

**THE TRANSFORMATION OF CHINA'S HEALTH CARE SYSTEM AND  
ACCOUNTING METHODS: CURRENT REFORMS AND DEVELOPMENTS**

David K.W. Chu  
*College of the Holy Cross*

Kolleen J. Rask  
*College of the Holy Cross*

**ABSTRACT**

As China relies increasingly on markets for economic decision-making, information (accounting) services become critical. We analyze the Chinese health care system in transition to highlight the changing role and nature of accounting services before and after the recent reforms. In January 1999 dramatic changes were instituted in China's health care accounting system, thereby enabling financial statement users to assess the flow of resources and its effect on financial position. The legacy of the command economy remains clearly evident, however, particularly in the areas of privatization, state subsidies, pharmaceuticals, and budgetary financing. Suggestions for further reform are offered.