Chapter 6
Conclusions and Limitations

6.1 Conclusions:

In China , an important aspect of economic reform is decentralization. The main advantages of it are as follows: Each level of government becomes more responsible to themselves: they can make decisions depending on their real situation. For example, in immunization, to get higher coverage, there are different regulations suitable for the disease status in different regions. CMS(Co-operative Medicinal System)in different regions is different. In some provinces, drugs are free in CMS; but in other provinces, the services are provided freely; The purpose is to get the best outcome from CMS. Another advantage of decentralization is shortening the ''distance'' from bottom to top. e.g. quick responses to regional problems, such as disease outbreak and disasters. Before reform , information came from village to township to county to prefecture to province to central government . After decision making the result feedback step by step. It would take a long time in the converse way; Decentralization reduces this problem.

There are several disadvantages of decentralization. 1) for poor provinces ,there is a serious shortage of government income. They can not give enough support to many activities such as health and education. 2)Not only for poor provinces but also rich provinces, it is very difficult to give better prioritization and to allocate their limited budgets to each department: health, education, industry, transport, and so on; The same is true inside the health sector between the curative and preventive care.

By analyzing the data obtained from the survey in three provinces, we know that during economic reform:

1. The proportion of government health expenditure in relation to GCP decreased. It means that with increasing economic development, the government health investment has slowed down disproportionately.

2. The ratio of government recurrent budget for health to total government expenditure has also had a decreasing trend.

3. Especially for the preventive sector, the proportion of budget to GCP decreased dramatically. It means that government paid less and less attention to the preventive health sector.

The result of the study showed that before economic reform, since the government gave priority to prevention, the marginal effect of prevention was less than that of the treatment. After decentralization, local government allocated more budget to the curative sector, the status changed. The marginal effect of treatment was only 60% of that of prevention. It means that if government increased 1 Yuan curative budget for each person, it can only get about 60% the effectiveness of the same amount of input into prevention. Local government should reallocate their health budget. If they allocate some budget to preventive sector, they can get better effectiveness.

Allocative equity was also evaluated in this study. The results shown the poorer counties got more preventive budget than richer counties from government. And richer counties got more curative budget than poorer counties. The equity of both budgets decreased after the economic reform.

6.2 Recommendation

For local governments, they should study their real situation. They should know how to allocate their limited health budget can get better outcome. For example: move some curative budget to preventive sector.

For central government, it should has a policy or give some suggestions to local government. For preventive sector,

central government should input additional budget for some counties, especial some poor counties.

For central government, it should have a series policies to provide incentives to the health staffs to go to the places where more health manpower are needed.

6.3 Limitations of the Study

This pilot study attempted to apply health economic theory to assessing the efficiency and equity in health resource allocation. There are several limitations we faced in conducting the study:

1. This study only analyses the allocative efficiency between curative and preventive care; it does not analyze the allocative efficiency inside curative or preventive care components. Reviewing the data that we got from the survey, in EPS and MCH, because the government budget decreased and the price index increased rapidly, for maintenance staff living standards , the manager of EPS or MCH increased the proportion of ''staff fee'' (salaries and subsidies, pensions and medical expenses),so they had to decrease the proportion spent on daily activities. The result was that the daily activities (disease surveillance, health education , etc.) decreased year by year. The hospitals faced the same problem, but the proportional change was different from EPS and MCH. All of this should affect the final result--- local people's health status. For this thesis, due to limited time and unavailability of data, the problem was not analyzed further.

2. This thesis only evaluated the allocative efficiency during the economic reform of the three provinces. For different regions, they have different budget allocation methods and they should have different results. But due to the limited data, We combined 3 provinces into one model, The trends of the results are the same. If we have more data, we can divide the data from different areas into different models according their economic

developmental level. Different results could reflect different trends among several regions.

3. Morbidity is a very important outcome measurement. In the study we can not find a better way to obtain it. If we have more time to collect more information or built another model to predicate it, we could obtain better result.

4. For the Delphi process, more experts should be invited to participate in this study. Due to the limited time, only 5 experts took part in the study. If more medical experts were involved in the study, the results should be more accurate.

5. GCP should be discounted using GCP deflator, but we can not find it in time, In this study, we use CPI discount GCP and health budget.