

DEVELOPING THE PRIVATE MEDICAL SECTOR IN CHINA

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Executive Summary

1. China has overhauled its national health care program, in particular its private medical sector, since 2009 to better meet people's growing demand for good health services by inviting more private providers to join the health care market.
2. The Chinese medical system has been dominated by public hospitals since 1949. Although private hospitals have mushroomed since the 1990s, accounting for close to 40% of the total number of hospitals, their contribution to health services remains low. This is a result of limited capacity, poor reputation and a variety of policy barriers.
3. There is vast unmet demand for high-end health services, top specialized care and extended care. This is compounded by China's rapid aging population which has created enormous need for elderly care especially long-term care. Private hospitals will find great market opportunities in these areas.
4. Inviting more private hospitals to join the market will create necessary pressure for public hospitals to improve performance on the one hand, and better serve people in special needs or higher expectations on the other.
5. The healthy development of private hospitals in China has been unfortunately constrained by talent shortage, patients' low trust of private hospitals, heavy tax burden, and various other institutional barriers.
6. The entry of foreign hospitals has also been impeded by constraints on the registry status of foreign hospitals, administrative intervention of local authorities as well as unfavorable market conditions.
7. The central government has initiated reforms to break the policy barriers for foreign hospitals such as simplifying administrative procedures and relaxing the constraint for foreign hospitals to register as non-profit institutions. However, a more conducive environment is still needed.