interviews, and no member of any committee was ever introduced to us.
- Informal feedback is due to empowerment of the participants by giving them the right to opt in and out.
- The success and efficiency of the system can be assessed by the number of people opting in and out every year.
- In order to avoid a drawback in terms of membership quotas the local administration adjusts to the demands of the participants even at the risk of running into budgetary problems.

Agent-centered approach

Three relevant actors

- Patients
- Health care providers
- Health administrators



Health Care Providers

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The Role of the Health Care Providers

- Health Care Providers are re-integrated into the state controlled system and have to meet higher qualification requirements.
- Health Care Providers have to comply with a cost containment policy.
- Health Care Providers get minimal compensation for additional administrative chores.
- However, they anticipate higher health spending capabilities to make up for decrease in income as a consequence of standardization.
- Consequently, they have mixed feelings, but no feedback loop to give input into the system

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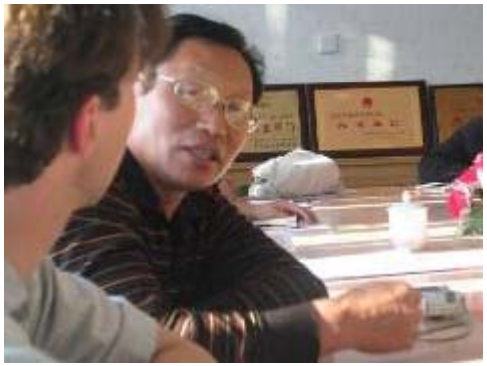
The Role of Local Administrators





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Responsiveness at the Local Level

- Responsiveness is achieved if institutions respond appropriately to the expectations of targeted individuals.
- Responsiveness is the key to the idea of good governance without democratic control at the local level.
- The key to the responsiveness of the local administration is voluntary participation with yearly renewable contracts.
- As a feedback loop is provided to the participants they force the administration into responsiveness.
- As no feedback loop is provided to health care providers they have no means to force the administration into responding to their demands.
- The central government allows for locally defined responsiveness by not intruding into local decision making processes.

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Good Governance in Center Periphery Relations

- By subsidising individual participants the Central Government strengthens their position and forces the local government into responsiveness.
- If responsiveness leads to efficiency the central government sees its legitimacy renewed.
- If responsiveness brings efficiency beyond institutional constraints, confidence in the system is renewed without introducing institutional constraints.
- Instead an informal system of checks and balances allows for self-regulation and participation.
- The system is stabilized by way of „learning“ as a form of responsiveness to percieved demands.

Thank you for your attention!