

(Translation*)

Opinions of the CPC Central Committee and the State Council on Deepening the Health Care System Reform

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In the spirit of the 17th CPC National Congress, for the purpose of establishing a health care system with Chinese characteristics, of gradually realizing the goal that everyone is entitled to basic health care services, and of raising the health level of the Chinese people, we hereby put forward the following opinions on deepening the health care system reform.

I. Fully recognizing the importance, urgency and arduousness of deepening the health care system reform

The health care sector is a major livelihood issue, as it is closely related to the health of billions of people and the happiness of every household. To deepen the health care system reform, quicken the development of health care sector, meet the people's ever increasing health care demands, and continuously improve the people's health is an inevitable requirement of implementing the Scientific Outlook on Development and accelerating economic and social development in a coordinated and sustainable manner, an important measure to maintain social fairness and justice and improve the quality of people's life, and also a major task of building moderately prosperous society in an all-round way and constructing harmonious socialist society.

Since the founding of the People's Republic of China in 1949, and since the beginning of the reform and opening-up in particular, China's health care sector has made remarkable achievements. A health service system covering both urban and rural residents has basically come into being; the disease prevention and treatment capacity has been continuously strengthened; the population covered by health care has gradually expanded; health science and technology level has rapidly risen; the people's health level has been markedly improved; and the major resident health indexes now rank among the highest in the developing countries. Since the major victory won in combating SARS in particular, governments at various levels have increased their investment, the development of public health, rural health care and urban community health care has been accelerated, and the New Rural Cooperative Medical Scheme and the basic medical insurance system for urban residents have made breakthroughs, all of which have laid a solid foundation for deepening the health care system reform. At the same time, however, we must be aware that there is still a rather prominent contradiction between the current development level of China's health care sector and the people's health demands and the requirements of balanced socio-economic development. Health care undertakings are developing unevenly between urban and rural areas and among different regions; resource allocation is unreasonable; the work of public health as well as rural and community

health care is comparatively weak; the medical insurance system is incomplete; pharmaceutical production and circulation order is not well regulated; the hospital managerial system and operational mechanism are imperfect; government investment in health is insufficient; medical costs are soaring, individual burden is too heavy, and therefore, the people's reaction is very strong.

Featuring arduous health care tasks, the period from now to 2020 is crucial for China to build moderately prosperous society in an all-round way. Along with economic development and improvement of people's living standards, the people will make higher demands on bettering health care services. Industrialization, urbanization, population aging, disease spectrum change, eco-environmental change and other factors pose a series of new and serious challenges to the health care work. To deepen the health care system reform is a strategic choice to accelerate the development of health care undertakings, an important channel to realize the goal of enabling people to share the achievements of reform and development, and an urgent aspiration of the broad masses of the people.

Deepening the health care system reform is a difficult social systemic project involving broad aspects. China has a large population, low per capita income, significant urban-rural and regional disparities, and will be at the primary stage of socialism for a long period of time. These basic national conditions determine that the task of deepening the health care system reform is extremely complicated and arduous, and that it will be a gradual process. Therefore, only through long and arduous endeavors and perseverant explorations on the basis of specified directions and framework can we progressively establish a health care system in line with the country's actual national conditions. To ensure the reform proceed smoothly and reach the expected goals, not only the reform should be pushed forward with firm determination, but also the work be well organized and steadily implemented.

II. The guidelines, basic principles and overall goal of deepening the health care system reform

(i) The guidelines for deepening the health care system reform It should be guided by the important thoughts of Deng Xiaoping theory and Three Represents; it should implement in depth the Scientific Outlook on Development; it should proceed from China's national conditions, and draw on the useful international experience; it should aim at achieving the goal of ensuring basic health care services for everyone, and emphatically address the problems concerning the most direct and real interests of the people or the ones that the people are most concerned about. It should adhere to the commonweal nature of public health care; it should adhere to the policy of regarding prevention as the main task and the rural areas as the focal point, and of laying equal stress on traditional Chinese medicine (TCM) and western medicine; it should implement separation between government agencies and public institutions, between government administration and business operations, between medical and

pharmaceutical services, and between profit and non-profit; it should strengthen government responsibility and investment, improve national health policies, perfect institutional systems, enhance supervision and regulation, promote institutional innovations, and encourage social participation, so as to construct a basic health care system covering urban and rural residents, continuously raise the health level of the entire population, and promote social harmony.

(ii) The principles for deepening the health care system reform The health care system reform must be firmly based on the country's basic conditions and proceed from reality, adhere to the right reform principles.

- We should adhere to the people-first principle and attach primary importance to safeguarding the rights and interests of the people's health. We should adhere to the tenet of serving the people's health with health care undertakings; regard safeguarding the people's health as the center, and take the entitlement of basic health care services to everyone as the fundamental aim and outcome; make sure that the principle of commonweal nature be complied with throughout the entire process, from designing the reform program, establishing the health system, to constructing the health care service system; ensure that the basic health care system be public goods provided to the entire population; emphatically resolve the prominent problems to which people strongly react, and strive to achieve the goal of ensuring that health care services be available to the entire population.

- We should adhere to finding a foothold in China's national conditions and build the health care system with Chinese characteristics. We should adhere to proceeding from the country's basic conditions, sum up the practical experience of the reform and development of China's health care undertakings by seeking truth from facts, and accurately identify the law of development and principal challenges of health care undertakings; adhere to ensuring that the basic health care service level is in coordination with the socio-economic development, and in conjunction with the affordability of the people; bring the role of TCM (including ethnic minority traditional medicine) into full play; adhere to positioning on local conditions, specifying guidance for different localities, giving full play to local initiatives, and exploring with the aim to establishing the basic health care system conforming to the country's national conditions.

- We should adhere to the unity of fairness and efficiency and combine government's leading role with the role of market forces. We should intensify government's responsibility in the basic health care system, strengthen governmental functions in institutionalization, planning, fund-raising, service provision, supervision and regulation, etc., safeguard the commonweal nature of public health care system, and advance fairness and justice. In addition, we should emphatically give full play to the role of market forces, call on social participation, promote the formation of orderly competition mechanism, upgrade operational efficiency, service level and quality of

the health care system, and satisfy the people's multi-layer and diversified demands for health care services.

- We should adhere to overall planning and all-round consideration and combine resolving currently prominent problems with improving the institutional system. We should proceed from taking the overall situation into consideration, balance urban and rural development and development among different regions, reconcile the interests of the supplier, the customer and other stakeholders, emphasize the combination of prevention, treatment and rehabilitation, and appropriately handle the relationship among government, health care institutions, pharmaceutical enterprises, health care workers and the people. We should be far-sighted and engage in institutional innovations on the one hand, and focus on current situation and emphatically tackle the prominent problems of the health care system on the other hand; We should pay adequate attention to the overall design, clarify the overall reform direction, objective and basic framework on the one hand, and highlight the key points, conduct step-by-step implementation, and actively and prudently press ahead with the reform on the other hand.

(iii) The overall goal of deepening the health care system Establish and improve the basic health care system covering urban and rural residents, and provide the people with secure, efficient, convenient and affordable health care services.

By 2011, the basic medical security system shall have completely covered urban and rural residents, the essential medicines system shall have been preliminarily established, urban and rural grass-roots health care service system shall have been further strengthened, the basic public health services shall have been available far and wide, pilot projects for reforming state-owned hospitals shall have made breakthroughs, the accessibility to the basic health care services shall have been improved markedly, residents' burden of medical costs shall be effectively reduced, and the problem of "difficult and costly access to health care services" shall have been remarkably relieved.

By 2020, the basic health care system covering urban and rural residents shall have been fundamentally established. We shall have set up, across the country, a fairly complete public health service system and health care service system, a comparatively sound medical security system, a secured and relatively well regulated pharmaceutical supply system, a comparatively sound health care institution management and operational system, a multi-sponsored medical configuration shall be formed, everyone shall have access to the basic health care services, the multi-layer demands of the people for health care services shall be met preliminarily, and the health level of the people shall be further enhanced.

III. Improving four major health care systems and establishing the basic health care system covering urban and rural residents

Four systems covering urban and rural residents shall be established, including the public health service system, health care service system, medical security system, and a secured pharmaceutical supply system, with an aim to forming a “four in one” basic health care system. The four systems shall be constructed in conjunction with each other, supplement each other and develop in a coordinated way.

(iv) Strengthening the construction of the public health service system in an all-round way Efforts should be made to establish and improve professional public health service networks, which include diseases prevention and control, health education, maternity and child care, mental health, emergency treatment, blood collection and supply, hygiene supervision, family planning, and etc.; improve the public health service functions of the basic health care service system, which is based on grass-roots health care service network; establish a public health service system featuring a clear-cut division of work, information-exchanging, resource-sharing, coordination and interaction; improve the capacity to deal with public health service and public health emergencies, and make equalized basic public health services gradually available to urban and rural residents.

Efforts should be made to identify the scope of public health services. Clarify the national basic public health service items, and increase step by step the service contents. Encourage the local governments to increase, in accordance with the local economic development level and prominent public health problems, their public health service contents on the basis of the service items defined by the central government.

Efforts should be made to improve the public health service system. Further clarify the functions, goal and tasks of the public health service system, optimize personnel and equipment configurations, and explore the effective means of integrating public health service resources. Perfect the major diseases prevention and control system as well as public health emergency mechanism, strengthen the surveillance, prevention and control of the diseases that severely threatening the people’s health, such as infectious diseases, chronic diseases, endemic diseases, occupational diseases, birth defects, and so on. And strengthen the construction of urban and rural first-aid system.

Efforts should be made to strengthen health promotion and education. Health care institutions, government agencies, schools, communities, enterprises, etc. shall massively carry out health education, take full advantage of various media, strengthen the dissemination of medical and health knowledge, advocate healthy and civilized lifestyle, promote rational nutrition among the public, and enhance the health awareness and self-care ability of the people.

Efforts should be made to implement in depth the patriotic public health campaign. Integrate the rural environmental sanitation and environmental pollution treatment

into the new socialist rural construction plan, promote the construction of “Hygienic Cities and Civilized Villages and Towns”, and continuously improve the environmental sanitation of life and work of urban and rural residents.

Efforts should be made to strengthen hygiene supervision services. Intensively promote environmental sanitation, food hygiene, occupational health, school health as well as the health services for floating population, such as migrant workers, etc.

(v) Further improving the health care service system A rationally structured health care service system covering urban and rural residents should be established by adhering to the operational principle of taking the non-profit health care institutions as the main body, for-profit health care institutions as the supplement, with the state-owned institutions playing a leading role, while non-state-owned health care institutions making synergies in the development.

Efforts should be made to energetically develop the rural health care service system. Efforts should be made to further complete the rural health care service network with county-level hospitals as the bellwether, township health centers and village clinics as the basis. As the intra-county health care center, the county-level hospitals shall be mainly in charge of the basic health care services, treating and saving patients with severe or acute diseases, as well as take the responsibility of providing professional and technical guidance to township health centers and village clinics and offering further education and training to the health care workers of two latter institutions. The township health centers shall take the responsibility of providing public health services and comprehensive services of diagnosing and treating the commonly or frequently encountered diseases, and of offering professional management over and technical guidance to village clinics, which shall, in turn, take the responsibility of the administrative villages’ public health services, the diagnoses and treatment of general diseases and other services. An integrated approach shall be adopted to manage both the township health centers and village clinics in the rural areas where conditions permit. Efforts should be made to actively promote the construction of rural health care infrastructure and capacity building. The government shall focus on the well-running of the county-level hospitals and a health center in each town, support the construction of village clinics through various ways, and ensure that each administrative village have a clinic, so as to vigorously improve rural health care conditions and upgrade service quality.

Efforts should be made to improve the new urban health care service system on the basis of community health care services. Quicken the building of the urban community health care service network with community health centers as the main body, and improve service functions. With safeguarding the community residents’ health as the focal point, provide them with public health services such as diseases prevention and control, preliminary diagnoses and treatment of the general, commonly and frequently encountered diseases, chronic diseases management and

rehabilitation services. Transform the community health care service mode, continuously raise the service level, take the initiative to offer services, provide household visits, and gradually assume the responsibility and duties of the “gate-keeper” for residents’ health.

Efforts should be made to complete the functions and responsibilities of various hospitals. Efforts should be made to optimize the configuration and structure, give full play to the backbone role of urban hospitals in terms of diagnoses and treatment of dangerous, severe and acute diseases as well as difficult and complicated diseases, medical education, research, guiding and training grass-roots health care workers, and etc. Conditions permitting, major hospitals may, in light of demands of the regional health planning, promote the rational flowing of health care resources through means of trusteeship, reorganization, and etc.

Efforts should be made to establish the mechanism of labor division and work coordination between urban hospitals and community health service institutions. Urban hospitals shall, through technical support, personnel training and other ways, lead the sustainable development of community health services. Meanwhile, urban hospitals shall take such comprehensive measures as strengthening service capacity, reducing fees and charges, raising reimbursement ratio and etc. to guide general diagnosis and treatment down to grass-roots medical institutions, and gradually achieve the goal of the initial diagnosis to be conducted in community health centers, classification of medical treatments, and dual referral. Efforts should be made to integrate urban health resources, make full use of existing sources, such as primary and secondary urban hospitals, health care institutions affiliated to state-owned enterprises and public institutions and other privately-run medical institutions, and develop and improve the community health service network.

Efforts should be made to bring into full play the role of TCM (including ethnic minority traditional medicine) in the prevention and control of diseases, public health emergency response, as well as in health care services. Reinforce the construction of TCM clinical research bases and TCM hospitals, organize and carry out the joint research of preventing and treating difficult and complicated diseases with TCM. Vigorously promote appropriate TCM techniques in grass-roots health care services. Take up favorable policies to foster TCM development, and promote the inheritance and innovations of TCM.

Efforts should be made to establish the system of urban hospitals offering counterpart support to rural health care. The developed regions shall reinforce their counterpart support to the development of health care undertakings in the poverty-stricken regions and ethnic minority regions. Major urban hospitals shall establish long-term stable counterpart support to and cooperation with county-level hospitals, assisting the latter to improve health care level and service capacity through clinical practice, staff training, technical guidance, equipment support and other ways.

(vi) Quickening the construction of the medical security system Efforts should be made to quicken the construction and improvement of the multi-layer medical security system covering urban and rural residents, with the basic medical security as the main body, and other diversified supplemental medical insurance and commercial health insurance as the supplement.

Efforts should be made to establish the basic medical security system covering urban and rural residents. The basic medical security system shall be jointly composed of urban employees' basic medical insurance, urban residents' basic medical insurance, New Rural Cooperative Medical Scheme and urban-rural medical assistance system, covering urban employees, urban non-employees, rural population, and urban and rural economically strained residents, respectively. Efforts should be made to adhere to the principle of covering a wide coverage, ensuring basic medical services and pursuing sustainable development, proceed from emphatically ensuring the treatment of major diseases, gradually extend to the ailments for clinics, and continuously raise the medical security level. Efforts should be made to establish a multi-channel fund-raising mechanism featuring a clear-cut division of responsibility of the government, employer, family and individual, and rational expense-sharing proportions, so as to achieve social mutual-aid. Along with economic and social development, efforts should be made to uplift the fund raising and pooling levels step by step, narrow the gap between different insurance schemes, and eventually achieve the fundamental unity of those schemes. Efforts should be made to further complete urban employees' basic medical insurance system, quicken the coverage of the employed population, emphatically address basic medical insurance problems of employees and retirees of the closed-down or bankrupted state-owned enterprises and enterprises with financial difficulties, employees of non-public economic sectors as well as temporary contract workers ; fully implement the urban resident basic medical insurance in 2009, and lay stress on tackling basic medical insurance problems concerning the aged, the disabled and the children; fully implement the New Rural Cooperative Medical Scheme, progressively raise the government subsidy level, and appropriately increase the farmers' contributions, so as to enhance the medical security capacity; upgrade the urban and rural medical assistance system, subsidize those who are economically strained for the premium payment, and subsidize them for their unbearable medical expenses, by this way to build a firm medical security baseline. And efforts should be made to explore the establishment of management mechanism for an integrated urban and rural basic medical security system.

Efforts should be made to encourage trade unions and other social groups to carry out diversified mutual aid activities for health care, and encourage and guide various organizations and individuals to develop charity medical assistance.

Efforts should be made to properly link the urban employees' basic medical insurance system, urban residents' basic medical insurance system, New Rural Cooperative

Medical Scheme and urban and rural medical assistance system. Efforts should be made to actively and properly conduct the transferal and continuation of basic medical insurance credentials from one region to another, laying stress on the migrant workers floating between urban and rural areas; improve the settlement services for treatment received allopatry, focusing attention on the retirees settled in places other than the locality where they used to work; properly address basic medical insurance issues concerning migrant workers; in light of government regulations, clarify the contribution obligations of enterprises with whom migrant workers sign employment contracts and establish steady labor relationship, and such migrant workers shall be integrated into urban employees' basic medical insurance system; other migrant workers may participate, in accordance with their actual situation, in the New Rural Cooperative Medical Scheme of the places of their origin, or the urban residents' basic medical insurance of their work locations.

Efforts should be made to actively develop commercial health insurance. Encourage commercial insurance agencies to develop health insurance products to meet different demands, simplify claim formalities, provide convenience to the people, and satisfy diversified health demands. Encourage enterprises and individuals to resolve their demands beyond the basic medical insurance through participating in commercial insurance and diversified supplemental insurance. On the premise ensuring fund security and effective supervision, actively advocate, in the form of government purchase of medical security services, to explore the possibility of entrusting qualified commercial insurance agencies with handling various medical security management services.

(vii) Establishing and completing a secured pharmaceutical supply system Efforts should be made to accelerate the establishment of a secured pharmaceutical supply system on the basis of the national essential medicines system, and ensure medicine safety for the people.

Efforts should be made to establish the national essential medicines system. The central government shall unitarily formulate and issue national essential medicines list, and rationally determine the categories and quantities of medicines in line with China's medication characteristics and with reference to international experience; in this process, the following principle shall be adhered to, i.e., medicines selected must be necessary for disease prevention and treatment, must be safe and effective, must be of reasonable price, must be convenient to use, and equal stress must be laid upon TCM and western medicines. Efforts should be made to establish a secured production and supply system of essential medicines, and bring market forces into full play under government macro-control; open tender and unified distribution shall be adopted for the essential medicines procurement, and the intermediary links shall be reduced, so as to ensure the people's access to the essential medicines. The central government shall set government-guided retail prices for the essential medicines, within which, the provincial people's government shall determine unified purchasing

prices of its own region according to its actual situation of tender invitation. Efforts should be made to regulate the use of the essential medicines, and formulate the essential medicines clinical application guide and formulary. All urban and rural grass-roots health care institutions shall be equipped with and use the essential medicines for medication, and other various health care institutions shall also take the essential medicines as their primary choice remedy, and ascertain the due application proportions. All essential medicines shall be integrated into the reimbursement list of basic medical insurance, with markedly higher reimbursement proportions than those of non-essential medicines.

Efforts should be made to regulate pharmaceutical production and circulation. Efforts should be made to improve development policies and programs for the pharmaceutical industry, enforce rigorous market access and drug registration and approval, vigorously regulate and consolidate the production and circulation order, promote independent innovation capacity of pharmaceutical enterprises and optimize and upgrade the structure of the pharmaceutical industry, develop modern drug logistics and chain-store operations, and promote the integration of drug production and circulation enterprises. Efforts should be made to establish the rural drug supply network offering more convenience to the people and more benefit to farmers; improve the drug reserve system; support the production of small-quantity special medication and first-aid medicines; regulate medicine procurement and resolutely crack down on commercial bribery in pharmaceutical procurement and sales; strengthen the surveillance of drug adverse reaction and establish early warning and emergency response mechanism for drug safety.

IV. Improving institutional mechanism, ensuring effective and well regulated operations of the health care system

Efforts should be made to improve the health institutional mechanisms, involving management, operation, investment, price and supervision, reinforce the development of science, technology, professional talents, information and legal system, and ensure that the health care system shall operate in an effective and well regulated way.

(viii) Establishing a coordinated and unified health care administration system

Efforts should be made to implement localization and sector-wide administration. Each health care institution, regardless of their ownership, investor, administrative affiliation, business operation category, shall be subject to the unified planning, access and regulation implemented by the health administrative department in the location concerned. The central and provincial governments may establish limited number of medical centers or regional centers undertaking medical research and teaching functions, as well as specialized hospitals undertaking the diagnoses and treatment of the difficult and complicated diseases across the country or a region. County (city) governments shall mainly take the responsibility of establishing county-level hospitals, village and community health service institutions; and other public hospitals shall be

established by the cities.

Efforts should be made to strengthen regional health planning. Provincial governments shall formulate allocation criteria for health resources, organize the formulation of regional health planning and plans for setting up health care institutions, and define the quantity, scale, layout and functions of health care institutions. Efforts should be made to rationally formulate the construction and equipment configuration standards for township health centers (village clinics), community health centers (stations) and other grass-roots health care institutions and hospitals at various levels. Efforts should be made to make full use of and optimize the distribution of existing health care resources, gradually integrate and consolidate health care institutions that are inconsistent with requirements of relevant plans, strictly control the deployment of large-sized medical equipment, encourage joint construction and sharing, and enhance the utilization efficiency of medical and health resources. The newly added health resources must be in conformity with regional health planning, and priority should be given to weak areas such as rural and community health services. Efforts should be made to strengthen the connection between regional health planning and urban-rural development plans, land use overall plans and etc; establish the monitoring and assessment mechanism for regional health planning and resource allocation.

Efforts should be made to promote the reform on the administration system for public hospitals. The reform shall be conducive to reinforcing of the commonweal nature of public hospitals and the effectiveness of government regulation, and actively explore diversified forms for effectively realizing the separation of functions of government agencies and public institutions, and separation of administration and business operations. Efforts should be made to further transform government functions, with health administrative departments mainly taking the responsibility of sector administration functions, such as health development planning, review of qualification and access, formulation of rules and standards, supervision and regulation on services, and etc., and other departments concerned, each according to their own functions, conducting administration and providing services. Efforts should be made to put into effect the independent corporate status of public hospitals.

Efforts should be made to further improve the basic medical insurance management system. The central government shall unitarily formulate the framework and policies of the basic medical insurance system, while local governments shall take the responsibility of organizing the implementation and management, create conditions for gradually uplifting the level of fund-pooling. Efforts should be made to effectively integrate the resources handling the basic medical insurance, and progressively achieve unified administration of urban and rural basic medical insurance.

(ix) Establishing an efficient and well regulated operation system for health care institutions All expenditures and revenues of public health institutions shall be

integrated into budget management. In light of the duties and tasks of the said institutions, the government shall rationally determine their staff size, salary level, and budget scale, clarify the duties of various positions, exercise rigorous staff enrolment criteria, strengthen performance assessment, establish the staff placement system on the basis of competitive selection, and improve work efficiency and service quality.

Efforts should be made to transform the operation mechanism of grass-roots health care institutions. As for the government-sponsored grass-roots health care institutions, such as urban health service centers (stations) and township health centers, their service functions shall be strictly defined, and the use of appropriate techniques, equipment and essential medicines be clearly required; and the said institutions shall provide the people with low-cost services, and maintain their commonweal nature. Efforts should be made to strictly verify the staff size, implement personnel employment system, and establish the human resources management system featuring competitiveness, motivation and efficiency; clarify the scope and standard of expenditure and income, implement financial management measures, including task verification, expenditure and revenue verification, performance assessment and subsidy; explore the possibility of implementing diversified effective management methods, such as separate management of expenditure and revenue, prepayment of the total amount of public health and basic medical insurance funds, exercise strict management of expenditure and revenue budgeting, and increase the funds utilization efficiency; reform the drug margin policy and implement drug sale with no markup; strengthen and improve internal management, establish an evaluation and incentive system with service quality as the core, and post responsibility and performance as the basis, and form a long-term mechanism ensuring fairness and efficiency.

Efforts should be made to establish a well regulated operational mechanism of public hospitals, which shall comply with the principle of commonweal nature and social benefits, adopt a patient-oriented approach, optimize service process, and regulate medication, examination and treatment. Efforts should be made to deepen the operation mechanism reform, establish and better the hospital corporate governance structure, specify rights and responsibilities of owners and managers, and form a mechanism featuring check and balance of policy-making, implementation and supervision, and integrating responsibility, incentives, restraints, competitiveness and vitality. Efforts should be made to promote the separation between health care services and drug sale, and actively explore diversified effective ways to gradually reform the mechanism of compensating the medical cost through drug sale; gradually reform or rescind the drug margin policy through implementing differentiated price markup between drug purchase and sale and through setting up prescription service fees; meanwhile, improve the compensation mechanism of public hospitals through appropriately adjusting health care service prices, increasing government investment, reforming methods of payment, and etc. Efforts should be made to further improve the financial and accounting management system, implement rigorous budget management, and strengthen financial regulation and operation supervision. Local

governments may, in line with local circumstances, conduct pilot projects of diversified management methods in hospitals where conditions permit, for instance, methods such as “expenditure and revenue verification, compensating expenditure with revenue, turning in the surplus, subsidy for the gap, clear-cut reward and penalty”. Efforts should be made to reform the human resources system, improve income distribution and incentives, promote the employment system and post management system, enforce rigorous management on total salary, implement the system of comprehensive performance evaluation and post-performance based salary in line with service quality and workload, and effectively mobilize the initiatives of health care workers.

Efforts should be made to construct a sound operation system for institutions handling medical insurance, including completing the internal governance structure, establishing a reasonable staff placement mechanism and a fair distribution system, improving the incentive and restraint mechanism, and enhancing the handling capacity and management efficiency of medical insurance.

(x) Working out a multi-source health investment mechanism with the government playing the dominant role Efforts should be made to specify the health investment responsibility of the government, society and individuals; establish the dominant position of the government in providing public health and basic health care services. The public health services shall be mainly provided, through government funding, to urban and rural residents in an equalized way. The expenses of the basic health care services shall be rationally proportioned and borne among the government, society and individuals. And special health care shall be directly paid for by individuals or borne by commercial health insurance.

Efforts should be made to construct and improve the government health investment mechanism. Both the central and local governments shall increase their health investment, and reconcile the needs of both the supplier and the recipient. Gradually raise the proportion of government investment in the total health expenditure, and effectively alleviate individual residents’ burden in terms of basic health care expenses; the growth rate of government health investment shall be higher than that of the current financial expenditure, so as to gradually increase the proportion of government health investment in the current financial expenditures. The newly added government investment shall be emphatically used in supporting public health, rural health, urban community health and basic medical security.

In light of the principle of burden-sharing at all government levels, efforts should be made to rationally divide the health investment responsibility among the central government and local governments at various levels. The local governments shall take the principal responsibility, while the central government shall mainly subsidize national immunization program, interregional prevention and control of major communicable diseases and other issues of public health, basic medical security of

urban and rural residents as well as the development of relevant public-owned health care institutions. And efforts should be made to increase special transfer payments by the central and provincial governments to financially constrained regions.

Efforts should be made to improve the mechanism of government investment in public health. Regarding specialized public health service institutions, the funding for their staff, development, construction and operations shall be appropriated in full amount by the government, and the legitimate service income of the said institutions shall be turned over to be kept in a special fiscal account or integrated into budget management. Gradually increase the average per capita public health funding, and complete a secured mechanism for public health service funding.

Efforts should be made to improve the mechanism for government investment in urban and rural grass-roots health care institutions. The government takes the responsibility of providing funding for the basic construction, equipment purchasing and staffing for the government-sponsored township health centers, urban community health centers (stations), as well as the operational funds for offering public health services so that the said institutions can fully function. As to all the township health centers and urban community health service institutions sponsored by various non-public sponsors, local authorities may set due government subsidies through ways such as purchasing services and etc. Efforts should be made to support the construction of village clinics, and grant reasonable subsidies to rural doctors who take the responsibility of fulfilling such tasks as public health services and etc.

Efforts should be made to implement the policy of granting government subsidies to public hospitals. Gradually increase the government investment, which shall be mainly used for basic construction and equipment procurement, development of key subjects, funds for retirees in conformity with the state regulations concerned, and subsidies for policy-related losses, and be also used for granting special subsidies to government-sponsored tasks, such as public health services, etc. All these shall aim to a well-regulated and sound mechanism of government investment in public hospitals. In terms of investment policies, preference shall be given to TCM hospitals (including ethnic minority hospitals), gynecology and obstetrics hospitals, children's hospitals, and hospitals specialized in prevention and treatment of communicable diseases, mental disorders, occupational diseases, and etc. Efforts should be made to strictly control the construction scope, standards and loan-taking of public hospitals.

Efforts should be made to improve the mechanism of government investment in the basic medical security. The government shall appropriate necessary funds to support the development and improvement of the New Rural Cooperative Medical Scheme, urban residents' basic medical insurance, urban employees' basic medical insurance as well as urban and rural medical assistance system; guarantee normal funding of the relevant institutions handling the above tasks.

Efforts should be made to encourage and guide social capital to sponsor health care undertakings. Actively promote the development of non-public health care institutions, and form a health care system with multiple categories of investors and diversified investment modes. Waste no time in working out and complete relevant policies and regulations, regulate the access conditions of social capital, including overseas capital, for sponsoring health care institutions, and complete sector-wide administration policies featuring fairness and justice. Encourage social capital to sponsor non-profit health care institutions in accordance with the law. The government shall work out guiding opinions on the system reform of public hospitals, and actively guide social capital to participate in the system reform and reorganization of some public hospitals, including the hospitals sponsored by state-owned enterprises. Steadily launch pilot projects in the system reform of public hospitals, appropriately reduce the proportion of public health care institutions, and form the configuration of public hospitals and non-public hospitals featuring mutual promotion and common development. Support the qualified personnel to start business in accordance with the law and provide people with convenient access to health care services. Improve the classified administration policy and preferential taxation policy for health care institutions. Strengthen, in accordance with the law, the regulation on the health care services sponsored by non-public investors.

Efforts should be made to energetically develop medical charity undertakings. Work out relevant preferential policies to encourage non-public entities to sponsor charity health care institutions, or make charity donations to medical assistance and health care institutions, and etc.

(xi) Establishing a sound health care pricing system Efforts should be made to regulate the management on health care service pricing. As to the basic health care services provided by non-profit health care institutions, the government-guided pricing shall be used, and the other services shall be priced independently by health care institutions. The central government shall take the responsibility of formulating pricing policies, items, pricing principles and methods for health care services; the provincial or municipal competent pricing departments shall verify, in conjunction with the health, human resources and social security departments, government-guided prices for basic health care services. The basic health care services shall be priced by deducting the service cost subsidized by government funding, so as to embody the reasonable cost and technical value of health care services. The services provided by health care institutions and doctors at different levels shall be priced at different grades. Efforts should be made to regulate the pricing items and standards of public health care institutions, and explore the reform on charging methods such as Diagnoses-Related Groups Payment; establish the system for price surveillance on medical device, supervision on and auditing of the service cost of medical examination and treatment and their regular pricing adjustment.

Efforts should be made to reform the drug pricing mechanism. Rationally adjust the

government pricing scope, improve the pricing methods, increase transparency, encourage enterprises to be engaged in independent innovations with the price leverage, and promote the production and utilization of national essential medicines. Gradually implement the pre-pricing economic evaluation system for new and patent drugs. Implement the low price system for generic drugs when it enters the market, so as to curb the low-level repeated construction. Strictly control the price difference ratio in pharmaceutical circulation. Carry out pilot projects, such as differentiated price markup on drugs sold in hospitals, prescription service fees and etc. to guide hospitals on rational medication. Strengthen the price control and management on medical consumables and the medical appliances used for implantation (intervention) during the circulation and utilization. Optimize the medical pricing surveillance system, and regulate independent pricing behavior of hospitals.

Efforts should be made to actively explore and build the negotiation mechanism for medical insurance handling institutions, health care institutions and pharmaceutical suppliers, and bring into full play the restraining role of medical security over health care services and pharmaceutical expenditures.

(xii) Establishing a rigorous and effective health care regulatory system Efforts should be made to reinforce the regulation on the health care system. Complete the health supervision and enforcement system, and enhance the capacity building of urban and rural health supervision institutions. Strengthen the regulation on health care service behavior and quality, improve the health care service standards and quality evaluation system, regulate the management system and work flows, quicken the formulation of the treatment protocols, and complete the health care service quality surveillance networks. Strengthen the regulation on the admittance and operation of health care institutions. Strengthen public health regulations, including drinking water safety, occupational hazards prevention, food security, medical waste disposal, etc. and rigorously crack down, in accordance with the law, the law-breaking behavior that jeopardizes the health and life safety of the people.

Efforts should be made to improve medical security regulation. Strengthen the regulation on medical insurance handling, fund management and use, etc., establish the mechanism for effective utilization of medical insurance funds and risk prevention. Strengthen the monitoring role of medical security on health care services, improve payment system, actively explore the payment methods such as capitation, Diagnoses-Related Groups as well as prepayment of total amount, etc., and establish an effective restraining mechanism that lays equal stress on incentives and penalty. Strengthen the regulation on commercial health insurance and promote sound development.

Efforts should be made to strengthen pharmaceutical regulation. Strengthen government regulation responsibility, improve the regulation system, and implement strict regulation on pharmaceutical research, production, circulation, utilization,

pricing and advertisement. Implement regulated quality management of pharmaceutical production, and strengthen the regulation on the production of high-risk items. Strictly implement the regulations on pharmaceutical business operation and management, explore and put in place categorized and graded licensing for the administration of pharmaceutical operation, and reinforce the supervision and sampling inspection on key categories of drugs. Establish the rural drug supervision networks. Strengthen government regulation on drug pricing, and effectively inhibit bubble prices. Regulate the clinical utilization of drugs, and bring into full play certified pharmacists' guidance on the rational medication and pharmaceutical quality management.

Efforts should be made to establish the regulation system featuring open information and multiple-stakeholder participation. Encourage social organizations, such as trade unions and individuals to exercise independent appraisal and supervision on the performance of the competent government departments, health care institutions and the relevant systems. And strengthen self-discipline in the sector.

(xiii) Establishing a sustainable development mechanism for scientific and technological innovation and a secured mechanism for professional talents in the health sector Efforts should be made to promote the scientific and technological progress of health care services. Treat health care technological innovation as a priority of national scientific and technological progress, strive to tackle difficult health care issues, and provide technological safeguard for the health of the people. Increase investment in medical research, deepen the health care system reform, integrate advantageous medical research resources, quicken the implementation of key projects of medical science and technology, encourage independent innovation, reinforce the research on prevention and treatment technology of major diseases and key technology of new medicine, and strive to make new breakthroughs in basic and applied medical research, hi-tech research, research on TCM, integration of TCM and western medicine, etc. Develop and produce medical appliances conforming to China's national conditions. And extensively carry out international cooperation and exchanges on health science and technology.

Efforts should be made to reinforce the development of professional health care talents. Work out and implement the development program for professionals, emphatically strengthen the training and cultivation of health care professionals and paramedic personnel in fields such as public health, rural health, urban community health, etc. Formulate preferential policies, encourage outstanding health talents to provide their services in rural areas, urban communities and the mid-western regions. Those health professionals, who have worked for a long period of time in urban and rural grass-roots health care institutions, shall be rendered appropriate preferential policies in terms of professional title promotion, professional training, compensation policy, etc. Complete the qualification system for general practitioners, complete the on-the-job training system for the health professionals working in both rural areas and

urban communities, encourage the said personnel to receive academic education, promote the professional standardization for rural doctors, and realize as soon as possible the goal that all the grass-roots health care institutions are staffed with qualified general practitioners. Reinforce the development of high-level professionals in research, medical treatment, health management, etc. Establish the standardized training system for resident physicians, and intensify continued medical education. Reinforce the development of paramedic professionals, and gradually resolve the existing problem of the low proportion of paramedic personnel. Cultivate TCM professionals and expand the team. Steadily promote the rational flow of health care professionals, facilitate diversified ways of talent exchange among different health care institutions, and explore the feasibility of multiple-site practice of certified practitioners. Regulate the qualifications for hospital managerial personnel, and gradually form a professional and specialized managerial team for health care institutions.

Efforts should be made to readjust the structure and scale of higher medical education. Strengthen education on general medicine, improve standardized and regulated clinical medical education, and enhance the quality of medical education. Increase investment in medical education, intensively develop undergraduate and non-degree medical college education, which should be geared to the needs of rural areas and urban communities, adopt diversified methods such as targeted free training to cultivate health care professionals for poverty-stricken rural areas, and foster a large number of qualified medical practitioners who are devoted to rural areas and ready to serve farmers.

Efforts should be made to build sound and harmonious relations between health care workers and patients. Strengthen medical ethics, pay adequate attention to the humanitarian quality cultivation and professional caliber education of the health care workers, vigorously carry forward the spirit of “healing the wounded and rescuing the dying”. Optimize the work surroundings and conditions, safeguard the legitimate rights and interests of health care workers, and arouse their enthusiasm to better services and improve efficiency. Improve the medical practice insurance, carry out medical social work, complete the mechanism for handling medical disputes, and enhance the communications between practitioners and patients. Foster in the entire society a good atmosphere of respecting medical science, health care workers as well as patients.

(xiv) Establishing practical and shared health care information system Efforts should be made to energetically promote health care informatization. Focusing on promoting the informatization of public health, health care services, medical insurance, drugs, financial regulation, etc., efforts should be made to integrate resources, strengthen the construction of information standardization and public service information platform, and gradually realize unified standards, high efficiency and interrelated communications.

Efforts should be made to accelerate the construction of health care information system. Improve the public health information system with the disease control network as the mainstay, and enhance the capacity for forecast, early warning, analysis and reporting; take creating resident health archives as the priority, construct the rural and community information network platform; take hospital management and electronic medical record as the priority, promote hospital informatization; take advantage of the network information technology to promote the cooperation between urban hospitals and community health service institutions. Vigorously develop the remote health care services geared to the needs of rural areas and remote and border regions.

Efforts should be made to establish and improve medical security information system. Speed up the construction of the multi-functional medical security information system, including fund management, expenses settlement and control, medical behavior management and supervision, management services of employers and individuals participating in insurance programs, etc. Strengthen the information system construction of urban employee's basic medical insurance, urban residents' basic medical insurance, New Rural Cooperative Medical Scheme and medical assistance system, and realize its connection with the information system of medical institutions, actively promote the "All-in-One Card" (a multi-purpose card), etc. to facilitate insurance (cooperative scheme) participants to receive medical services, and increase the transparency of medical services.

Efforts should be made to establish and improve the three-tier (state, province and municipality) information network of drug regulation, drug testing and drug adverse reaction surveillance. And establish the information system of supply and demand of essential medicines.

(xv) Establishing and improving health care legal system Efforts should be made to improve the health legislation. Quicken the promotion of the basic health care legislation, specify the rights and obligations of government, society and residents in terms of enhancing health to ensure that everyone is entitled to the basic health care services. Establish and improve health standard system, properly deal with the connection and coordination of relevant laws and regulations, and gradually establish and improve a comparatively complete health legal system in line with the basic medical and health care system.

Efforts should be made to promote government administration in accordance with the law. Exercise rigorous and regulated law enforcement, earnestly improve the capacity of the governments at various levels to develop and manage health care undertakings through legal means. Make greater efforts in the popularization of the health care law, and strive to create a legal environment that is conducive to the health of the people.

V. Concentrating on five key reform projects and striving to achieve remarkable results in the near future

In order to achieve results of the reform at an earlier date, efforts should be made to implement the commonweal nature of health care services, concentrate on ensuring the people's basic needs of seeking health care services, and in light of the requirements that the people enjoy real benefits, health care workers be encouraged and regulators can easily understand the contents of the reform, strength shall be exerted on the following five key reform projects from 2009 - 2011.

(xvi) Accelerating the construction of the basic medical security system The basic medical security system shall completely cover urban and rural residents, and within three years, the insurance (cooperative scheme) participation rate of urban employees' basic medical insurance, urban residents' basic medical insurance and New Rural Cooperative Medical Scheme shall all reach over 90%; and the urban and rural medical assistance system shall cover all the economically constrained households across the country. Giving priority to improving the benefit level of insurance for in-patient treatment and major diseases treated at clinics, efforts should be made to gradually enhance the fund-raising and medical security level, and by 2010, the threshold of subsidy granted by the government at various levels shall be increased to 120 Yuan per person per annum for both urban residents' basic medical insurance and New Rural Cooperative Medical Scheme. Regarding the basic medical insurance, efforts should be made to properly conduct the credential transfer and connection and the settlement services for receiving health care services from allopatry; improve medical security management system and mechanism and effectively alleviate the burden of medical expenses on urban and rural individuals.

(xvii) Preliminarily establishing a national essential medicines system Efforts should be made to establish a relatively complete system for the selection, production and supply, use and reimbursement of essential medicines through medical insurance. In 2009, the national essential medicines list shall be released, the procurement and distribution of essential medicines regulated and the prices of the essential medicines rationally determined. From 2009, the essential medicines shall be supplied to all the government-sponsored grass-roots health care institutions for medication, other health care institutions shall also use the essential medicines as required, and all the retail pharmacies shall be supplied with the essential medicines for sale. Efforts should be made to improve the medical insurance and reimbursement policies concerning the essential medicines; ensure the availability, safety and effectiveness of the essential medicines for the people, and alleviate the burden of the essential medicines expenses on the people.

(xviii) Improving the grass-roots health care services system Efforts should be made to accelerate the construction of the three-tier rural health care services network and urban community health service institutions, bring into full play of the leading

role of county-level hospitals, and build a relatively complete grass-roots health care services system in three years. Efforts should be made to cultivate and train grass-roots health care professionals, particularly general practitioners, and concentrate on improving the level and quality of grass-roots health care institutions; transform the operational mechanism and service modes of grass-roots health care institutions, and improve the compensation mechanism; gradually establish the system of graded diagnoses and treatment and for dual referral, so as to provide the people with convenient, fast and low-cost basic health care services.

(xix) Promoting the progressive equalization of the basic public health services

The state shall work out the basic public health service items, and from 2009, gradually provide urban and rural residents with the basic public health services, including disease prevention and control, maternal and child care, health education, etc. Efforts should be made to implement national major public health service programs, effectively prevent and control major diseases as well as their hazardous elements, and further improve the capacity of tackling major public health emergencies. Improve urban and rural public health service system and optimize funds provision mechanism for public health services, so that by 2009, the standard average per capita funding for the basic public health services shall be no less than 15 Yuan, and no less than 20 Yuan by 2011. Strengthen performance appraisal, and improve the service efficiency and quality, gradually narrow the gap in the basic public health services between urban and rural residents, and strive to ensure that the people shall contract as few diseases as possible.

(xx) Promoting the pilot reform on public hospitals

Efforts should be made to reform the management system as well as operational and regulatory mechanisms of public hospitals, and actively explore the effective forms of separating the functions of government agencies and public institutions, separating government administration and business operation. Improve the structure of hospital corporate governance. Promote the reform on the compensation mechanism of public hospitals, increase government investment, and improve the financial compensation policy for public hospitals so that the problem of “compensating the medical cost with drug sale” can be gradually resolved. Accelerate the formation of a multi-sponsored configuration for running health care institutions, and encourage non-public investors to invest in not-for-profit hospitals. Intensively reform the internal management of public hospitals, optimize service flows, regulate diagnoses and treatment behaviors, arouse the enthusiasm of health care workers, enhance service quality and efficiency, markedly shorten patients’ waiting time, and achieve the mutual recognition of the testing and inspecting results by different hospitals of the same level. Strive to facilitate the people to receive proper health care services.

VI. Actively and steadily promoting the health care system reform

(xxi) Raising awareness and strengthening leadership Party committees and

governments at various levels shall fully understand the importance, urgency and arduousness of deepening the health care system reform, raise awareness, proceed with confidence, earnestly reinforce organization and leadership, put people's access to health care services high on the agenda as one priority of improving people's livelihood and expanding domestic demand, make clear division of work, and fulfill the public health care responsibilities of the government. The State Council shall form a leading group in charge of deepening the health care system reform, and organize the implementation of deepening the health care system reform in a coordinated way. The departments concerned under the State Council shall conscientiously fulfill their duties and responsibilities, closely cooperate with each other, form a concerted force and strengthen supervision and evaluation. In light of the requirements of this document and its *Implementation Plan*, the various local governments shall, based on their actual conditions, work out the concrete implementation plans and effective measures, carry out intensive organization work, promote the reform driving in an orderly way, and ensure that the reform results shall benefit the entire population.

(xxii) Prioritizing key issues and conducting step-by-step implementation It is a long-term task to establish the basic health care system covering urban and rural residents, so we should adhere to the combination of long-term and short-term prospective. Proceed from the basis and grass-roots level, with the recent reform projects focusing on the five key areas, including the basic medical security system, national essential medicines system, grass-roots health care service system, equalization of the basic public health service and pilot reform projects of public hospitals. We should lose no time in formulating the operation documents and specific plans to further deepen and elaborate the policy measures, specify the implementation steps, properly conduct coordination and conjunction, and promote the various reforms in a balanced way.

(xxiii) Launching pilot projects with gradual dissemination As the health care reform involves broad aspects, complex situations and strong policy-orientation, for some major reforms, we must experiment with pilot projects. The State Council Leading Group of Deepening the Health Care System Reform is in charge of formulating the principles and policy framework for pilot programs, conducting coordination on the basis of overall planning, and guiding the work of the various pilot sites. Each province (autonomous region and municipality) shall formulate the specific pilot programs and organize the implementation. Different local governments are encouraged to carry out diversified pilot projects on the basis of their actual conditions, and actively explore the effective channels of implementation. The experience shall be summarized on a timely basis, and gradually disseminated to other areas.

(xxiv) Strengthening publicity and correctly guiding public opinion It requires the understanding, support and participation from all social sectors and the people to deepen the health care system reform. We shall stick to a correct orientation of public

opinion, disseminate far and wide the great significance and major policy measures of the reform, actively guide the social expectancy, reinforce the people's confidence, so that the reform, which shall benefit the people, can find its way deep into the people's heart and create a sound public opinion environment for deepening the reform.