

Healthcare and the Orthopaedic Market in the People's Republic of China

Mattes Urs¹, Huang Frank¹ and Glenn S. Bulmer²

Mathys Bettlach Ltd, China¹

First Hospital and Xinjiang Medical University²

ABSTRACT

This is a report on various aspects of the healthcare system in China with emphasis on orthopaedics. The authors' information and knowledge comes from living in China, working with Chinese managers in orthopaedic companies, from orthopaedic surgeons and from government officials in healthcare and regulatory bodies on the central and provincial levels.

Some aspects covered are: the healthcare system; demographics; medical insurance; the orthopaedic market, companies, marketing and manufacturing; patent protection; registration hurdles; and the Foreign Corrupt Practices Act.

INTRODUCTION

Access to data from the People's Republic of China (PRC) markets is very limited and information about markets is vital for meaningful insight. Thus, this report does not delve into market figures only, but also tries to include information such as demography, healthcare and medical insurance, which collectively may assist the reader to understand China better.

If one wants to achieve results in China, forget about your management experience from the west and become engulfed with an open mind into this ancient Confucian society and culture. The authors have read several analyses from international banks, which talk about the Chinese orthopaedic device market and we are amazed at how little these reports talk about the market as a whole. We also believe that analysts who have never stepped onto Chinese soil; never spoken to a Chinese doctor, a Chinese patient or Chinese government officials write many reports about China's orthopaedic industry. The authors information and knowledge about the orthopaedic market in the PRC comes from living in China, talking to Chinese managers working in orthopaedic companies, from orthopaedic surgeons and from government officials in healthcare and regulatory bodies on the central and provincial levels.

Demographics

The potential of the Chinese market is huge, having more than a 1.2 billion people in the largest country in the world. There

are estimates by banks that there are approximately 120 million Chinese with an individual purchasing power of 12,000 US\$ per annum. This "middle class", by Chinese standards, lives in large cities along the eastern coastline and in central and western urban areas. In the PRC, there are more than 30 mega-cities with a population exceeding 5 million people. Those cities are usually on the radar screen of domestic and foreign companies to find customers for orthopaedic products.

Healthcare system

The current crisis in the healthcare system in the PRC is best described as "it is too difficult and expensive to see a doctor." Patients queue for hours to see a doctor, many of whom (dependent upon the department) see 75-100 patients/day. The patients' out-of pocket expenses for basic medical bills account for approximately 50% of the medical bill. To protect their family against illnesses and accidents, many Chinese families save money for such emergencies. This is an important factor, which has stimulated a high saving rate in the PRC. Education is another important reason for saving in the mostly one-child family.

Quite the opposite to the western world, doctors in China are not well paid and depend on other sources of income. Some of the key opinion leaders have travelled abroad and are very familiar with what their western colleagues earn, particularly those in North America. There are Chinese orthopaedic surgeons who travel to other parts of China to perform surgeries and provide first hand education in less developed areas of the PRC to their colleagues who work under less than optimal conditions. It is assumed that the PRC has approximately 20,000 orthopaedic surgeons with wide ranging differences in knowledge, equipment and capabilities. More than 3,000 of them are involved in joint replacement surgery. Most of those surgeons use products from several companies.

Showing their naivety overseas managers visiting the PRC often remark, "Please show me a clinic using only our products." This proves that they do not understand medicine in China.

To set up a private hospital in the PRC many regulatory hurdles must be overcome. In short, the private sector does not play an important role in the current healthcare system except for a few medical specialities (e.g., outpatient clinics for expatriates). Contrary to India and Singapore, there are no westerners seeking medical treatments in the PRC to obtain cost effective and good treatment.

Corresponding author: Glenn S. Bulmer,
Department of Dermatology,
First Hospital and Xinjiang Medical University, Dermatology Dept.,
No.1 Liyushan Road,
Urumqi City, Xinjiang province, 830000, China
E-mail: fungusbulmer@yahoo.com, Tel: 632-658-3484; Fax: 632-658-3491