

# China's rising needs and opportunities

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# Healthcare market in China

- Consumer demands
- Service capacity
- Governmental control



# Healthcare demands

- Ageing population
  - 122 million
  - 223 million by 2030
- People living with chronic conditions (15.7%)
  - Leading cause of death: cancer, heart and cerebrovascular diseases
  - 100+ million diabetes
  - 1.38 million virus hepatitis (2012)
- Ability to pay
  - Increased wealth
    - Middle class from 29% urban households in 2005 to 75% in 2020
  - Universal coverage of health insurance

Data source: Ministry of Health <http://www.nhfpc.gov.cn/>

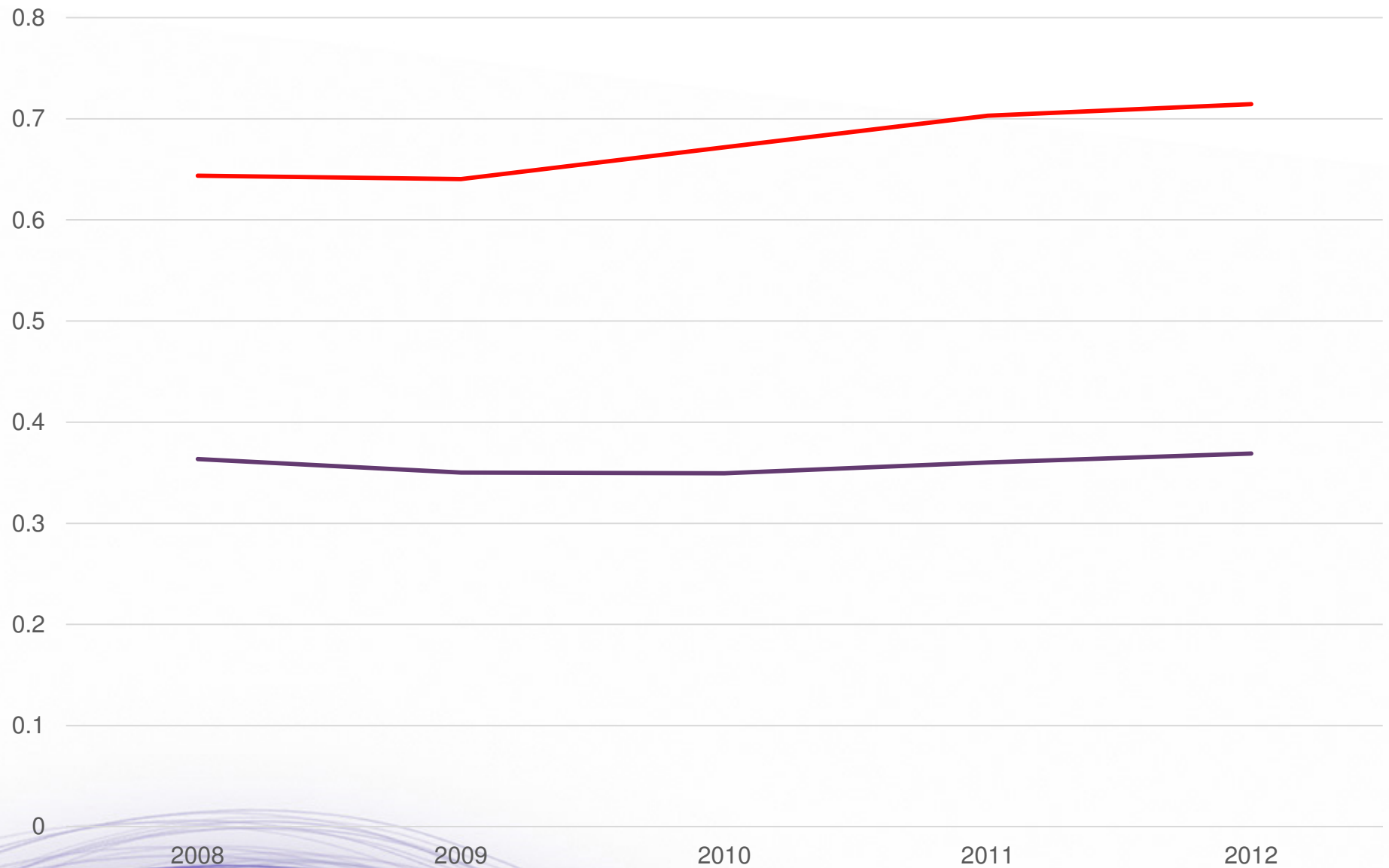
Franck Le Deu, Rajesh Parekh, Fangning Zhang, and Gaobo Zhou. Health care in China: Entering 'uncharted waters'.

[http://www.mckinsey.com/insights/health\\_systems\\_and\\_services/health\\_care\\_in\\_chi](http://www.mckinsey.com/insights/health_systems_and_services/health_care_in_chi)

# Service capacity

- Primary care
- Hospital care
- Aged care

## Hospital share in healthcare services



— Hospitals in outpatient visits

— Hospitals in inpatient care

Data source: Ministry of Health <http://www.nhfpc.gov.cn/>

# Governmental strategies to meet demands

- Expanding service capacity
- Innovation in technologies
- Cost containments



# Aged care

- 33 million needed aged care (2010)
- Aged care facilities (2010)
  - 40000 facilities
  - 3.15 million beds
  - 12000 day care centre
- 450 billion RMB aged care market in 2015
  - Government scheme covers a small percentage for those without family support

Data source: Ministry of Civil Affair [www.mca.gov.cn](http://www.mca.gov.cn)

# Expanding private sector

The screenshot shows a web browser window displaying the official website of the Central People's Government of the People's Republic of China. The browser's address bar shows the URL: [http://www.gov.cn/zw/gk/2010-12/03/content\\_1759091.htm](http://www.gov.cn/zw/gk/2010-12/03/content_1759091.htm). The browser's title bar includes tabs for '国务院办公厅转发发展改革委...' and 'Policies'. The browser's menu bar includes 'File', 'Edit', 'View', 'Favorites', 'Tools', and 'Help'. The browser's toolbar includes icons for home, back, forward, stop, refresh, print, and search.

The website's header features the Chinese national emblem and the text '中华人民共和国中央人民政府' (The Central People's Government of the People's Republic of China) in large characters, with the English translation below it. The website's navigation menu includes links for '网站首页', '今日中国', '中国概况', '法律法规', '公文公报', '政务互动', '政府建设', '工作动态', '人事任免', and '新闻发布'. The current page's location is indicated as '当前位置: 首页 >> 公文公报 >> 国务院文件 >> 国务院办公厅文件'.

The main content area displays a notice from the State Administration for Market Regulation (SAMR) regarding the expansion of the private sector in the medical industry. The notice is titled '国务院办公厅转发发展改革委卫生部等部门关于进一步鼓励和引导社会资本举办医疗机构意见的通知' (Notice of the State Administration for Market Regulation on Forwarding the Opinions of the State Development and Reform Commission, the Ministry of Health, and Other Departments on Further Encouraging and Guiding Social Capital to Establish Medical Institutions). The notice is dated December 3, 2010, and is issued by the State Administration for Market Regulation (国办发〔2010〕58号).

The notice's text is as follows:

各省、自治区、直辖市人民政府，国务院各部委、各直属机构：

发展改革委、卫生部、财政部、商务部、人力资源社会保障部《关于进一步鼓励和引导社会资本举办医疗机构的意见》已经国务院同意，现转发给你们，请认真贯彻执行。

鼓励和引导社会资本举办医疗机构，有利于增加医疗卫生资源，扩大服务供给，满足人民群众多层次、多元化的医疗服务需求；有利于建立竞争机制，提高医疗服务效率和质量，完善医疗服务体系。各地区、各有关部门要解放思想、转变观念，充分认识鼓励和引导社会资本举办医疗机构的重要意义。要抓紧清理和修改涉及非公立医疗机构准入、执业、监管等方面的文件，结合实际制定和完善鼓励引导社会资本举办医疗机构的实施细则和配套文件，消除阻碍非公立医疗机构发展的政策障碍，促进非公立医疗机构持续健康发展。要加强政策解读，引导社会各界正确认识非公立医疗机构在医疗卫生服务体系中的重要地位和作用，为社会资本举办医疗机构营造良好氛围。

国务院办公厅  
二〇一〇年十一月二十六日

The browser's status bar at the bottom shows the system clock as 11:33 AM on 4/08/2015, and the zoom level is set to 100%.

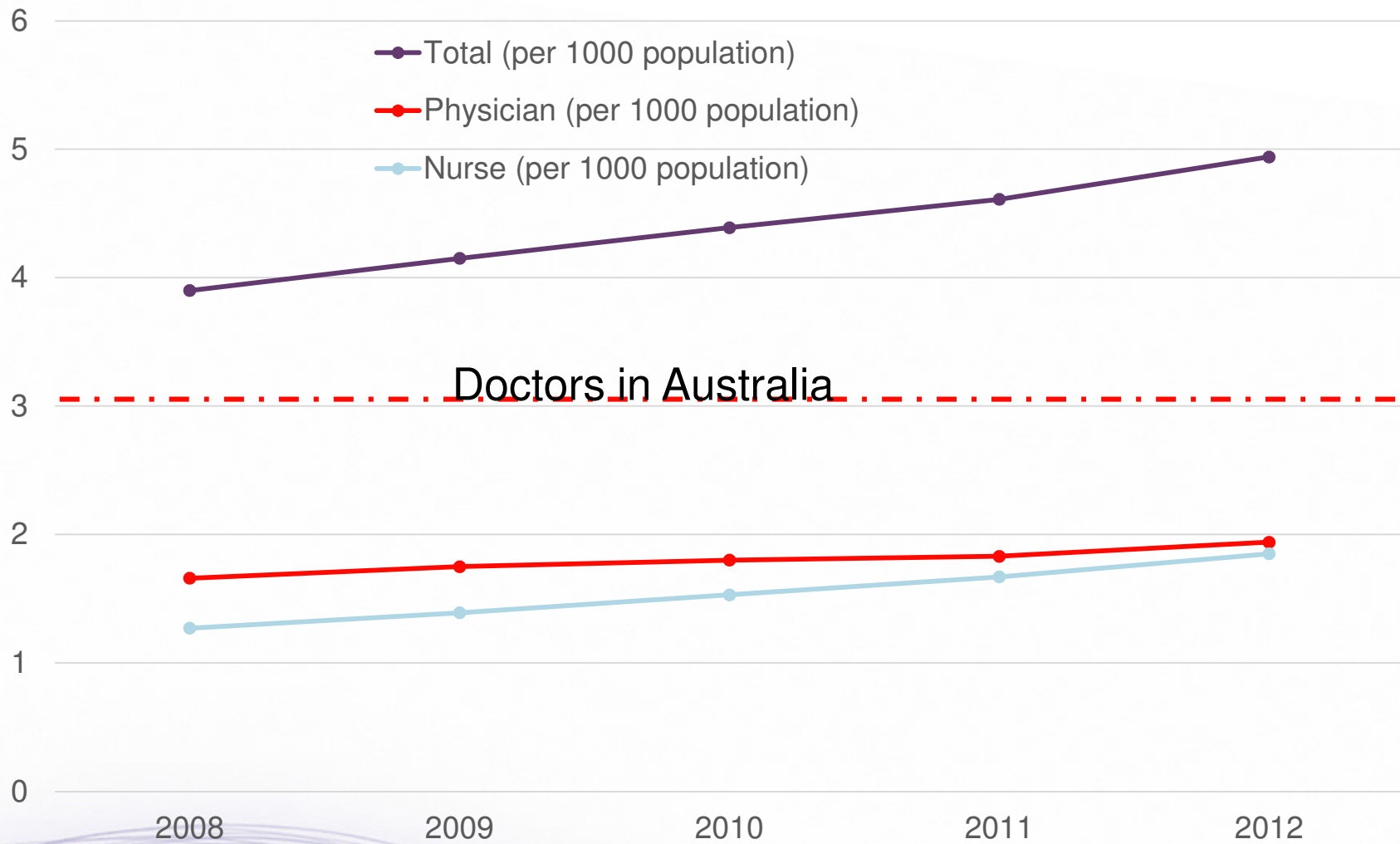


# Eligibility of insurance coverage for private providers

- Depending on local policies, because of devolvement of financial and administrative functions of governments
  - Provincial
  - Municipality
  - County



## Health workforce (per 1000 population)



# **Mobility of health workers**

Doctors may now practice at multiple facilities, including private hospitals, making the best doctors more mobile and easier to recruit.



# Commercial insurance for catastrophic diseases

- Purchased by social health insurance schemes
  - is anticipated to pay 50% expenses for catastrophic diseases in the coming years

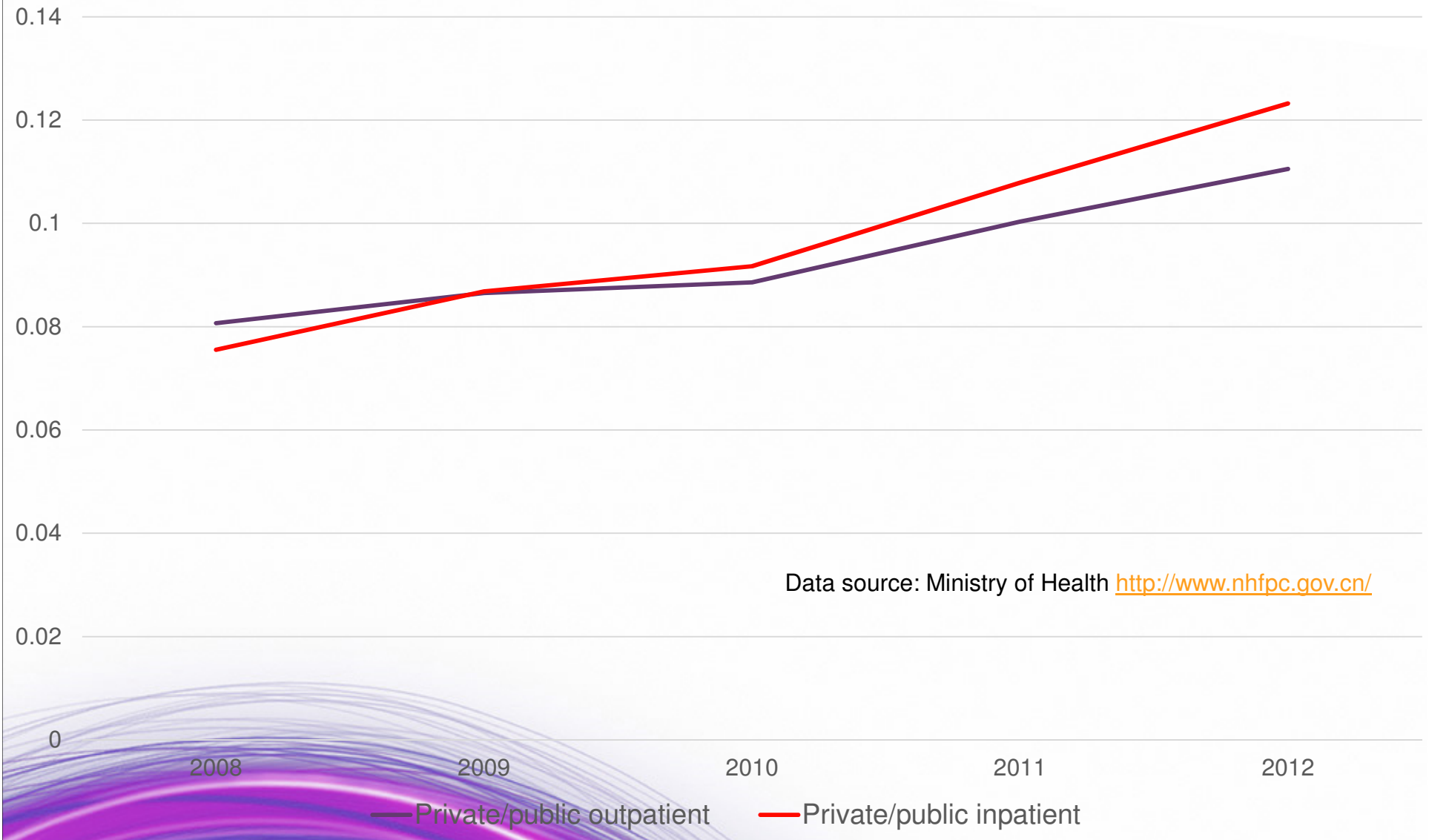


# Private Hospitals

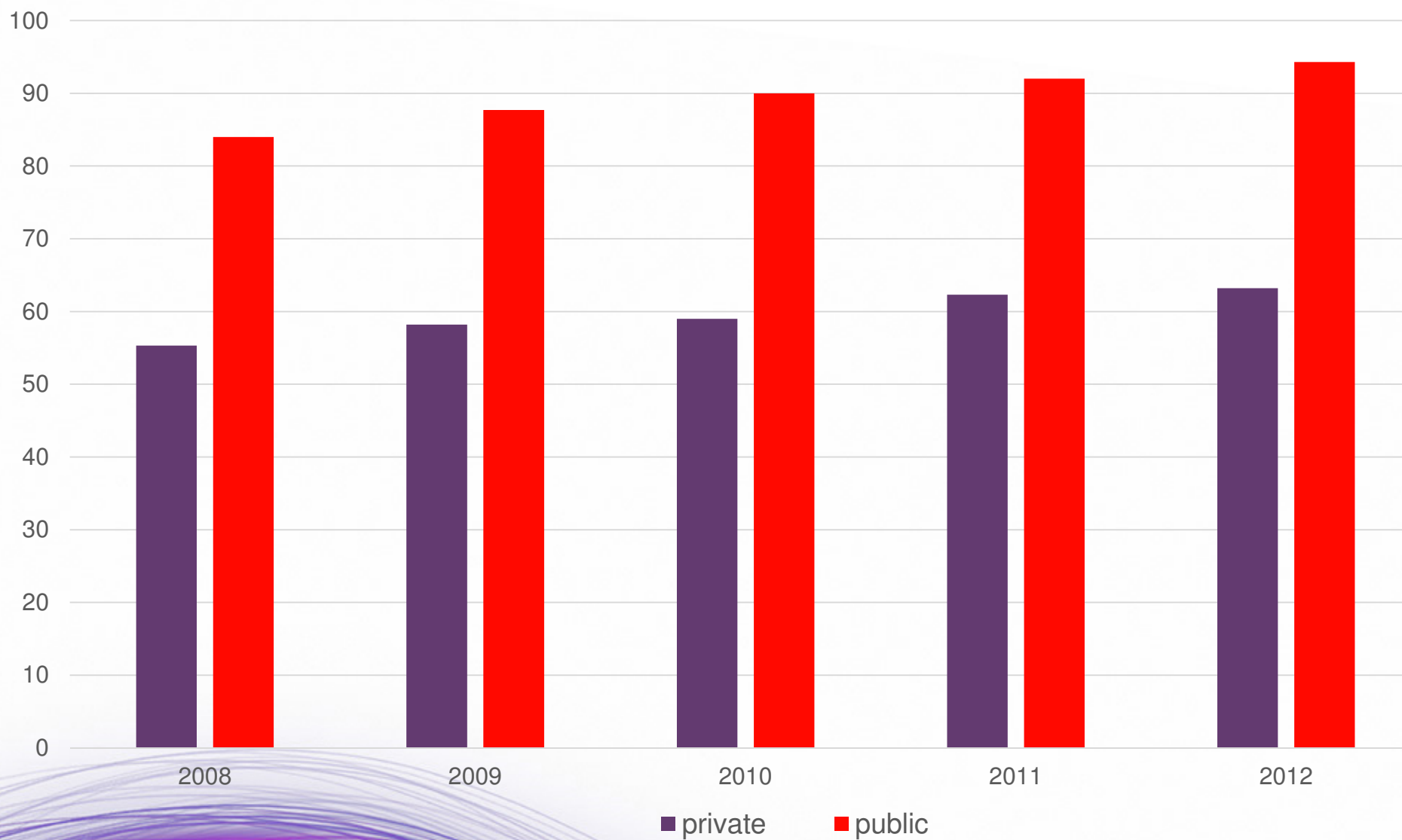
- 11737 (doubled in five years)
- Percentage of private hospitals
  - 27% in 2008
  - 47% in 2014
- Service capacity of private hospitals remains low

# Growth of private health services

Private/Public Ratio in Hospital Services



## Hospital Bed Occupancy Rate (%)



Data source: Ministry of Health <http://www.nhfpc.gov.cn/>

# Opportunities

- Largest market in the world
- Fastest growing
  - Doubled in five years
  - Still low in proportion to GDP (5%)
- Quick endorsement of new technologies
- High demands for both bio-medicine and CAM
  - \$71 billion RMB pharmaceuticals (2011)
  - \$13 billion RMB TCM (2011)

Data source: Franck Le Deu, Rajesh Parekh, Fangning Zhang, and Gaobo Zhou. Health care in China: Entering 'uncharted waters'.  
[http://www.mckinsey.com/insights/health\\_systems\\_and\\_services/health\\_care\\_in\\_china\\_entering\\_uncharted\\_waters](http://www.mckinsey.com/insights/health_systems_and_services/health_care_in_china_entering_uncharted_waters)



# Uncertainties

- Primary care
  - Low share in market
  - Strong intervention from government
- Hospitals
  - Strong “public” band
  - Profit seeking behaviour of public hospitals
- Aged care
  - Early stage
  - Government – low end
  - Private – high end

# Challenges

- Cost containments may be detrimental to capital and pharmaceutical investments, but it brings opportunities to
  - Information system development
  - Research opportunities
  - Governance and management capacity building
  - Supplementary health insurance



# Common approach to enter into Chinese market

- Team up with locals
- Public private partnership
- Late entrance may struggle
  - Contribution of top 10 multinational pharmaceuticals in China: 10/70 billion (2011)

Data source: Franck Le Deu, Rajesh Parekh, Fangning Zhang, and Gaobo Zhou. Health care in China: Entering 'uncharted waters'.  
[http://www.mckinsey.com/insights/health\\_systems\\_and\\_services/health\\_care\\_in\\_china\\_entering\\_uncharted\\_waters](http://www.mckinsey.com/insights/health_systems_and_services/health_care_in_china_entering_uncharted_waters)

# Questions

- Thanks!