

China Healthcare Industry Overview: The Rise of China's Sports Medicine amid the Country's Renewed Private Hospital Landscape

Introduction/Executive Summary

- China's general health and wellness industry is one of the largest components of the country's economy. According to Frost & Sullivan, the market size of China's general health and wellness industry reached RMB8.6 trillion in 2016, and the industry is **expected to more than triple to RMB26.8 trillion in 2026, expanding at a compound annual growth rate (CAGR) of 12%** in that 10-year period.
- Rising demand for medical services in China is driven by multiple factors, including a rapidly-aging population, changing of diets and lifestyles that are health threatening, worsening air and water pollution, abolishment of the one-child policy effective from 1 January 2016 leading to more medical care demand from pregnant women and new born babies, expanding urban population exposed to hazardous environment and consumption patterns, and growing disposable income as well as increasing health awareness. Consequently, **provision of healthcare services has been overwhelmed by burgeoning demand**, and there has been a **significant shortage of healthcare professionals in China today**. For example, according to the World Health Organization, a general practitioner in China has to serve 6,666 people versus the international standard of 1,500-2,000.
- In 2016, China formally laid out the vision for improving its healthcare capabilities with the launch of the **Healthy China 2030 Initiative**, which **aims to raise the country's health standard** so that it will be on par with developed countries by 2030. Some of the notable 2030 targets are premature death rate from major chronic diseases to be 30% lower than that in 2015 and out-of-pocket payment by patients as a share of total healthcare expenses to be reduced to 25% from 29.3% in 2015. A key element of Healthy China 2030 is to **encourage investment of non-public healthcare facilities** so as to relieve strained state hospital resources, including their over-worked personnel.
- Private hospitals have been playing an increasingly important role in China's healthcare industry, as private hospitals enter a period of swift development. At the end of **September 2018**, the number of **private hospitals nationwide reached about 20,000**, which represented **1.65 times of all public hospitals** in the country at that time. From 2013 to 2017, the number of private hospitals in China experienced an astonishing pace of growth with CAGR hitting 13.48%. This trend is projected to persist for decades ahead owing to factors such as favorable government policies, hierarchical diagnosis and treatment system, flourishing high-end healthcare service market, people's increasing awareness of private hospitals' brands and chain names, private hospitals leveraging their competitive advantages in terms of service quality and differentiation, and expanded eligibility for social medical insurance. However, private hospitals also face major challenges, such as unbalanced regional development, severe peer competition, relatively low public recognition in general, shortage of qualified human resources, financial and payment restrictions as well as social bias.
- Although China's healthcare industry, including the private sector, has displayed admirable development in many aspects in recent years, the country is **lack of private hospitals and clinics focusing on sports and traumatology**. Thus, these specialized medical institutions have ample room for high growth rates especially in view of the **increasing popularity** of a great variety of **professional sports** domestically and the Chinese government's commitment to **encouraging people to be physically active** by building more venues for exercise and increasing allowances for private sports entities, especially those associated with basketball, football and volleyball. Based on a

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