

***Provider Payment and Gatekeeping for Hospital Care (detail)***

In Ningxia, and typical of many rural areas in China, the share of hospital admissions at above county hospitals has been increasing, exerting significant financial pressure on the NCMS. For example, in 2011, while hospital admissions at above-county hospitals represented 19% of total admissions of Yanchi county's NCMS enrollees, they took up 51.9% and 30.1% of total hospital expenditure and NCMS reimbursement, respectively.

	<b>Number of Admissions</b>	<b>Total Expenditure (RMB)</b>	<b>NCMS Reimbursement (RMB)</b>
<b>Out of County Tertiary/Secondary Hospitals</b>	1,408 (19%)	15,116,559 (51.9%)	3,316,640 (30.1%)
<b>Within County</b>			
County General Hospital	4,515 (60%)	10,377,699 (35.6%)	5,850,215 (53.0%)
County Chinese Hospital	1,495 (20%)	3,578,819 (12.3%)	1,837,338 (16.7%)
Maternal and Child Health Centres	55 (1%)	40,419 (0.1%)	24,505 (0.2%)
<b>Total</b>	<b>7,473 (100%)</b>	<b>29,113,496 (100%)</b>	<b>11,028,698 (100%)</b>

An analysis of the out-of-county admissions shows that 72.8% of that is by residents who live in the county (with about 27.2% by residents who are migrant workers and live outside of the county) and among these, about 20% are for health conditions that county hospitals are not capable of diagnosing or treating, such as cancer. This means that close to 53% of the out-of-county admissions could potentially be shifted to the county level hospitals and since expenditure per admission at county hospital is on average only one-third or one-fourth of that at the tertiary hospitals, significant resources can be saved or more effectively used for other priorities.

	<b>Diseases that County Hospitals Have the Technical Capacity to Diagnose/Treat</b>	<b>Diseases that County Hospitals Do No Have the Technical Capacity to Diagnose/Treat</b>	<b>Diseases that County Hospitals Can Diagnose/Treat if Provided Technical Support</b>	<b>Total</b>
<b>Admissions by County Residents Who Reside Within the County</b>	7,150,415	2,986,781	816,733	10,953,929
	47.5%	19.8%	5.4%	72.8%
<b>Admissions by County Residents who Work as Migrant Workers and Live Outside of the County</b>	2,847,331	958,085	296,206	4,101,621
	18.9%	6.4%	2.0%	27.2%
<b>Total</b>	9,997,746	3,944,865	1,112,939	15,055,551
	66.4%	26.2%	7.4%	100%

To estimate the global budget for county hospitals, we first analyzed the causes of admissions in previous years and separated health conditions into those that county hospitals can diagnose and treat versus those they cannot. For conditions that county hospitals can treat, an estimated budget that covers treatment was given to the county hospitals, for the share of the population who reside in the counties (as opposed to migrant workers). If county hospitals refer patients with any of these conditions to above-county hospitals, the expenses will be paid from their own budget.

The NCMS pay county hospitals 70% of the global budget upfront, keeping 30% for disbursement based on quality assessments. Quality indicators are primarily process of care measures for diseases that make up a significant burden in the population and whose outcomes are of variable (and often poor) quality such as pneumonia, stroke, cholecystitis, and heart attack/heart failure. The 30% of quality-based payments are disbursed according to improvement over time. Lack of improvement from past performance is penalized by withholding payment. Performance is assessed biannually by a team of clinical experts convened by the provincial department of health.