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## STATE COUNCIL ANNOUNCES NEW HEALTHCARE REFORMS

Reform of the Chinese healthcare system has been a frequent topic of discussion in the industry over the last ten years. Periodically, the central government issues policy statements outlining its intentions and these statements are scrutinized carefully to determine if they represent a major shift in attitude and, most particularly, if they indicate that the government is moving away from its support of foreign investment in healthcare.

In April, 2008, Chinese Premier Wen Jiabao announced that China's healthcare reform plan would focus on the public health service. Specific items in the new plan were identified as an emphasis on the non-profit nature of its public health service and speeding up the development of a health insurance network in both urban and rural areas. This was widely interpreted at the time as meaning that the proliferation of for-profit public-private partnerships between public hospitals and for-profit enterprises would be more strictly controlled, if not eliminated. There was also some anxiety that this announcement indicated a lessening of government support for for-profit healthcare projects. In its inquiries to high-level government officials at the time, CCG was told that no such interpretation should be drawn from the announcement but that for-profit public-private partnerships would be 'discouraged'.

In the latest development, China's State Council has issued an amended draft guideline of medical and health care system reforms. This was done for the purpose of soliciting public opinion and presages anticipated changes in regulations. The guideline outlines the government's intentions to establish a new basic healthcare service covering rural and urban residents by 2020. In the meantime, some specific actions that are rumored to be under consideration include:

- Strictly controlling the prices charged by the public hospitals for medicines and re-directing the revenues from sales of medicines in the public hospitals to the local health bureaus where it would presumably be used for public health projects.
- Breaking the pattern of self-referrals to large, more expensive, public hospitals by introducing and requiring referrals from lower-cost community health centers.
- Improving the physical plant standards of public hospitals and clinics.
- Improving the management of public hospitals by modifying the Ministry of Health's traditional direct hospital administration role to one of indirect supervision with more local input.

In the points mentioned above, there was very little in the way of specifics and it should be noted that there is likely to be a great deal of resistance from the large public hospitals to some of the reforms being proposed which would influence the likelihood of the proposed change ever actually being implemented.

CCG's interpretation of the new announcement is that it represents a continued interest by the government in addressing wide-spread public concerns about the rising cost of care in the public healthcare system and does not have implications for foreign-invested healthcare projects. If you have any questions or concerns regarding the new statement, please contact CCG.

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