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China’s Healthcare Investment Climate: Rebalancing Global and Local Innovation

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Yang Huang, Head of China Healthcare Research at J.P. Morgan, unpacks how favourable policies, demographic shifts, and global collaborations are shaping the future of biopharma and medtech investment in China.

With a healthcare market as vast as its population, China is rapidly evolving into a powerhouse for biopharma and medtech innovation. Government reforms—from streamlined approvals to strategic capital market listings—are bolstering investor confidence, while domestic firms thrive under strong policy support. **In this exclusive conversation, Yang Huang, Head of China Healthcare Research at J.P. Morgan, shares how regulatory shifts, demographic realities, and international partnerships are redefining investment opportunities and reshaping the healthcare ecosystem.**

How is China’s current healthcare investment climate shaping foreign and domestic participation in biopharma and medtech innovation?

In addition to China’s significant market size and growing healthcare needs, the government’s strategic prioritization of the healthcare sector has created a highly favorable environment for investment and innovation. Enhanced intellectual property protections and streamlined approval processes for innovative drugs and medical devices have increased confidence among foreign companies, encouraging them to invest through strategic partnerships with local firms and the establishment of localized Research and Development (R&D) centers. At the same time, domestic players benefit from strong government support and funding from both public and private sources. The introduction of the 18A listing rule on the Hong Kong Stock Exchange and the launch of the Shanghai Stock Exchange STAR Market have further enabled innovative healthcare companies to access capital for R&D and expansion. In addition, the favorable government policies have made investors regained confidence in China healthcare, especially in innovative related subsectors, in the last 12 months. Such policies include "Support drug innovation across the whole value chain", milder price cut for volume-based procurement (VBP) programs, promotion of the development of commercial health insurance plans and more.

What regulatory or policy shifts do you see having the greatest near-term impact on global companies operating in China’s healthcare sector?

Volume-based procurement (VBP) and the National Reimbursement Drug List (NRDL) continue to be the most significant regulatory policies impacting global companies in China’s healthcare sector, particularly due to their influence on

competition and pricing. The recent launch of the 11th batch of national centralized VBP for generic drugs and national VBP for high-value medical consumables are being keenly monitored, though we expect the magnitude of price reductions to be relatively moderate this round. Notably, recent policy developments—including the first-ever mention of optimizing drug and device procurement in the Government Work Report and the release of the "Draft Plan for Further Optimizing Drug Procurement Policy"—suggest that future VBP will shift focus beyond price cuts alone. Ensuring stable supply and product quality is becoming increasingly critical. For instance, new requirements now mandate that a manufacturer's entire production line must be free of compliance violations for two years, expanding oversight from individual products to full production capabilities. The National Medical Products Administration will also conduct facility inspections and product sampling for VBP-winning bidders, with targeted scrutiny of drugs subject to significant price reductions. Additionally, the 11th VBP round introduces a "Low-Price Declaration" system, requiring the lowest bidders to publicly justify their pricing and commit not to bid below cost, moving away from sole reliance on the lowest bid as a reference.

Looking ahead, we expect commercial health insurance to play a more prominent role in China's diversified payment system for innovative drugs, potentially addressing persistent challenges such as low pricing for domestic innovative drugs and insufficient R&D returns. Policy measures aimed at improving drug price formation mechanisms and establishing an innovative drug list are likely to support reasonable pricing and broader market access for innovative therapies, thereby encouraging greater R&D investment. These changes are expected to benefit innovative biotech and pharma companies, domestic and foreign alike. Notably, the first edition of the Category C national drug list for medical insurance (??????) is anticipated to be released this year, through collaboration among the National Healthcare Security Administration (NHSA), commercial insurers, and industry players. The Category C list is expected to be covered by commercial health insurance and will focus on highly innovative drugs with significant clinical value that are not currently included in the National Reimbursement Drug List, further supporting innovation and patient access in China's healthcare market.

We also think the government's push for innovative healthcare products will make global companies to bring more innovative products to China market, instead of just promoting mature/off-patent products.

How are macroeconomic pressures and demographic shifts influencing healthcare demand and delivery models across China?

China's population aged 60+ has already topped around 310 million and will keep rising, shifting disease burden toward multi-morbidity, frailty and long-term care needs. That demographic tilt materially increases demand for chronic disease management, rehabilitation, geriatric mental-health services and home-based care. On the fiscal side, China economy is already so large and expected GDP annual growth rate is single digit, which could shift policymaker priorities from capacity expansion to cost-containment and efficiency. National centralized VBP and diagnostic related group/diagnosis intervention packet (DGR/DIP) initiatives have materially reduced drug prices and consumables costs while improving affordability and saving healthcare insurance fund; private health insurance and private hospital participation are expanding—filling specialty gaps and meeting the differentiated and individualized demands.

Therefore, the combined growing elderly care demand and fiscal constraints are pushing NHSA towards prevention, primary-care strengthening and community-based pathways to avoid expensive tertiary admissions. We see delivery models evolving in three directions. First, tiered care and strengthened county-level systems (e.g. medical alliances, family-doctor contracts, prescription outflow to pharmacies) aim to shift routine care to primary/grassroot facilities and reduce tertiary overload. Second, digital health and telemedicine are enabling remote monitoring, AI-assisted triage, and specialist access for underserved areas. Third, commercial healthcare insurance and private hospitals will play increasingly important role to meet diversified demand and introduce service variety.

In your view, which subsectors—such as digital health, cell and gene therapy, or diagnostics—are positioned to attract the most significant investment momentum over the next 2–3 years?

I assume the question is about the investment in the primary market not investment in the secondary (stock) market. Over the next two to three years, we expect investment momentum in China healthcare continue to be high in the biotech subsector:

- Innovative biologics and small molecules: Despite global pricing pressure on drugs, assets targeting first- or best-in-class mechanisms (oncology, autoimmune diseases, metabolic diseases) remain attractive. We expect capital to favor companies with global-ready data, biomarker-driven development, and global partnerships. Antibody-Drug Conjugates (bispecific, and/or dual-paylod ADC), multi-specifics, and incretin programs will be prioritized.

- **Emerging drug modalities including RNAi, peptide, and small molecule degraders:** Given first domestic developed RNAi drugs could be approved within the next five years and higher probability of success, RNAi drugs will receive more attention from investors. The application of peptides would be much wider than just incretin and we expect to see more peptide-based therapies for auto-immune and cardiovascular diseases.

- Cell and gene therapy: Clinical translation is accelerating, but near-term investable opportunities skew to enabling platforms—viral vectors, gene editing tools, cell processing automation, and analytics/ quality control —where demand scales independent of single-asset risk. In-vivo CAR-T therapies play an increasingly important role.

- AI for drug discovery and development: AI will continue to help label-intensive drug discovery process to reduce cost and speed up the process. AI based drug discovery is the overall strategic direction but no company appears to have a winning receipt yet. Hence, we could continue to see funding going to a number of different companies.

- Outside biotech, medtech localization and high-value consumables would continue to be a trend: Import substitution in imaging, endoscopy, cardiovascular intervention (TAVR, structural heart), orthopedics, and neuro devices is advancing under favorable procurement and reimbursement dynamics. Companies with strong after-sales service networks and evidence packages will capture share. High-growth areas include electrophysiology, neurovascular, and minimally invasive surgery tools, including surgical robots. We also pay attention to potential fast development of brain computer interface (BCI).

What role do you see international collaborations playing in strengthening China's position within the global healthcare innovation ecosystem?

International collaboration will be pivotal in accelerating China's ascent within the global healthcare innovation system across four dimensions: science, platforms, access, and standards. However, given US and China continue to compete intensively on biotechnology, international collaborations could become harder than prior years.

First, cross-border science elevates quality and speed. Joint research with leading academic centers and biopharma in the US/Europe/Japan can help China's capabilities, which are rapidly improving but still uneven. Data-sharing consortia in oncology, rare diseases, and infectious diseases would enrich datasets, improve model generalizability across populations, and enhance real-world evidence generation, a key regulator and payer priority.

Second, platform-building partnerships can compress development timelines. Co-development and licensing (more about Chinese companies out-licensing assets to overseas companies) of next-generation modalities allow Chinese firms to leapfrog via access to IP, manufacturing know-how, and clinical networks, while contributing scale, cost efficiency, and fast iteration. Reciprocal CDMO/CMO collaborations can help standardize quality systems norms and build global launch readiness. However, potential geopolitical risks are still in the play.

Third, market access collaboration expands patient reach and returns on R&D. Dual-path regulatory strategies—NRDL alignment domestically and Food and Drug Administration / European Medicines Agency pathways abroad—benefit from early dialogue and shared evidence packages. For multinational corporations, China offers scale, cost-advantaged trials, and rapid adoption in select therapeutic areas, creating a symbiotic pipeline cycle.

Fourth, norms and standards. Participation in global standard-setting (ICH, IMDRF), harmonized pharmacovigilance, and interoperable data standards (FHIR/OMOP) will reduce friction, enable multi-country trials, and make Chinese-generated evidence exportable. Collaboration on ethical frameworks—for AI/real-world data, genetics, and cross-border data flows—can unlock federated analytics while maintaining compliance.

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