

An Empirical Analysis of China's Recent Waves of Cooperative Medical Insurance

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Abstract

China abandoned its free universal health care system and privatized health care market in 1990s. The direct consequence was that many people lost their access to health care, especially those without employers, including farmers in rural China, which in turn significantly reduced their medical care utilization. This inequality in citizens' access to medical care necessitates further reform and rural residents are the primary beneficiaries this time. A new wave of rural cooperative medical insurance was first promoted in selected areas in 2003 and has since spread to the whole nation. The ultimate goal is to cover all the rural areas by 2010. By 2006, over 50 percent of rural China had been covered by the new rural cooperative medical insurance. The participation rates in experimental areas are over 70 percent. Rural residents' entry into this new insurance program raised the following questions: what are the determinants of individuals' participation decisions, have they increased their use of medical care once they are insured? This paper evaluates the insurance take-up among rural population and the impacts of the new insurance on both the medical care use. Using 2000, 2004 and 2006 waves of China Health and Nutrition Survey (CHNS) data, our paper shows that cooperative insurance take-up was strongly affected by residents' health status, that is, individuals with poor health were much more likely to participate in the program. Alternative health insurances have mixed effects on participation decisions. We also found large regional variation in insurance take-up after controlling for the phase-in feature of this policy implementation, which is likely due to both individual heterogeneity in preferences and differential local government efforts. Due to the data limitation, tests have only been done on preventive care, and cooperative insurance had significant effects to increase preventive medical services use. Moreover, we find an apparent drop in folk doctor visits once people had cooperative insurance.