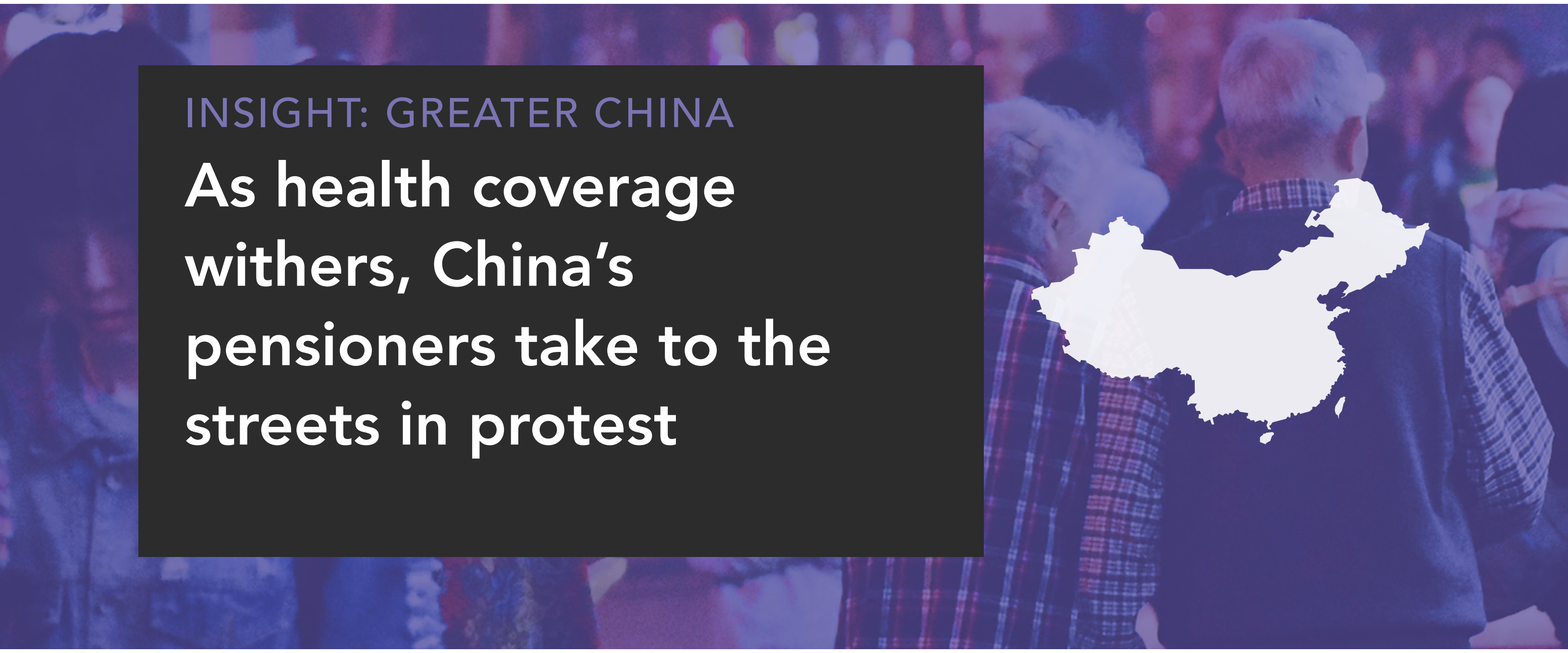

INSIGHT: GREATER CHINA

As health coverage withers, China's pensioners take to the streets in protest

THE TAKEAWAY

Recent health insurance reforms in Wuhan and Dalian have sparked rare large-scale protests led by China's elderly, who maintain that the policies are cost-cutting measures that increase their medical and financial burdens. As China considers ways to manage and support its elderly population, it must rethink national and regional investment in health insurance systems.

IN BRIEF

Thousands of mainly elderly citizens gathered in the streets of Wuhan on February 8 to protest reductions in health-care coverage. These blue-collar retirees, most of whom worked for state-owned enterprises (SOEs), are largely dependent on government-funded social services. Two more demonstrations followed on February 15 in Wuhan and the northeastern port city Dalian after initial protests failed to spur concessions from local authorities.

The ongoing health-care coverage reforms originated from a State Council directive in April 2021, which called on local authorities to reduce contributions to citizens' flexible-use personal accounts, boost funding for pooled municipal funds, and incentivize visits to primary care clinics. This means that, at the local level, citizens would get a larger annual amount of medical costs covered, but the higher deductibles required by the reform would translate to higher out-of-pocket costs for patients. Regional authorities, meanwhile, are grappling with snowballing debt and reduced government revenue due to economic disruptions from COVID-19 lockdowns as well as from difficulties in selling land, ratcheting up pressure on China's fragile health-care system.

The National Healthcare Security Administration (NHSA) indirectly responded to the protests on February 25, stating that the medical insurance system for employees established in 1998 no longer suits the current context. Although the NHSA reassured the public that its medical reform is more about "optimizing the allocation of medical resources," many suspect that local governments are planning to scale back essential services.

IMPLICATIONS

Health-care provisions are a crucial pillar of China's social welfare system. A China Development Research Fund report projects that by 2050, 27.9 per cent of the Chinese population will be above 65 years old. Meanwhile, with birthrates at record lows, the number of future contributors to national health insurance funds is contracting every year. Despite significant strides in making care accessible to a larger population, China continues to struggle with promoting primary care, and citizens still prefer tertiary hospitals for routine appointments when possible.

Health insurance reform also strikes at complex tensions within Chinese society. Those most affected by new policies are former SOE workers, especially blue-collar factory employees. Although they are relatively fortunate to have stable pensions, they also rely on state-provided welfare in their old age. A Wuhan resident told U.S.-based Radio Free Asia that most of the protesters on February 8 were retired factory workers from the Wuhan Iron and Steel Corporation, dissatisfied with their treatment after working for the company for decades.

Eight O'Clock Health News, an independent online news outlet focused on health care, found in 2021 that China's national health insurance system is set to reach its first deficit year in 2026. According to the outlet's projections, the entire national insurance fund will be in the red by 2034, and in nearly C$196.3 billion (one trillion yuan) of debt by 2035. Since the one-child policy made China's population age much faster than similar middle-income regions, the country must now tackle a challenge usually handled by significantly wealthier countries.

Cost-cutting is an inevitable step in the short term. The resulting burden of higher medical costs will not only fall on the shoulders of pensioned protesters, but also on even more vulnerable elders who don't have a safety net. These include rural elders who live off their land, as well as migrant and flexibly employed elders who rely on savings and their children to retire. The country spent the equivalent of 7.12 per cent of its GDP on health care in 2020, but only 6.72 per cent in 2021 — a lower proportion than most OECD countries. As Beijing hopes for a post-pandemic economic recovery in 2023, reversing the trend of defunding health care should be a priority.

WHAT'S NEXT

1. More jurisdictions weather controversy

Other Chinese jurisdictions are set to reform health insurance, including Shaanxi province's capital Xi'an and Heilongjiang province. *The New York Times* reported on February 23 that seniors in Guangzhou also protested health insurance reforms in February. Large-scale civil unrest has been stamped out for now, but discontent will only spread further as more jurisdictions implement similar policies.

2. Property sector recovery refills local governments' wallets

Demand for real estate is still weak after two years of turmoil in the property sector, but some observers, including the CEO of HSBC, are now expecting a modest recovery. Land sales are crucial for local governments' balance sheets, and a recovery in the sector would be good news for funding basic public services.

3. A retirement-age raise on the horizon

There has long been speculation that China would raise its retirement age. Currently, working-age Chinese retire between 50 and 60 depending on their gender and occupation. Labour force participation can increase by as much as 17 per cent by 2055 if China extends retirement age to a universal 65-year-old threshold. While retirement age extension remains controversial, observers cite China's drastically improved life expectancy as a justification for this potential hike.

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