

# **Contract Physicians, Hospital Autonomy and Quality of Health Care in Rural China: Evidence from Mystery Patients**

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## ***Abstract:***

*Background:* Facing fiscal constraints, clinics in rural China often supplement their staff by hiring contract doctors—physicians hired on fixed-term contracts with considerably lower salaries than full time staff. Although nearly 20% of physicians employed in township health centers in rural China are hired on fixed-term contracts, there is limited evidence on how the quality of care provided by contract doctors compares to that provided by civil service physicians.

*Objective:* The aim of this study is to assess the quality of health care delivered by contract physicians in rural areas and compare their performance to physicians employed in the civil service system. We also examine how the centralization of contract physician hiring is related to care quality.

*Methods:* We assess the quality of care provided by contract and civil service physicians by employing standardized patients in a representative survey of 209 township health centers in three provinces. “Standardized patients” were recruited from local communities and trained to covertly and consistently present cases of common diseases to healthcare providers. Using data from 412 such interactions we compare the quality of primary care provided by contract and non-contract physicians, both in terms of under- and over-treatment.

*Results:* We find that contract physicians provide care of marginally higher quality than civil service physicians. In clinical interactions, they complete 6% more items in disease-specific checklists of appropriate care based on international standards. They are also less likely to prescribe unnecessary medications. Decentralization of contract physician hiring decisions at lower levels is associated with higher quality care.

*Conclusion:* Results suggest that employment of contract physicians may be a cost-effective approach to deliver healthcare in rural areas in the face of fiscal constraints. The quality of both contract and civil service physicians is low, however, and alternative policies are needed to improve the quality of care provided in rural areas.

*Key words:* Primary Health care, Contract Physicians, Deployment and Centralization, Standardized Patients, Rural China

*JEL:* I15, I21, J15, O15