China to up healthcare spending to $1 trillion

19 April 2013 | Analysis | By BioSpectrum Bureau

Singapore: Healthcare spending in China is going to increase substantially in the comming years, according to various industry experts. The Chinese life science market has always generated a lot of curiosity and garnered a lot of attention from industry analysts.

While a KPMG report has revealed that expenditure on pharmaceuticals, medical technology, distribution, hospitals, pharmacies and insurance will account for 10 percent of the country's gross domestic product in 2013 (which is an increase from about six percent in 2012), a report by McKinsey & Co suggested that healthcare spending in China will almost triple to $1 trillion annually by 2020.

Also read:
It's raining expansions and JVs in China!

Both reports suggests that the major cause behind the substantial growth is the nation's aging population and the Chinese government's efforts to broaden insurance coverage. Furthermore, China is witnessing many changes in its life science policies and this too is impacting the markets.

In March of 2013, the government announced that it will step-up investment in the prevention and treatment of chronic diseases as well as expand the reimbursement medical system with more medicines added to the essential drugs list. China has projected an increase in its medical spending by 27 percent and is doubling the total number of drugs in its national reimbursement medicine list from 205 to 520. The country's medical insurance system will cover an additional 20 serious illnesses, including various types of cancers, leukemia and type-1 diabetes among others.

Moreover, China aims to raise average life expectancy to 77 years by 2020, from 74.8 years in 2010, and lower the infant mortality rate to below 10 percent from 12 percent in 2011.

The favourable business factors are attracting MNCs to make a beeline for China, with many firms drawing out long term plans for garnering a share of this growing market. However, the key determinant of success in this market will be affordable prices, and this will be the key challenge many that pharma MNCs will have to contend with while launching their products in the market.

Major Deals in 2013

Foreign MNC companies, have in recent times, shown extensive interest towards the Chinese market and this is evident from the fact that several major delas were signed between MNCs and Chinese firms in the beginning of 2013.

For example, Pfizer said in February that it will own 49 percent of a $295 million venture with Zhejiang Hisun Pharmaceutical to develop off- patent drugs in China, and Merck & Co. inked a deal with Nanjing-based Simcere Pharmaceutical to produce cardiovascular medicines. Also, multinational companies are also looking to shift their focus toward more innovative products that are partly researched and developed in China.