

## China Briefing - April 2012 (May 21, 2012)

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

#### News

- **NDRC: Chinese government to review carefully drug pricing differences between ex-factory and bid prices (NBD News 2012-04-05) – April 5, 2012** Pharmaceutical companies determine bid prices for drugs sold to hospitals based on a number of factors. The National Development and Reform Commission (NDRC) issued a circular recently, requiring its local counterparts and price bureaus to strengthen the review and the monitoring of drug ex-factory prices. The successful bidders may be disqualified if the gap between the ex-factory price and the bid price is too large. Whether drug prices will be reduced because of this new policy is unclear.
- **NDRC Provisional Drug Pricing Measures on Mark-ups not Likely to be Released Soon; 2012 EDL Implemented in 15 Provinces (USCBC Health Update 2012-04-25) – April 28, 2012** The National Development and Reform Commission (NDRC)'s Provisional Measures for Drug Price Circulation Administration introduced February 2012 is unlikely to be released in the near term, according to Yu Mingde, head of the China Pharmaceutical Enterprise Association. The Provisional or Interim Measures, which would have been implemented July 1, 2012, would have decreased the drug circulation mark-up rate from 40 percent to 30 percent. Xinhua reported that industry watchers thought the new measure would be difficult to implement and would lead to drug price increases, which had been a key point of debate. Xinhua also reported that the 2012 Essential Drugs List (EDL) has currently been implemented in 15 provinces, with an average price cut of 49 percent. Shandong Province has seen the largest cuts (63 percent), whereas Zhejiang Province and others have had comparatively fewer (33 percent) cuts so far this year.
- **Heightened Attention to Hospital Mark-ups of Drug Prices (China Daily 2012-04-16) – April 16, 2012** Minister of Health Chen Zhu has emphasized that his ministry is determined to propel health care reform forward. The current round of health care reform, launched in April 2009, is guided by the policy that basic medical services are a public service that should be available to all citizens. The State offers basic medical services as public benefits, while individuals pay for more specialized medical needs. Today the health care system offers 95 percent of the population affordable basic medical services. But to further propel the reform requires ending the long-popular practice among public hospitals of making profits from sales of prescription medicines. Because of low government compensation of doctors working at public hospitals, drug sales generate needed additional income, which is increasingly recognized as a problem by the government.
- **State Council to Cancel Drug Price Addition and Raise Medical and Surgery Fees (Caijing 2012-04-18) – April 18, 2012** The current procedures that increase hospital revenues by marking up drug prices will be phased down in line with the Major Works Arrangement in 2012 on Deepening the Medical System Reform. Around 300 county-level hospitals will initiate a comprehensive reform covering hospital management mechanism, compensation mechanism,

personnel distribution, medicine supply, and pricing system. The drug price addition policy will be canceled. The medical technical service price, including medical fees, surgery fees and nursing fees, will be raised. The examination fees of large-scale medical equipment will be reduced. The system of online collective purchase of drugs by county-level public hospitals will be improved and the intermediate links and costs shall be cut down. The adjusted medical technical service charges will be involved in the medical insurance compensation. The central government and local governments will give a certain subsidy to hospitals for such adjustment.

- **Smoking Cessation Drugs to be Included in Medical Insurance: Multinational Pharmaceutical Companies Play a Large Role in Government Procurement (*China Business News* 2012-04-05) – April 5, 2012** On March 31, Chen Zhu, Minister of Health, issued a notice that smoking cessation drugs will be included in the medical insurance and National Essential Drug List. Currently, China is the world's largest tobacco-producing and consuming country. In China, 63 percent of male adults and 4 percent of female adults smoke, with a total number of 350 million smokers, accounting for one-third of the total smoking population worldwide. China has a smoking cessation drug market with the total scale of RMB 300 billion. Three multinational pharmaceutical companies, including Pfizer, Johnson & Johnson and Novartis, play an important role in this sector.
- **13 Products of 9 Pharmaceutical Companies Using Capsules Suspected of Excessive Chromium Contamination (*Beijing Times* 2012-04-16) – April 16, 2012** According to the Chinese Pharmacopoeia, the capsules are supposed to be checked for chromium contamination before going out of the factories. However, some capsule manufacturing companies have not established appropriate detection procedures and do not have testing equipment. Thirteen drug products of nine pharmaceutical companies, including Jilin Changchun Overseas Pharmaceutical Group and Qinghai Glasgow Dandong Pharmaceutical Company, were identified as producing unqualified capsules whose chromium contamination volume exceeds 20 times to 50 times of the standard volume. The chromium may damage human cells, livers, kidneys and other internal organs, and DNA. The State Food and Drug Administration issued an emergency notice to stop selling and using these drugs, and will severely punish these companies once the illegal behaviors are confirmed after the inspection and examination.
- **Licenses Pulled for Two Capsule Manufacturers (*China Daily* 2012-04-20) – April 20, 2012** China's top drug authority revoked the production licenses of two gel capsule manufacturers in Zhejiang province amid a scandal over chromium-contaminated medicine capsules. Since the scandal was exposed by a China Central Television report, police have detained 32 people who allegedly produced and sold capsules made from industrial gelatin, which contains excessive levels of chromium. According to an online statement issued by the State Food and Drug Administration, the administration ordered the Zhejiang provincial drug authority to revoke the production licenses of the Huaxing and Zhuokang plants for unspecified "grave violations of laws and regulations."
- **County Closes 82 Drug Capsule Facilities (*Xinhua News Agency* 2012-04-27) – April 28, 2012** Authorities in Fucheng county, located in north China's Hebei province, have shut down 82 unlicensed drug capsule facilities since a contamination scandal involving the industry was exposed earlier. Seven other licensed businesses in the county have been ordered to temporarily suspend production, and all raw materials for making drug capsules and their finished products have been sealed off, a county government spokesman said. Meanwhile, 10 people from the unlicensed facilities implicated in the scandal have been detained by police.

- **Growth in Home Care Medical Devices (*China Daily*) – April 16, 2012** Home health devices are a significant growth industry in China, as the population ages and people's standard of living continues to improve. In the past decade, a range of medical devices – from monitoring equipment to electric wheelchairs to massage chairs – have become common in urban households. The market for these devices will continue to increase as Chinese consumers demand timely and effective treatment of a variety of health conditions, said Wu Guangming, vice-chairman of the China Association for Medical Devices Industry.
- **Authorities Call for Stricter Monitoring of Cold Medicine (*China Daily* 2012-04-17) – April 17, 2012** The State Food and Drug Administration has called for stricter enforcement of measures limiting the sale of cold medicines containing pseudoephedrine, which has been used for the illicit manufacture of the drug methamphetamine. The Shandong provincial food and drug bureau has issued an emergency notice asking drugstores to keep a closer check on the identity of customers who buy the cold medicine Contac NT. In March, 37 suspects were arrested in Liaocheng city for using Contac NT to produce methamphetamine, according to Liaocheng public security bureau spokesman Fu Yantao.
- **State Council to Issue Detailed Rules on Private Hospitals in 2012 (*Caixin* 2012-04-18) – April 18, 2012** On April 14, the State Council issued the Major Works Arrangement in 2012 on Deepening the Medical System Reform, under which China will give priority to development of non-public medical institutions. The local medical governments are required to issue detailed regulations to encourage private capital into this industry, and to guide the restructuring of certain public hospitals such as those run by state-owned enterprises. In the meantime, pilot programs for foreign wholly owned medical institutions will be further expanded. Qualified professionals, including those from Hong Kong, Macau, and Taiwan, will be eligible to open clinics. Private hospitals will enjoy the same treatment as public hospitals with regard to pricing, taxation, medical insurance, land, professional titles, among others. It is reported that Beijing Smile Angel Children's Hospital, established by the movie star Li Yapeng, was approved by Beijing Health Bureau last year and is expected to go into operation June 1, becoming the first charitable children's hospital in China.
- **MIIT to promote reorganization in pharmaceutical sector** The PRC Ministry of Industry and Information Technology (MIIT), State Food and Drug Administration (SFDA), and other departments are developing policy measures to promote the reorganization of enterprises in the pharmaceutical industry, according to reports. This restructuring is a major task of the 12th Five-Year period, and is intended to promote indigenous innovation as well as higher industrial concentration.
- **Chinese Herbal Medicine Allowed into EU Market (*Xinhua News Agency* 2012-04-18) – April 18, 2012** A Chinese herbal medicine used for treating myocardial ischemia has been licensed for sale in the Netherlands, making it the first Chinese therapeutic drug to receive marketing authorization in a mainstream Western market. The Dutch Medicines Evaluation Board (MEB) on March 22 granted marketing authorization for Diao Xin Xue Kang capsules, the Chinese Academy of Sciences (CAS) announced at a press conference in Beijing.
- **China to Expand Medicare Insurance Coverage (*Xinhua News Agency* 2012-04-19) – April 20, 2012** China is to work to expand a basic medical care insurance plan in the country and ensure a coverage rate of no less than 95 percent. In 2012, the government will mete out an annual per-capita subsidy of 240 Yuan (\$38.10) for basic medical insurance programs designed for urban and rural residents, said a circular published about the country's work arrangement in 2012 for health care reform. The circular also told authorities to expand the basic medicine

system and improve the assessment and supervision of the quality of the drugs under the provisions, which specify a list of pharmaceuticals available under medical insurance in China.

- **Drug Company Sales Growing in China Market (*Global Times* 2012-04-19) – April 20, 2012**  
German chemical and pharmaceutical company Bayer AG announced that its China sales in 2011 topped 3 billion Euros (\$3.93 billion), accounting for 8 percent of its global sales. Though its 2011 sales showed a moderate growth compared with a year ago, the company aims to double sales in China to 6 billion Euros by 2015, Johannes Dietsch, president of Bayer China Group, said at a press conference in Beijing. For Bayer, China is the third-largest market globally and the first in Asia-Pacific, said Dietsch.
- **Centers to Promote TCM Overseas (*China Daily* 2012-04-27) – April 27, 2012**  
China will build 10 traditional Chinese medicine trading centers worldwide by 2015 to develop TCM services in Southeast Asia, Europe, the Middle East and North America. The State Council Information Office held a news conference to discuss advice given by 14 administrative departments on measures to develop the TCM industry. Building trading centers was one of the eight key tasks announced at the news conference. According to a written reply from the State Administration of Traditional Chinese Medicine to *China Daily*, the government departments have not issued specific plans for the construction of the 10 trading centers, but the administration is already carrying out market research and seeking support to start a special campaign for the centers.

## Regulations

**Guiding Opinions Concerning Participation of Commercial Insurance Institutions in New Type Rural Cooperative Medical Management Service – April 23, 2012**  
The Guiding Opinions provide qualified commercial insurance institutions an opportunity to participate in the medical insurance management services. The following conditions shall be met when commercial insurance institutions participate in the new rural cooperative medical management service: (i) both the local government and the commercial insurance institution are willing to cooperate and have clear rights, obligations and responsibilities; (ii) the commercial institution shall have obtained the health insurance business qualification; (iii) the commercial institution shall set up branches in the medical planning areas, have comprehensive network of services, be eligible for establishing special teams with medical and other professional backgrounds, and be able to set up real-time settlement offices in the designated medical institutions (such offices can be excepted if the medical institutions have remote real-time settlement system; and (iv) the headquarter of the commercial insurance institution shall be committed to providing the support to its branches that are allowed to engage in the business by the headquarter. The management service will be entrusted by the local government, and a management service contract shall be signed by the government and the commercial institution. The service period shall be not less than three years.

**Notice from the Ministry of Health Concerning Circulation of the Administrative Measures on Radiation Safety Service Agencies and Other Regulations – April 27, 2012**  
The Ministry of Health (MOH) issued the Notice April 20 to release three regulations regarding radiation safety, which include the Administrative Measures on Radiation Safety Service Agencies, the Administrative Regulation on Hygiene Examination on Radiotherapy Projects under Construction, and the Administrative Measures on Radiation Safety Expert Database. MOH will take responsibility on the appraisal of radiation protection of occupational hazards in radiation projects (A-class), and the qualification identification of the radiation safety service agencies of detection of the radiation of the radiation protection devices and radioactive products. The Chinese Center for Disease Control is responsible for technical review and technical assessment work.

**MOH increases health budget for 2012 (USCBC Health Update) – April 28, 2012** The PRC Ministry of Health (MOH) announced the release of its 2012 budget April 23. According to the MOH, the health budget will total RMB 80.2 billion (US \$1.3 billion) this year, an increase of RMB 13.31 billion (US \$211 million) from 2011. The increased budget will be allocated to these main areas:

- RMB 11 billion to increased investment in medical services
- RMB 1.7 billion to research projects, including the development of new drugs and the prevention and control of major infectious diseases
- RMB 236.1 million to education
- RMB 421.2 million to housing reform.

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