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# China new healthcare reform 2020

Ten things to know



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China recently announced a new five year road-map for reform of its healthcare sector. The National Planning Guideline for the Healthcare Service System (2015–2020)<sup>1</sup> (the Guideline) is the first comprehensive five-year blueprint targeting key areas for development by 2020.

Faced with the challenge of insufficient resources and poor quality of service in the sector, the reform of the healthcare sector is both a social and strategic priority for China.

Despite the introduction of the initial healthcare reform plan a decade ago, the healthcare sector continues to be burdened by resource shortages and underdevelopment in rural areas.

The new reforms introduced by the Government targets three main areas: infrastructure development, reduction of costs and new investment. The wide ranging scope of these reforms will have a substantial impact on stakeholders and

industry players including international medical device firms, drug makers, hospital operators and insurance companies. The Government's recent emphasis on the opening up of the private sector has attracted global interest in the development of China's healthcare sector. The continued reforms have bought new opportunities for investment by international players.

Below are the top ten policies in China's new healthcare reform over the next five years.

### China's new healthcare reform at a glance:

	<b>Infrastructure development</b>	<ul style="list-style-type: none"> <li>• Opening access for private investors to develop private hospitals.</li> <li>• Increasing the number of hospital beds across all medical institutions to alleviate burden on public hospitals.</li> <li>• Standardising training for medical professionals and improving allocation of resources.</li> <li>• Continued development of medical facilities at grassroot level and in rural areas.</li> <li>• Encouraging development of private senior care facilities and home care services.</li> </ul>
	<b>Reducing costs and broader insurance coverage</b>	<ul style="list-style-type: none"> <li>• Reducing patients' out-of-pocket expenses through restrained use of medical devices, and if medical devices are required to be used, using locally manufactured devices.</li> <li>• Developing comprehensive medical insurance with better coverage.</li> <li>• Expanding the scope of practitioners' insurance and establishing a dispute resolution mechanism.</li> </ul>
	<b>New areas of investment</b>	<ul style="list-style-type: none"> <li>• Establishing traditional Chinese medicine hospitals at the county and municipal level.</li> <li>• Investing in technology for online healthcare products and information sharing on cloud systems.</li> </ul>

<sup>1</sup> In Chinese 国务院办公厅关于印发全国医疗卫生服务体系规划纲要（2015-2020）的通知

## Infrastructure development



### 01 | Opening access to develop private hospitals

The Government will introduce a number of measures to encourage private investment in hospitals.

Private investment	Government support	Hospital pilot program
<p>The Guideline has specified that all sectors are open to investment by private capital (foreign and domestic) unless there is an explicit restriction or prohibition under laws or regulations.</p> <p>Where approval is required, procedures will be simplified and expedited.</p>	<p>The Government at various levels will be required to support private investment in hospitals through granting land use rights and procuring more services from non-public hospitals.</p>	<p>More regions will be included in the pilot programme allowing for the establishment of wholly foreign-owned hospitals<sup>2</sup>.</p> <p>The current restriction requiring foreign invested hospitals to be set up as Sino-foreign joint ventures will continue but restrictions will be relaxed.</p>

To ensure uptake in hospital beds at private hospitals, the Government will introduce broader social medical insurance to cover patients' expenditure so as to encourage utilisation of private facilities to manage the burden on the public hospital system.



### 02 | Increasing the number of hospital beds across all medical institutions

The Guideline sets ambitious targets for the increase of the number of hospital beds by 2020. As shown below, the targets represent a 30 per cent increase in the number of hospital beds at public hospitals and almost a two-fold increase in private hospitals. Note that these target figures are for guidance purposes only and not mandatory for hospitals to comply with.

Number of hospital beds for every 1,000 people			
Public hospitals		Private hospitals	
Current <sup>3</sup>	By 2020	Current	By 2020
4.55	6	0.52	1.5

However, this target will not result in an unbridled increase of resources. The Guideline acknowledges that the rapid and uncontrolled expansion of public hospitals in recent years has resulted in the creation of oversized public hospitals, some currently with over 10,000 hospital beds.

This has jeopardised the development of grass-root medical institutions, another priority in the healthcare reform plan. The Government has signalled that measures will be introduced to curb this rapid expansion and in some cases, arrange for the spin-off of certain functions to reduce the size of public hospitals.

<sup>2</sup> At the moment, wholly foreign-owned hospitals are allowed only in Beijing, Tianjin, Shanghai, Jiangsu Province, Fujian Province, Guangdong Province and Hainan Province. Other than Hong Kong, Macau and Taiwanese investors (who are treated as foreign investors from a foreign investment regulatory perspective), foreign investors are not allowed to wholly-own a Chinese traditional medicine hospital.

<sup>3</sup> Figure as of December 2013.

### 03 | Standardising training and re-allocation of resources

	<b>Training</b>	The Guideline provides that by 2020, a training system will be established to improve the quality of training for medical professionals and also include a target to increase the number of nursing and support staff. Professional medical training will be standardised at various levels including college training, post-graduation education (at degree level), and continuing medical education (for professionals without academic degrees).
	<b>Multi-institution practice</b>	Following earlier reforms introduced in 2014 <sup>4</sup> , the Guideline reiterates the importance of multi-institution practice by practitioners. Medical professionals currently working at public hospitals will have added flexibility to practice at non-public hospitals. This will help enrich the pool of medical talent at non-public hospitals.
	<b>Geographic reach</b>	Encouragement of medical professionals to provide their services in high demand areas such as western China and at grass-root hospitals.
	<b>New disciplines</b>	The training program will focus on training specialists in the fields of paediatrics and psychiatry which are in high demand.
		

### 04 | Improving quality at grass-root level

The Guideline provides that by 2020, there will be (i) one clinic and one medical service centre for each community with a population over 30,000 and (ii) 1.2 hospital beds made available for every 1,000 residents within a community. Grass-root hospitals will focus primarily on nursing and rehabilitation. The aim is to achieve satisfaction of the national standard for 95 per cent of all hospitals, clinics and medical centres at grass-root level.

### 05 | Institutional cooperation for senior care

To meet the increasing demands of an expanding ageing population, the Government calls for the cooperation of medical service and senior care institutions. In particular, medical service institutions are encouraged to allocate beds for senior care. In turn, senior care institutions will be allowed to provide limited medical care where conditions permit.

The Government in particular encourages senior care services to be provided at the local community level and home care services to be made available to alleviate the burden on the hospital system.

<sup>4</sup> Such as the Notice by National Health and Family Planning Commission on a Few Key Points on the Health and Family Planning Work in 2014, GuoWeiBanFa (2014) No.4 (国家卫生和计划生育委员会关于印发2014年卫生计生工作要点的通知, 国卫办发[2014]4号); Notice on Several Opinions of the National Health and Family Planning Commission, National Development and Reform Commission, and Ministry of Human Resources and Social Security on Promoting and Regulating the Multi-institution Practice of Practitioners, GuoWeiYiFa (2014) No.86 (国家卫生和计划生育委员会、国家发展和改革委员会、人力资源和社会保障部等关于印发推进和规范医师多点执业的若干意见的通知, 国卫医发[2014]86号); and the Notice by National Health and Family Planning Commission on a Few Key Points on the Health and Family Planning Work in 2015, GuoWeiBanFa (2015) No.3 (国家卫生和计划生育委员会关于印发2015年卫生计生工作要点的通知, 国卫办发[2015]3号).

## Reducing medical costs and better protection for patients



### 06 | Restricted use of medical devices

To reduce patients' out-of-pocket expenses, the Government seeks to tighten the procurement of medical devices at public hospitals. Excessive use of medical devices which exceed patients' needs is to be discouraged. Under circumstances where medical devices are deemed necessary, there will be a preference for the use of locally manufactured medical devices.



### 07 | More comprehensive healthcare insurance

The Guideline calls for broader coverage under the state medical insurance and more comprehensive products such as critical illness insurance. The more affluent population will be encouraged to take out commercial health insurance. Reforms will also be made to the payment mechanisms to cover a wider range of medical costs charged by various medical institutions.



### 08 | Expansion of practitioners' insurance and dispute resolution

Due to the ongoing shortage of doctors and poor compensation of medical professionals, tensions have been growing between medical practitioners and patients in recent years. The Government has identified the need to develop a third party medical dispute resolution mechanism to address grievances and to mediate disputes arising between doctors and patients. In addition, there are plans to expand the application of liability and professional insurance for medical practitioners.

## New areas for development



### 09 | Traditional Chinese medicine

Traditional Chinese medicine is one of the key target areas for development. By 2020, one Chinese traditional medicine hospital is to be established in every county and municipality. In addition, there will be a target for traditional Chinese medicine hospitals to have 0.55 hospital beds for every 1000 residents in a community.



### 10 | Embracing technology

Across the globe, technological advances have made the provision and management of healthcare more accessible. New technologies such as the IOT (internet of things), cloud computing, mobile internet and wearable gadgets have resulted in the proliferation of online healthcare products and applications.

China is also turning to technology in the advancement of its healthcare sector. By 2020, three digital national databases will be established containing health information, health profiles and medical records in electronic format. In addition, a national online platform will integrate information at the national, provincial, municipal and county levels.

The Government will continue to encourage the adoption of online healthcare products. Following the introduction of China's telemedicine guidelines last year, it is expected that telemedicine will continue to thrive in the coming years.

## Contacts

If you would like further information please contact:

**Frederick Robinson**  
**Global co-head of life sciences and healthcare**  
Norton Rose Fulbright US LLP  
Tel +1 202 662 4534  
rick.robinson@nortonrosefulbright.com

**Wang Jing**  
**Partner, Beijing**  
Norton Rose Fulbright LLP  
Tel +86 (10) 6535 3138  
jing.wang@nortonrosefulbright.com