

# ENHANCING PUBLIC WELFARE ADMINISTRATION: A PRACTICAL APPROACH TO RESOLVING PRIORITIES IN CHINA

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**Abstract** Despite the Chinese government's continued, committed attention to actively promote the development of social welfare and to raise funds through various channels to provide social welfare benefits for the elderly, orphans, and the disabled, much remains to be done before the public welfare system in China attains a status where the programs are stable and sustainable and the benefits are predictable and reasonably uniform. This paper discusses many priority issues for China. These include formalizing and standardizing responsibilities for different levels of government authorities to provide public welfare assistance; establishing effective governance models for public welfare programs administration; and defining and enforcing eligibility guidelines for public welfare assistance. It also discusses clarity and uniformity in identifying entitlement and discretionary public welfare programs; defining responsibilities for funding public welfare programs, and identifying special projects, programs, and initiatives that qualify for priority funding and/or emergency resources.

**Key words** Public welfare, Eligibility, Public welfare benefits, Central and local government, Welfare program administration

## 1 Introduction

China's transition to socialism with Chinese characteristics has a profound affect on the public welfare industry of the country. Regardless of what school of thought you choose to follow, it is undisputable that under socialism, China's universal healthcare system produced excellent results. Moreover, the dramatic improvement of the health of the people was one of the most stunning achievements that followed the communist revolution. The socialist market economy brought to China phenomenal economic growth, but at the price of rapidly mounting serious social problems and the disintegration of the universal nature of public welfare. While far from perfect, the pre-1976 safety net was accessible to all so that ordinary citizens had similar expectations and similar opportunities to receive care. For the last thirty years, privatized medical practice and a market-based system have been impairing government control of organization and financing of health care. For those who can afford it, this dichotomy does not present a problem. For those who must rely on public welfare, the change is not welcome. For most Chinese citizens, no matter how thick their purses, the situation is disconcerting, because they either lack essential care or they are being asked to mend holes in the safety net of public funding. This paper discusses the essential and urgent need to establish a responsible public welfare management system in China and argues that among the first steps toward this goal are defining eligibility determination criteria and formulating clear fiscal responsibilities for provision of care.

## 2 Erosion of Universal Coverage and Its Consequences

Numerous factors continue to contribute to the erosion of universal health coverage, but the main reason can be found in tangible inequalities that are acknowledged with a greater or lesser degree of readiness. The ailments plaguing the health system are contagious and affect many other areas of the public welfare industry. For example, multiple insurance benefit packages that may differ by the density of covered populations (e.g. urban or rural), type of enterprise (e.g., state-owned or private), scope of coverage, and carrier are one of the obvious sources that cause the gradual replacement of the universal scheme by parochial schemes. This does not take into account vast numbers of uninsured and underinsured populations. According to the China Insurance Regulatory Commission (CIRC), in 2007, the government-sponsored medical care plan, which is available primarily for urban residents,

took care of 20 percent of the total medical costs, while commercial health insurance covered 10 percent. Deputy Health Minister Chen Xiaohong estimated that about 50.7 percent of the country's rural areas were covered by the new rural cooperative healthcare system at the end of 2006, while Premier Wen Jiabao said, at the opening meeting of the Fifth Session of the Tenth National People's Congress (NPC), that China's rural medical care system would cover more than 80 percent of the counties. It is reported that, in 2006, the system raised 21.36 billion yuan, and spent 15.58 billion yuan<sup>[1]</sup>, thus constituting 0.19% of the estimated total national need of 8 trillion yuan<sup>[2]</sup>.

China's central government fully acknowledges the need for comprehensive healthcare reform. Nevertheless, the government makes fewer public comments related to uninsured and underinsured populations, who lack comprehensive, trustworthy estimates. This may well mean that the focus of reforms is limited in scope to those individuals who are "insurable" as defined by the policy carrier, thus leaving behind millions of people, including those in most dire need of assistance.

The transition from the pre-1976 state-based system to a system that combines insurance principles and public welfare coverage for otherwise uninsured permeates all areas of public assistance and is not limited to healthcare. In January of 2007, Chen Wenhui, assistant chairman of CIRC, stated that China was committed to building "a multi-level healthcare network with all its citizens insured" and that commercial insurance services were a vital element toward achieving this goal. It is clear that regardless of the level of their participation, public and private funders are expected to create a foundation for a new Chinese model of universal coverage.

People's Republic of China (PRC) Health Minister Gao Qiang believes that a multi-level healthcare and insurance system is required to ensure that all citizens have access to care<sup>[2]</sup>. The August 2005 Ministry of Health Report on China's Healthcare System and Reform<sup>[3]</sup> presents a conceptual framework for China's future health system, while acknowledging that the previous reform had been unsuccessful. In its analysis of the reasons for the failure of the reform, the report indicates that "the consequences of the system reform are much more noticeable, mainly reflected in low impartiality and low efficiency, which seriously affect economic and social development" and that "the cause of the problems is rooted in the fact that commercialized and market-oriented development violated the basic requirements and basic rule of the development of the health system." Four problems were cited in the report:

- (1) "One of the problems is the contradiction between the nature of the public product of health service and the commercialized, market-oriented service mode.
- (2) The second problem is the contradiction between the availability of healthcare and the service mode.
- (3) The third problem is the contradiction between macro-objectives of healthcare and the commercialized service mode.
- (4) The fourth problem is the contradiction between the diseases risks and the financial capacity of individuals."

Based on the comprehensive assessment of health system performance, the report formulated three principal issues that constituted priorities for the then future reform. These issues were:

- (1) "The basic system objective must be clearly set for the reform of the health system."
- (2) "The focuses and methods of health intervention" must be reasonably defined.
- (3) "The key question is to strengthen government responsibility."

Discussing and clarifying the need to establish system objectives, the report states that "during the development of a health system... a basic contradiction that can't be avoided is unlimited demand of social members for medical health, while the medical health resources the society can provide are limited. Based on the basic contradiction, a basic principle problem to be considered is how are the limited medical health resources distributed among social members and different medical needs? In other words, it must be considered who is insured and what is insured."

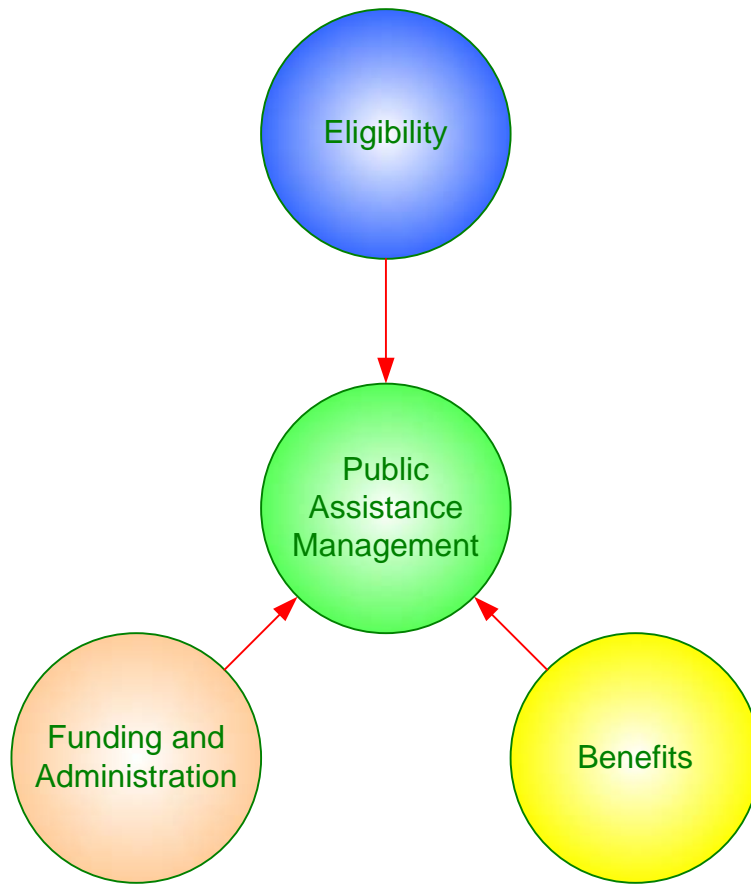
### **3 Public Welfare Made Painfully Simple**

The basic challenge of the public welfare industry lies somewhere between the Health Minister's belief in the need for a multi-level healthcare and insurance system, and the necessity to distribute limited medical resources among social members and different medical needs. It is hardly a surprise that, when afforded an opportunity, private insurance carriers would develop their memberships to include "healthier" individuals (or individuals with manageable average risk), as well as those who can reasonably warrant adequate reimbursement for rendered services. Given time, private carriers would "strip" the general pool of the uninsured of its lower-risk members, leaving the higher-risk and special populations to public welfare plans and programs or to no one. The limited resources quoted by the Health Report on China's Healthcare System and Reform acquire even higher value under these conditions. The Report also acknowledges a strong linkage between public assistance and private insurance when addressing the need to develop a medical assistance system. "In recent years, the medical problem of economically difficult groups arouses increasing attention. Some departments have begun to explore building a medical assistance system target for economically difficult groups. From the point of view of objectives, the initiative of the policy is worth affirming. However, the problem mainly lies in that medical assistance for economically difficult groups must be promoted concurrently with the building of the overall medical security system. Otherwise, it is difficult to get a good effect to simply push the medical assistance system."

While extremely difficult to resolve, the primary public welfare challenge may be phrased in excruciatingly simple terms. In summary (see Figure 1), it requires that society establish who is eligible to receive assistance, what kind of assistance should be provided within the scope of public programs, and what commitment of resources this assistance would require. Thus, maximum public exposure would be computed as a sum of the individual results of multiplying the unit rate for a particular kind of assistance, the expected number of required units per individual, and the number of individuals eligible to receive assistance. Invariably, the maximum public exposure (that is always approximated rather than computed, if at all) exceeds by far the resources that the society can or is willing to commit. What follows is a process of "rationing," although this term is deemed neither politically appropriate nor acceptable.

Because care for uninsured and underinsured is a public responsibility, if such a responsibility is acknowledged by the society at all, the government must cope with the task of developing eligibility criteria that, when democratic principles apply, would be applied in the environment of reasonable equality and without discrimination. To serve their purpose effectively, eligibility criteria must be defined clearly, must be adaptable to local conditions and ethnic and special populations, and must be limited in scope and complexity to ensure practicality. A good example of difficulties in eligibility determination can be found on the website of the People's Government of Hainan Province.<sup>[4]</sup> Having described numerous criteria for living assistance for urban residents (for example, a pet, an air conditioner, and a cell phone as augmenting elements during the income verification process), the author of the article concludes that "at present, it is so difficult to verify the applicants' property and income, not only because our social credit system is not completely established, but also because with a large amount of cash exchange, it is also a problem to implement information sharing between government sectors."<sup>[5]</sup>

**Fig.1 The Three Cornerstones of Public Welfare**



While the Internet may not be considered as an information source for scientific research, it is quite indicative of public sentiment and can be used to judge what level of interest is attributed to individual subject matters. Extensive interrogation of Internet sources through different search engines, both in English and in Chinese, reveals that, while China is increasingly recognizing the importance of eligibility determination matters, the country is still far away from the point where it could announce a systematic, administratively efficient approach toward establishing eligibility for public assistance. Yet in the absence of formalized eligibility criteria, China has no means to estimate its public welfare obligations, which would render inept or only marginally effective any public assistance reform contemplated or introduced by the government of China.

#### **4 Responsibilities for Provision of Public Assistance**

Whether the obligation of the society to its deserving members is well defined or is represented by only marginally accurate estimates, it is necessary to assign this obligation to appropriate units of government that would discharge their responsibility for provision of certain public welfare benefits to eligible citizens. Two interconnected but distinct aspects of such an assignment are present in any complex societal system. One aspect reflects the task of resource availability and allocation, while the other reflects administrative components ultimately governing delivery of care and various forms of assistance.

In accordance with the Constitution, China's administrative areas are representative of a multi-level hierarchy with administrative divisions that are not uniform, despite the fact that China adopts the

system of unitary centralism or unitary democratic centralism,<sup>[6]</sup> depending on the preferences and positions of the scholar. In this regard, China is “a state in which the major institutions of government, legislature, executive, and judiciary have power in all matters over the whole area and all persons within the territory of the state<sup>[7]</sup>” and in which “power is delegated, not distributed, and technically, all belongs to the central government.” In this environment, local administrative units are expected to attend to the interests of the central government above the interests of local populations and politics. Nevertheless, the degree to which central directives and local needs affect decisions of local government bodies is case-specific, being influenced by a great variety of both objective and subjective factors. This makes local welfare administration models highly idiosyncratic, despite the expectation of their uniformity (compared to other countries) that would be mandated by strong central governing offices.

As detailed in the report *Governance in China* published in 2005 by the Organization for Economic Cooperation and Development (OECD), the system of governance in China has quite disjointed features that are, ironically, a legacy of central planning, with its successive waves of decentralization and recentralization. When it comes to fiscal and regional issues, the current institutional set-up no longer seems to suit the heavy demands placed on the government of a large dynamic economy.<sup>[8]</sup> On the background of inadequate guidelines and subject to powerful lobbies, local priorities, and personal relationships, the chain of fund transfers from the central government to provincial governments to local governments suffers numerous deficiencies and lacks predictability and fairness. This makes the process of resource allocation difficult to manage and results in many broken promises, even when eligibility for assistance can be proven beyond doubt.

To illustrate the disparity of resource allocation decisions, one can use basic statistics on community services facilities in urban areas, depicted in Table 1. The matters of importance here are the wide range in which the values change, and the fact that regional average populations served by a facility do not appear to correlate well with their counterparts reflecting average populations served by a facility. Most likely, this is the result of the lack of frameworks for the government to transmit its decisions to regions and beyond to local municipalities, as well as the inadequacy of efficient models for distributing and discharging public assistance responsibilities.

**Table 1. Basic Statistics on Community Services Facilities in Urban Areas by Region (2005)<sup>[9]</sup>**

Region	Population, thousands	Community Services Facility, unit	Average Population (tens of thousands) Served by a Facility	Number of Community Services Units	Average Population (thousands) Served by a Unit
National Total	561,570	194,796	28.83	8,479	66.23
Zhejiang	27,420	36,255	7.56	300	91.40
Ningxia	2,520	2,622	9.61	42	60.00
Xinjiang	7,460	5,867	12.72	347	21.50
Jiangsu	37,420	23,506	15.92	454	82.42
Hunan	23,380	14,265	16.39	955	24.48
Shaanxi	13,840	7,038	19.66	239	57.91
Shanghai	15,840	8,016	19.76	104	152.31
Guizhou	10,010	4,704	21.28	149	67.18
Inner Mongolia	11,262	4,826	23.34	240	46.93
Liaoning	24,770	8,898	27.84	341	72.64
Fujian	16,710	5,778	28.92	366	45.66
Anhui	21,700	6,815	31.84	327	66.36

Region	Population, thousands	Community Services Facility, unit	Average Population (tens of thousands) Served by a Facility	Number of Community Services Units	Average Population (thousands) Served by a Unit
Heilongjiang	20,274	5,805	34.92	583	34.77
Hubei	24,650	6,971	35.36	278	88.67
Tianjin	7,831	2,139	36.61	111	70.55
Sichuan	27,090	7,216	37.54	397	68.24
Hebei	25,800	6,602	39.08	231	111.69
Gansu	7,780	1,975	39.39	272	28.60
Shandong	41,580	9,563	43.48	399	104.21
Jiangxi	15,935	3,053	52.19	299	53.29
Qinghai	2,129	360	59.14	116	18.35
Guangdong	55,730	9,044	61.62	665	83.80
Beijing	12,840	1,897	67.69	164	78.29
Jilin	14,260	1,999	71.34	249	57.27
Henan	28,720	3,799	75.60	346	83.01
Chongqing	12,640	1,644	76.89	98	128.98
Shanxi	14,115	1,817	77.68	168	84.02
Hainan	3,735	434	86.06	4	933.73
Tibet	740	70	105.71	5	148.00
Guangxi	15,650	1,394	112.27	93	168.28
Yunnan	13,105	424	309.08	137	95.66

## 5 Benefits

The Ministry of Finance's Report on China's central, local budgets delivered on March 5, 2008 to the First Session of the Eleventh National People's Congress provides an executive-level list of priority social programs that received support from the government of China. The list includes education, medical and healthcare, social safety net, housing assistance, public cultural services, and public security. While indicative of primary areas of need identified by the government, the list says little about specific benefits that the public welfare industry of China intends to make available to its eligible citizens.

Review of the information in China Statistical Yearbooks compiled by the National Bureau of Statistics of China reveals that public welfare-related indicators are scattered throughout three sections: Education, Science, and Technology; Culture, Sports, and Public Health; and Other Social Activities. Nevertheless, numerous displays fail to explain what specific benefits, which could be expressed in units of service, cash payments, food allowances, housing units, persons served, etc., have been delivered and at what cost to society. Furthermore, analyses presented in a regional yearbook offer parameters and sections inconsistent with those in nationwide publications (for example, Jilin Statistical Yearbook 2006 details public welfare related parameters in sections Education, Science, and Culture; and Sports, Public Health, and Others).

The lack of consistency in the presentation of public welfare statistics is indicative of the lack of standards and uniformity in the definition, funding, and administration of public welfare benefits. It is also indicative of the lack of systematically assigning responsibility for funding and administration of public assistance programs, addressed earlier in this paper.

## 6 Conclusion

The public welfare administration in China is far from the point where a citizen will be able to obtain clear, committed answers to the following basic questions:

- ⇒ For what kind of public assistance am I eligible? Or, am I eligible for public assistance related to my current need?
- ⇒ What benefits (services, goods, cash payments, etc.) can I receive?
- ⇒ What would be my personal payment obligation?

The Chinese public welfare administration is also far from the ability to provide clear, committed answers to similar questions posed from the perspective of a program administrator:

- ⇒ Who are the people who are eligible to receive assistance that is in the sphere of my responsibility?
- ⇒ What benefits (services, goods, cash payments, etc.) am I responsible to administer?
- ⇒ What are my resource commitments and what are the sources that make these commitments whole?

Despite noticeable recent progress and growing political and public attention, China faces the urgent need to put forth monumental and systematic efforts to organize its public welfare industry, focusing on the development and introduction of effective standards for eligibility determination, identification of benefit packages, and allocation of responsibilities for welfare program administration. Critical yet constructive assessment of the rich experiences of other nations would make this daunting challenge more manageable and less costly.

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