Introduction

Despite having no established meaning, the term "health system" is frequently used in discussions of global health (e.g., improving health systems) (Smith & Hanson, 2012). A health system consists of all organizations, people, and actions whose primary intent is to promote, restore, or keep health. These include efforts to influence determinants of health as well as more direct health-improving activities. A health system is, therefore, more than the pyramid of publicly owned facilities that deliver personal health services (WHO, 2007). Over the past 20 years, an increasing number of policymakers and decision-makers, as well as scholars from other sectors have been interested in governance for global health (Meara et al., 2015). As a result, new strategies are required to address the problems and conditions the health sector is experiencing in the twenty-first century (WHO, 2017).

Public Healthcare System in China: Issues, challenges, and survival strategies

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Abstract

The Public Healthcare System in China faces numerous challenges due to the country's size, population, and socio-economic diversity. This paper intends to examine a modern management system for public hospitals to fulfil the needs of society in the new era of China. It also explores the evolution of healthcare, the growth of the healthcare sector, challenges, and survival strategies in the healthcare sector. With the strategic triangle as a base, this study aims to create a plan for addressing some of the major issues confronting the healthcare service system by combining the public value framework with the hospital setting.

Keywords: Healthcare System; Healthcare Reform; University Hospital; strategic management

1.0 Introduction

Despite having no established meaning, the term "health system" is frequently used in discussions of global health (e.g., improving health systems) (Smith & Hanson, 2012). A health system consists of all organizations, people, and actions whose primary intent is to promote, restore, or keep health. These include efforts to influence determinants of health as well as more direct health-improving activities. A health system is, therefore, more than the pyramid of publicly owned facilities that deliver personal health services (WHO, 2007). Over the past 20 years, an increasing number of policymakers and decision-makers, as well as scholars from other sectors have been interested in governance for global health (Meara et al., 2015). As a result, new strategies are required to address the problems and conditions the health sector is experiencing in the twenty-first century (WHO, 2017).
The effectiveness of each country's healthcare system is a major concern. Several reforms were made in the health sector expressly to improve performance. The main goal of these initiatives is to maximize population health effectively and efficiently. The Organization for Economic Co-operation and Development (OECD) states that "well-managed hospitals and clinics, skilled health workers, and efficient drug procurement channels are vital if countries are to make real strides in improving the health of their populations" (OECD, 2021). This phrase underlines the need to improve a country's healthcare system.

The world economy's largest sector is the healthcare sector. Projections show that from 2018 to 2022, global healthcare spending will increase by 5.4% annually, up from 2.9% from 2013 to 2017 (Deloitte, 2018). Hospitals employ between 50 and 80 percent of the resources available to the healthcare system, making them the largest and most expensive operational component (Asgari, 2013). It is important since hospitals in underdeveloped countries account for a sizable percentage of the healthcare system and frequently run at less than 50% capacity (Rezapour & Khalej, 2006). Given that the healthcare system faces enormous financial and economic issues and that hospitals are one of the system's most important economic units, it makes sense that many economic studies concentrate on hospital services. Major countries started to speed up the process of gradually overhauling their healthcare delivery systems during the 1990s, including the United States, Japan, Germany, and China. The ongoing transition of China from a planned to a market economy has heightened interest internationally and drawn more attention to its rapid rise to global power.

### 2.0 Public Healthcare System in China

Chinese hospitals are constantly undergoing transformation, exploration, and rivalry in the era of contemporary healthcare reform. To enhance the fundamental competitiveness of hospitals and adjust to the ongoing reform of the Chinese healthcare system, it is necessary to use the strategic management method to update hospital systems, innovate hospital structures, rationalize resource allocation, improve management systems, enhance operational efficiency, and create hospital cultures (Li, 2019).

#### 2.1 Overview of the Chinese Healthcare System

The healthcare sector in China is currently growing significantly. By 2021, it had already surpassed RMB 7.6 trillion, up from RMB 2 trillion in 2014. According to the 2021 Chinese Statistical Bulletin on Health Development, of this total, government spending on health accounted for 27.4%, followed by social health spending of 3.392 trillion yuan (44.9%) and personal healthcare spending of 2095.48 billion yuan (6.5% of GDP). In this sector, public hospitals are at the core. According to Jeffrey et al. (2014), China's state hospitals manage 90% of hospital inpatient admissions as well as 90% of consultations for ambulatory care or outpatient treatment. Accordingly, public hospitals must handle requests for outpatient therapy the same way they must handle requests for inpatient care.

A three-stage progression in the availability of healthcare has led to this predicament (Zhou, 2017). The word "healthcare reform" implies that the medical and health systems are changing. As the most essential safeguard for people's livelihoods, China's medical and healthcare system has experienced three stages of development since the beginning of reform and opening up. The People's Republic of China was founded in 1949, hence, the first stage covered the first 30 years (1949–1978). The second stage covers the second 30 years following the establishment of the People's Republic of China (1979–2009); the third stage spans the years following 2009 and continues today. In reality, China's healthcare reform has been a challenging process. Figure 1 below summarizes this three-stage development of the Chinese healthcare system.

![Figure 1: The Three-Stage Progression of China's Healthcare System](https://example.com/figure1.png)

**Source:** Global Business Classics, 2017

#### 2.2 Communist China's Healthcare System (1949-1978)

In its initial phase, China's medical reform adopted the guiding principle of "everything for people's health" as its central tenet. The "Patriotic Health Campaign" was launched by the Chinese Ministry of Health in 1950 to enhance cleanliness and hygiene as well as treat and prevent infectious diseases (Li, 2010). China had a planned economy before 1978, and its healthcare system was primarily split into three parts: the state medical insurance for public servants and military personnel, labour insurance and government insurance for those residing in cities, and the Rural Cooperative Medical Scheme (RCMS) for those residing in rural areas.

#### 2.3 Transformation of China's Healthcare System (1979-2009)

After 1979, when the economy shifted from a planned to a market economy, a second key phase began. The overall cost of public healthcare increased rapidly and intensely. Government financing for hospitals and community services drastically decreased during...
this time of "unbridled marketization" (Millar et al., 2016), while social insurance programs like the Cooperative Medical Scheme (CMS) were slowly starved of cash (Ramesh et al., 2013).

The Chinese government implemented a user-fee policy that goes beyond being merely nominal and symbolic to reduce costs and address the dwindling public trust in the medical community. Urban Employees' Basic Medical Insurance was introduced in 1998. After that, the New Rural Cooperative Medical Insurance was developed to provide coverage for rural areas, and in 2007, the Urban Residents Basic Medical Insurance was introduced. For outpatient services and between 0% and 10% for inpatient therapies, patients typically pay between 10% and 30% of the costs.

The fact that it is "difficult to see a doctor and expensive to see a doctor" is becoming a serious issue for public hospitals. Most government agencies started to improve the oversight of the healthcare sector and released several rules to change the cost of medications, medical procedures, lab tests, and healthcare services. Governments in China are increasing hospital financing as a means of reducing the stress placed on public health systems. China's total healthcare spending increased by 17.4%, from USD 51 per person in 2000 to USD 305 per person in 2011. Out-of-pocket payments for the urban population fell from 53% in 2005 to 36% in 2011, while rural out-of-pocket payments fell from 55% to 50% (Ramesh et al., 2013). Given this position, the administration recognizes that the previous two waves of change were ineffective and is planning to launch a third cycle of reform.

2.4 New Healthcare System Reform in China (2009-present)

The Communist Party of China (CPC) Central Committee and the State Council issued the Opinions on Deepening Pharmaceutical and Healthcare System Reform (hereinafter referred to as the Opinions) on March 17, 2009, signalling the start of a new round of medical and health system reform in China (Shan, 2020). However, major inconsistencies and issues persist in China's medical and healthcare systems, and future change will be difficult.

In October 2016, the China National Health and Family Planning Commission (officially known as the Ministry of Health) released the "Healthy China 2030 Planning Outline," with the strategic theme of "co-building, sharing, and health for all." On March 27, 2018, the National Health and Family Planning Commission (NHFPC) ceased to exist as the ministry in charge of the country's healthcare and was replaced by China's National Health Commission. Restructuring the government sends a strong message to the healthcare sector that it needs to concentrate on transforming its culture from one that prioritizes treatment to one that emphasizes prevention (Gu, 2019).

Despite the progress made, gaps remained. Although China has attained universal health coverage in recent years, benefits remain low, and the quality and extent of care and coverage vary greatly (Nofri, 2015). In terms of more recent changes, China appears to be adhering to many of the formal prescriptions of NPM that have been observed in other industrialized countries. Parallel directives have sought to "modernize" public hospital management to tackle the challenges associated with boosting efficiency and quality (Jiang et al., 2019). In July 2017, the General Office of the State Council confirmed these goals by issuing "Guidelines for Establishing a Modern Hospital Management System." (Lin, 2017). As indicated above, Chinese healthcare reform expanded board autonomy from local political and administrative systems, which is similar to the "corporatization" approach utilized in Europe and other areas of the world. Efforts to increase quality and efficiency have also been made, as have efforts to strengthen internal management capacities and more strict forms of external review, all of which occurred concurrently with this change. In terms of aims and justifications, strategic management moves are connected to increasing productivity and improving service quality, just as they are everywhere (Rao, 2018).

3.0 Issues

China's healthcare system has come a long way in the 40 years since its inception. Firstly, according to an Economist Intelligence Unit (EIU) assessment, the country's annual health spending would climb by an average of 11.8% per year from 2014 to 2018, reaching $892 billion (Nofri, 2015; Deloitte, 2016). While this represents a lower percentage of GDP (5.6%) than in more prosperous countries, per capita expenditure has steadily climbed. Before the COVID-19 pandemic, OECD nations spent an average of 8.8% of their gross domestic product (GDP) on healthcare in 2019, a figure that has stayed relatively stable since 2013. The OECD countries reportedly spent almost $ 4,000 per person on healthcare. Secondly, according to recent estimates, China spends less than 6% of its GDP on health, or almost 20% less per person than the OECD average (OECD, 2021). The Chinese economy has traditionally relied on investment and sectoral rather than consumer expenditure. As China's economy becomes increasingly consumer-oriented, the central government's goal has been to replace manufacturing workers with high-tech firms. Next, the healthcare system is a major impediment to this transition. Many people choose to save money rather than spend it because they are anxious about potential medical expenditures. To address this issue, the government has prioritized healthcare reform, aiming to enhance access, raise service standards, and cut prices (Fang & Li, 2021).

Because of the specific position that public hospitals play in China's healthcare system, the country's healthcare system faces distinct challenges. Public hospitals are facing expanding challenges such as an increasing number of hospitals, poor financial health, inequities, efficiency, volume, and improving access and service quality. According to the China Health Statistics Yearbook (refer to Table 1), between 2017 and 2021, China's hospitals grew at a 3.6% yearly pace. Tertiary hospitals grew at a 0.8% yearly pace. Public hospitals provide 90% of all outpatient and inpatient treatments, with tertiary hospitals with more than 500 beds providing the majority of these services (Yip et al., 2012). Even though there are more private hospitals than public hospitals in China, state hospitals provide 90% of the country's major medical services. As a result of this broad service delivery, public hospitals were overworked, which enhanced public trust in larger public hospitals over neighbourhood clinics (Chen et al., 2014). This resulted in significant systemic inefficiencies, as indicated in Table 1 below.
Table 1: Overview of China’s Healthcare System

<table>
<thead>
<tr>
<th>Hospital Organization</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>31056</td>
<td>33009</td>
<td>34354</td>
<td>35394</td>
<td>36570</td>
</tr>
<tr>
<td>By Economic Classification</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Hospital</td>
<td>12297</td>
<td>12032</td>
<td>11930</td>
<td>11870</td>
<td>11804</td>
</tr>
<tr>
<td>Private Hospital</td>
<td>18759</td>
<td>20977</td>
<td>22424</td>
<td>23524</td>
<td>24766</td>
</tr>
<tr>
<td>By Hospital Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level Three Hospital</td>
<td>2340</td>
<td>2548</td>
<td>2749</td>
<td>2996</td>
<td>3275</td>
</tr>
<tr>
<td>Third-Class Hospital</td>
<td>1360</td>
<td>1442</td>
<td>1516</td>
<td>1580</td>
<td>1651</td>
</tr>
<tr>
<td>Level Two Hospital</td>
<td>8422</td>
<td>9017</td>
<td>9687</td>
<td>10404</td>
<td>10848</td>
</tr>
<tr>
<td>Level One Hospital</td>
<td>10050</td>
<td>10831</td>
<td>11264</td>
<td>12252</td>
<td>12649</td>
</tr>
</tbody>
</table>

Source: China Health Statistics Yearbook (2021)

China has issues in its pursuits of cost containment, high-quality healthcare, and patient access. In terms of expense, China's national health spending has increased considerably since the millennium's turn (see Table 2). China is willing to follow the spending patterns of other Western countries. There is also a lack of provider accountability and a predominance of fee-for-service payments, all of which are associated with high prices. Last but not least, there are worries regarding the healthcare system’s efficiency, which gets approximately 50-60% of its money directly or indirectly from the government (through social insurance), with little examination of inpatient utilization and appropriateness of care.

Table 2: Total Health Expenditure in China

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Health Expenditure (Billion Yuan)</td>
<td>5159.88</td>
<td>33009</td>
<td>34354</td>
<td>35394</td>
<td>36570</td>
</tr>
<tr>
<td>Government Expenditure on Health</td>
<td>1551.73</td>
<td>1639.91</td>
<td>1742.85</td>
<td>2194.19</td>
<td>2071.85</td>
</tr>
<tr>
<td>Social Health Expenditure</td>
<td>2120.68</td>
<td>2581.08</td>
<td>2927.80</td>
<td>3027.37</td>
<td>3392.93</td>
</tr>
<tr>
<td>Out-of-Pocket Payment</td>
<td>1487.48</td>
<td>1691.20</td>
<td>1848.95</td>
<td>1995.94</td>
<td>2095.48</td>
</tr>
<tr>
<td>Composition of Total Health Costs (%)</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Government (%)</td>
<td>30.10</td>
<td>27.74</td>
<td>26.73</td>
<td>30.40</td>
<td>27.40</td>
</tr>
<tr>
<td>Society (%)</td>
<td>41.10</td>
<td>43.66</td>
<td>44.91</td>
<td>41.90</td>
<td>44.90</td>
</tr>
<tr>
<td>Out-of-Pocket Payment (%)</td>
<td>28.80</td>
<td>28.61</td>
<td>28.36</td>
<td>27.70</td>
<td>27.70</td>
</tr>
<tr>
<td>Total Health Expenditure as a Percentage of GDP</td>
<td>6.20</td>
<td>6.43</td>
<td>6.58</td>
<td>7.10</td>
<td>6.50</td>
</tr>
</tbody>
</table>

Source: China Health Statistics Yearbook (2021)

4.0 Methodology

To implement hospital strategy, managers and administrators of university hospitals can examine and assess prescriptive analytics initiatives and programs using the technique this study offers. As per Moore’s (1995) strategic triangle, university hospitals can utilize it as a practical blueprint to elaborate their goals and responsibilities, while also serving as a theoretical framework for explaining and analyzing public hospital reform practices. Public management strategies need to be guided by the triangle of operational capacity, legitimacy, and public value. This study aims to gather and generate data about university hospitals from a strategy management perspective. It also intends to investigate and analyze the strategic challenges and survival strategies university hospitals face. Determining and recommending to university hospital administrators how to apply the triangle of public value to create and uphold successful hospital strategies can be helpful.

5.0 Strategic Challenges

In terms of strategic challenges, China’s transition to a market-based economy did not coincide with a complete transformation of service provision based on market competition and value assessment. Firstly, although China has just attained universal health coverage, benefits have remained low, and the quality and extent of care and coverage vary greatly (Nofri, 2015). Secondly, Hsiao (2007) categorizes the problems plaguing China’s healthcare system into four major categories: underfunding and under-provision of preventative and public health services, exorbitant healthcare prices, inaccessible healthcare, and medical poverty. Next, in terms of more recent changes, China appears to be adhering to many of the formal prescriptions of New Public Management (NPM) that have been observed in other industrialized countries. Parallel directives have sought to “modernize” public hospital management to tackle the challenges associated with boosting efficiency and quality (Jiang et al., 2016).
Future challenges for public organizations include diminished resources, heightened accountability, and difficult opportunities. Because of the uneven nature of China’s economic development, its medical development is out of balance. As previously stated, today’s public hospitals are dealing with several issues as a result of two major issues: the difficulty of satisfying a user base that is becoming increasingly "aware" and demanding, and the need to change their internal structure to keep up with the extremely rapid changes in technology and approach. Hospitality intricacy will not ensure that any firm is satisfying its consumers’ needs, which is a fundamental need of all enterprises. Thus, it is time for a new strategy that focuses on (i) maximizing value for patients by delivering the best results at the lowest cost and (ii) shifting from a physician-centred organization to an "organization-driven" care process.

6.0 Survival Strategies

The interest in strategic management from a public value viewpoint has increased among academics in recent years (Alford & Greve, 2017). It is now essential to focus on strategic planning and the creation of work with public value. The basic objectives of public hospital reform in China are in line with the basic objectives of healthcare reform. Stakeholders’ interest is pivotal in improving effectiveness and increasing service quality and dependability. This is one of the key survival strategies that public organizations need to observe. Public organizations, according to Moore (2000), should focus their strategy on three (3) important dimensions namely: (i) creating value for the public, (ii) demonstrating their legitimacy, and (iii) having the capacity to do so. The public value strategy triangle, as shown in Figure 2, can be created in three (3) areas. The purpose of strategy is to direct an organization towards long-term success and expansion (Carter et al., 2008). As a result, while adopting strategic management into a hospital’s long-term prospects, added value, such as better performance and high-quality, trustworthy medical care, must be considered.

The hospital survival strategies are to respond to the rapidity of governmental reforms and changes while juggling financial considerations, a social commitment to provide high-quality healthcare to the population served, and, lastly, environmental concerns (Glouberman & Mintzberg, 2001). As a basic framework for analyzing problems in public value management theory, the strategic triangle model provides important theoretical support for better promoting the implementation of the “Healthy China” strategy and promoting management innovation in public hospital systems.

Based on the strategic triangle model as depicted in Figure 3, the Healthy China Strategy was developed with "people-centered" as the fundamental value. These "people-oriented" strategies are supported by three (3) main aspects, namely (i) healthcare service, (ii) system building, and (iii) hospital governance. These initiatives are demonstrated in Figure 3 below.

![Figure 2: Moore’s (1995) Public Value Strategic Triangle](source: Moore (1995))

![Figure 3: Research Logical Framework of the Healthy China Initiative](source: Moore (1995))
To serve the public with better health service, under the healthcare service dimension, the Healthy China Strategy asks for the development of a "delivery comprehensive lifecycle health services for people." Next, under the system-building dimension, to deliver a comprehensive lifecycle health service for people, the Healthy China Strategy focus on concerted efforts to deepen the reform of the medical and health system. Thirdly, for the hospital governance dimension, the Healthy China Strategy focuses on "co-construction and sharing international health promotion". These three (3) aspects, as depicted in Figure 3, all present particular requirements for public hospital reform and innovation. The ultimate goal of executing the Healthy China Initiative is prosperity for all, which is unachievable without health for everyone.

2030 Healthy China Strategy is intended to make strident calls to transform the current healthcare system from a disease-centered to a health-centered paradigm. The idea behind this policy shift, which recognizes that disease treatment is never separate from health promotion, has the potential to significantly improve the overall performance of the healthcare system through better resource allocation to health. Within this setting, it is vital to rethink the health system’s organizational model and modify the roles and goals of the many actors. Healthcare administrators are looking for more efficient ways to offer treatment.

7.0 Limitations & Recommendations
As the theory of public value started late and developed slowly, it has not yet formed a series of perfect and standardized theoretical systems. Therefore, there is still a lack of relevant information about public value at present. In the process of exploring the theory of public value research, the theory to guide the development of university hospitals in the path of choice needs to be further explored, and the study is only a discussion and conception.

There are two (2) main recommendations for future studies. Firstly, the researcher hopes to expand this study in progress in future study by adding additional measuring elements of the proposed public value theory framework. Secondly, a new stage of development is beginning for China’s healthcare system. University hospitals need to create a stakeholder-oriented business system and actively coordinate and communicate with stakeholders, including the government, health administrative authorities, hospital staff, patients, and suppliers, to stay ahead of the competition in the historically competitive healthcare services market.

8.0 Conclusion
A strategist is responsible for managing and modifying organizational resources to maximize value production. The Strategic Triangle, developed by Mark Moore (1995), provides the most comprehensive framework for strategic management in the public and nonprofit sectors. Strategic initiatives by public hospitals will contribute to the accomplishment of the social mission by contributing value and building legitimacy and trust among individuals and society. Reforming medical services is a central task for hospitals. Hospital managers must be open to considering new ideas for how to best define and state our ultimate goals, just as constantly evolving and improving reforms. It suggests that the concept of “public value” is a useful way to describe the ultimate goals of public sector reform and our achievement of them.

Based on the suggested strategic paradigm, this study examined the public healthcare service system of Chinese university hospitals. To protect the people’s rights and interests in health and to keep improving people’s sense of access and happiness, it can be said that the promotion of the “Healthy China” strategy will lead to a profound structural change in the medical service supply system: from public hospitals as the main body with disease treatment as the centre, to a comprehensive coverage of health management and other multi-link, multi-process integrated healthcare model.

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Paper Contribution to Related Field of Study
This paper provides referrals for the strategic and sustainable development of university hospitals. It will benefit University Hospital Management, and Key Stakeholders related to the public healthcare systems.

References


