

## Life Sciences Health Industry China Briefing - June 2012 (July 20, 2012)

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### Pharmaceuticals, Medical Devices, Health Care & Life Sciences News

- **China's Compulsory License Rule Has Drug Companies On Edge (Law360 2012-06 12) — June 14, 2012**

China's new patent regulations allowing the government to force drug companies to grant compulsory licenses for generic versions of their products if it is deemed to be in the "public interest" has the pharmaceutical industry worried about where China will draw the line, attorneys said. The new regulations issued by China's State Intellectual Property Office last month say the government can order compulsory licenses for generic drugs when there is a "national emergency or any extraordinary circumstances, or for public interest purposes." What constitutes the public interest is very much open to interpretation and appears to give the Chinese government broad leeway to order drug companies to allow generic versions of drugs that are still covered by patents.

- **Beijing to Carry out Pilot Project of Separation of Dispensing from Prescription: Medical Service Fee up to 100 Yuan (Caixin Media 2012-05-19) — June 20, 2012**

Following Shenzhen and Shanghai, Beijing will initiate the pilot project to cut off the relationship between the income of hospitals and drug sales. Beijing plans to cancel the price addition to lower drug price, and to cancel the registration fee and diagnosis fee, which will be replaced by the medical service fee. The medical service fee will be divided into four levels: 42 yuan for ordinary physicians, 60 yuan for deputy chief physicians, 80 yuan for chief physicians and 100 yuan for expert physicians. The medical insurance will reimburse 40 yuan for the medical service fee. In addition, Beijing Friendship Hospital, Beijing Chaoyang Hospital, and Beijing Children's Hospital will carry out the legal person governance mechanism in order to provide experiences for the further reform of public hospitals in Beijing.

- **Drug Company to Acquire Controlling Stake (China Daily 2012-06-28) — June 29, 2012**

China Pharmaceutical Group Ltd, which derives almost half of its sales from antibiotics, will buy a maker of finished drugs from its controlling shareholder for HK\$8.98 billion (\$1.2 billion) worth of new stock and convertible bonds. The purchase of Robust Sun Holdings Ltd will reduce the company's reliance on drug intermediaries, bulk antibiotics, and vitamin C, which now account for 66 percent of its sales.

- **Investors Eye Chances in High-End Healthcare (Shanghai Daily 2012-06-19) — June 19, 2012**

As demand for high-quality health care rises in China, venture capital and private equity companies are taking advantage of ample investment opportunities in the nation's private and specialized hospitals. There were 158 investment deals in the medical and health care sector last year, worth \$4.14 billion, around the same amount as the total deals in the sector from 2006 to 2010, according to a report from the Zero2IPO research center. The report said 28 medical and health care companies were listed last year, raising \$5.33 billion, and 12 of them were backed with VC or PE investment. The State Council passed a medical reform plan in 2009 that promised to spend 850 billion yuan (\$123 billion) by last year to provide universal medical services to the country's 1.3 billion people. "We treat private medical institutions equally (with public ones), and they can be included in the scope of basic medical insurance under certain conditions," said Li Jinghu, deputy director of the Institute of Social Security at the Ministry of Human Resources and Social Security. In April, the State Council issued a statement on deepening the medical system reform, which states that local governments are required to issue detailed regulations to encourage private capital into this industry, and to guide the restructuring of certain public hospitals. A total of 300 county-level hospitals will take part in a pilot program that will see them undergo reforms in finance, management and human resources, according to guidelines published on the central government's website in June.

- **CIRC Encourages Insurance Companies to Establish Medical Institutions to Expand Business (Caijing 2012-06-20) — June 21, 2012**

China Insurance Regulatory Commission (CIRC) issued a Notice concerning Fulfillment of the Programs on Deepening the Medical Reform during the 12th Five-Year Period. According to the Notice, CIRC will conduct research on the feasibility and the effective way for insurance companies to establish medical institutions and become involved in the restructuring of public hospitals. In fact, the encouragement on insurance companies to invest in hospitals has been mentioned in the Opinions of State Council on Reform and Development in the Insurance Industry in 2006. Accordingly, China

PingAn Insurance signed an agreement with the Longgang District Government of Shenzhen to establish a Chinese medicine hospital in Longgang last year as a pilot.

- **MOH and Medical Reform Office under State Council Respond to Questions on Opinions of Comprehensive Reform Pilot Project of Public Hospitals at County Level (National Development and Reform Commission 2012-06-15) — June 15, 2012**

The State Council recently issued the Opinions concerning the Comprehensive Reform Pilot Project of Public Hospitals at County Level. The Opinions aim to ease the difficulties and the problems of expensive medical charges in the medical treatment for rural residents. The comprehensive system for the medical cost through drug-selling profits shall be eradicated. The pilot public hospitals at county level will be compensated through service charges and government subsidy. Each county (city) shall have one to two hospitals (including Chinese medicine hospital) at county level. The county (city) with more than 300,000 population shall have at least one Grade 2A hospital. Remote consultation, remote diagnosis, and distance education will be realized among hospitals at county level. In addition, excellent professionals will practice at county level hospitals through nurturing and offering preferential treatment.

- **311 Counties to Pilot China's Hospital Reform (Xinhua News Agency 2012-06-27) — June 27, 2012**

China has nominated 311 counties or county-level cities in a program to pilot reform of the country's public health care facilities, the Ministry of Health announced Tuesday. The national initiative includes 83 counties or county-level cities in East China, 136 in Central China, and 92 in West China, according to the ministry. The 311 counties or county-level cities are expected to undergo reforms in finance, management and human resources by 2015 to enhance their capacity.

- **First Wholly Taiwan-funded Hospital Opens (Shanghai Daily 2012-06-27) — June 27, 2012**

The Chinese mainland's first wholly Taiwan-funded hospital opened in Shanghai yesterday. It is the first solely invested Taiwan hospital to receive the green light on the mainland after the Economic Cooperation Framework Agreement, or ECFA, was signed between the mainland and Taiwan authorities in 2010. Established by the Taipei-based Landseed International Medical Group, the Shanghai Landseed International Hospital, with a 150 million yuan (US\$23.81 million) investment, is mainly aimed at Taiwanese, expatriates living in Shanghai, and locals with high-end health demands, hospital officials said.

- **Smiling Angel Children's Hospital To Go into Operation (Caixin Media 2012-06-24) — June 25, 2012**

Beijing Smiling Angel Children's Hospital, the first private charity children's hospital run by film star Li Yapeng, will go into operation July 1. The hospital will operate in nonprofit mode based on the Smile Angel Foundation. Given the current shortage of pediatricians, the hospital will provide medical services through the multi-site practice of the pediatricians from the public hospitals. Apart from the children from poor families, the hospital will also be opened to ordinary families. Some high-quality services will be charged highly accordingly. All the income will be used to develop the hospital in sectors including R&D and medical assistance, and there will not be dividends to the shareholders. The operation cost will be mainly from the social donations through charity dinners, small donations and other manners.

- **China Medical Services Market to Hit \$500B (Agencies 2012-06-25) — June 25, 2012**

China needs to bolster its medical services and investors are ready to help, Bloomberg reported. The latest is Carlyle Group LP-backed Concord Medical Services Holdings Ltd, which last week completed a deal for a 52 percent stake in Chang'an Hospital, a 1,000-bed facility at the eastern end of the Silk Road, according to Bloomberg. China's medical services market is growing 18 percent annually and is projected to reach 3.16 trillion yuan (\$500 billion) in 2015, Bloomberg reported, citing accountancy firm Deloitte China.

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