

# China Medical Market Overview and Opportunities

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# Market Data

## Medical Devices

- A fast growing market (Numbers estimated by CAMDI)
  - Annual sales reached \$22.9 bn in 2007
  - Annual growth rate of 23% during 2004-2007.
- 12,600 local manufacturers produce \$27 billion worth of medical products.
- During 2004-2007, imports rose from \$3.1 bn to \$4.3 bn with annual increase of 12%. Exports from \$4.14bn to 8.47bn, up 35% annually.
- Over 80% of high-end medical equipment relies on imports. Exports are mainly low-end medical products.
- Major buyers: 19,852 hospitals, 80,500 urban & rural health centers, and 3,585 CDCs.

- An average of 322 new hospitals were built each year during 1990 - 2007. This number is expected to go up to 400 annually in the next 10 years.
- About 30% of total investment in these new hospitals is used for purchasing of medical equipment.
- Over 140,000 registered medical device distributors, including retail stores, throughout China, but only about 5% of them have trans-regional distribution capability.
- Highly competitive market with major overseas players from the United States, European countries, and Japan. (e.g. GE Healthcare, Siemens, Philips, Johnson & Johnson, Beckman Coulter, Medtronic, Abbott, Baxter, BD, Tyco, Roche, Drager, Auscult, Zeiss, Hitachi, Toshiba, Shimadzu, Olympus, etc.)

# Health Expenditure and Insurance

- Total health expenses increased by 14 times from \$10.7 bn in 1990 to \$149.8 bn in 2007.
- Healthcare service still enjoys a tremendous room for growth as health spending accounts for 4.7% of the national GDP, much lower than 8-15% in many western countries.
- 50% of overall health expenses are covered by Individual residents out of their own pockets.
- Government's share of health spending dropped from 36% in 1980 to 18% in 2006.
- 40% of Chinese residents living in urban areas have access to 80% of medical resources, while 60% of residents in rural areas only share 20%.



- Among 1.3 bn people (500 m urban residents and 800 m rural) in China, 176 million of urban employed residents, and 730 million rural farmers have joined some kind of medical insurance programs.
- Reimbursement rate is still at a low level with rural residents paying 80% from their own pockets.
- Market driven healthcare systems implemented in 1980s and 1990s resulted in a sharp rise of medical costs, leading to 50 times increase of per capita health spending from 1978 to 2004.
- Government decided to introduce new Healthcare Reform Plan which is forecast to go into effect early 2009.

# Market Trends

China's new Healthcare Reform Plan is expected to result in the following trends:

- Provide basic medical insurance for all urban and rural residents by the year of 2020.
- Key emphasis placed on major diseases & in-patients.
- Greater efforts to control and treat chronic diseases.
- Prevention as the primary for healthcare service.
- Priority given to improving healthcare infrastructure in rural and remote areas.
- Higher importance placed on developing community health centers for urban residents.

# Market Opportunities

## ■ Preventative healthcare services

- 300 million overweight, including 40 million obese patients.
- Women & infant's health (1.2 million infants with birth defect per year, 42% of married women with infection of the reproductive system, 48% with menses disorder, etc.)
- 27 types of infectious diseases tracked (3.6 million new cases/year);  
To date, more than 100 million hepatitis B and 5 million TB patients
- Food and cosmetic safety (Incidence of food poisoning cases:  
200,000- 400,000 cases/year)
- Health problems caused by unhealthy lifestyles and environmental pollution (350 million smokers)
- Market size for health check-up services: up to \$14 bn/year



## ■ Rehabilitation services for chronic & major diseases

-- Chronic diseases rank the highest in morbidity rate (15%) and total medical costs of over \$21.4 billion/year.

-- Top 8 chronic diseases (hypertension, CVD, diabetes, IHD, chronic gastroenteritis, chronic obstructive pneumonia, cholelithiasis, rheumatoid arthritis)

-- 300 million (sleeping disorder)

-- 170 million (hypertension)

-- 100 million (arthritis)

-- 70 million (osteoporosis)

-- 40 million (diabetes)

-- 20 million (asthma)

-- 16 million (mental disease)

-- Annual incidence of cancer patients - 2.5 million with treatment costs of \$14.3 billion per year.

## ■ Demand for new hospitals and CDCs

- 400+ new hospitals are expected to be built annually in the coming years.
- Of 3,585 CDCs nationwide at and above the county level, majority of them need to be rebuilt, relocated, or expanded.
- More new hospitals are expected to be built, rebuilt, or expanded at the county level in the next 10 years.
- Township health centers will also receive more attention to upgrade their facilities and equipment.

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