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# Assessment of Performance of Existing Rural Cooperative Medical Scheme and Willingness to Pay for Improved Scheme in Rural China

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**Abstract**

Fair financing is one of three overall goals of health system. The stress of fairness in health care financing is not only an ethical consideration, but because of the negative externalities of poor health. Communicable disease of an individual may be quickly spread among a host of people or even globally without instant containing system. Health care delivery system alone is unable to achieve the goal of fairness of financing; only with the help of various mechanisms of health care financing can fairness be accomplished. In China, the widening urban-rural inequality in health may, besides the income discrepancy, derive from the unfair health care financing. The urban social insurance has been steadily established on the basis of employment. However, the majority of the rural have to pay for health services out of pocket at the moment of services utilization. The rural cooperative medical scheme (RCMS) has been an important institutional innovation of health care financing in rural areas by which a small portion of rural population has been insured.

Despite many efforts made to revive the RCMS, effectiveness remains poor. There is, therefore, an imperative need to reassess the performance of RCMS in achieving goals of fairness and better health. Three approaches are adopted to assess the performance comprehensively on the basis of the six-province dataset: after-before analysis over time, with-without analysis across regions and a close case study of some RCMSs in Sichuan province. The results are a little disappointing: Only RCMSs before the overall economic reform played a significant role in improving fairness and overall health.

To make RCMS more desirable, an improved RCMS was hypothesized and willingness to join (WTJ) and to pay (WTP) was investigated among 300 sampling rural households in 10 villages of 5 counties of Sichuan province at the beginning of 2002. Findings show that WTJ (69.3 %) hypothesized RCMS is not very high in consideration of the high enrolment rate (over 90 %) of RCMS in 1960s and 1970s. However, WTP for hypothesized RCMS with half co-payment (similar to the present reimbursement ratio) is much larger than the present RCMS if upper governments could ensure the strict management of insurance fund. The performance of RCMS does affect the WTJ and WTP. Moreover, head attributes (age, mother's, education and ethnic group), household attributes (distance from center, whether with migrant worker) as well as income are closely related to WTJ and WTP. To sum up, the traditional RCMS could be substantially improved by extending its benefits package and strengthening insurance fund management.

**Keywords:** Rural cooperative medical scheme (RCMS), resource mobilization, health risk protection, health status, contingent valuation (CV), willingness to pay (WTP)

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