CPHI China is proud to present

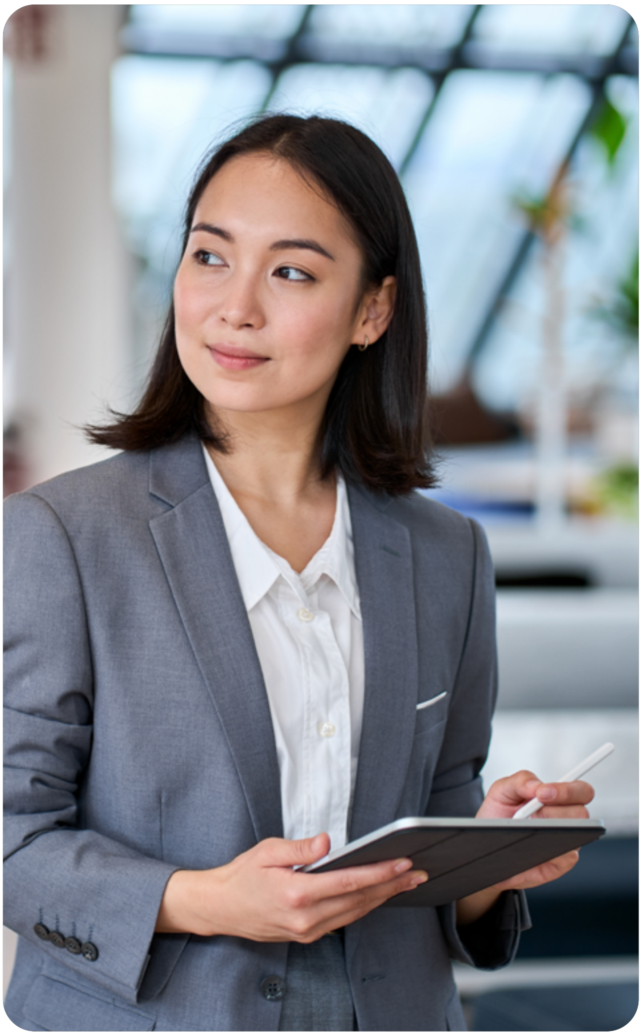
IQVIA Market Prognosis 2024–2028

China & Hong Kong

Published May 2024

Introduction

IQVIA and CPHI are pleased to bring you our special Market Prognosis report sharing our view of the future of the Chinese and Hong Kong pharma markets. Both CPHI and IQVIA consider that such information is key for the growth and development of the pharma industry and believe that this report will provide valuable insight as you look to develop your business in China and Hong Kong.



The report provides an evidence-based outlook for China and Hong Kong based on the knowledge of our country experts who carry out extensive research into key business and healthcare events and apply this to a gold standard historical view of the market.

We are excited to share this valuable country information with you and look forward to welcoming you to CPHI China.

CPHI and IQVIA team

The Chinese pharmaceutical market is forecast to grow at a CAGR of 3.5% (±1.5%) between 2023 and 2028, reaching RMB1,351 billion by 2028.

RMB1,351BN
PHARMA MARKET CHINA BY 2028

Market overview and forecasts: China

Market synopsis

The Chinese pharmaceutical market is forecast to grow at a CAGR of 3.5% (±1.5%) between 2023 and 2028, reaching RMB1,351 billion by 2028.

Business environment

Real GDP growth is forecast to decelerate to 4.7% in 2024, from 5.2% in 2023. Growth will be slowed by weak household and business confidence and the property downturn. Private consumption will remain the biggest contributor to growth, albeit with a slower rate of expansion. Growth will also rely on public investments and a recovery in external trade, and is forecast to decelerate further to average 4.0% annually in 2025 2028. Consumer price inflation will rebound to an average of 1.0% in 2024, from 0.3% in 2023, driven by expected rises in commodity prices, especially of pork. It will accelerate moderately in the later stages of the forecast period, averaging 1.6% per year in 2025–2028, while remaining subdued by historical standards. The renminbi will appreciate gradually against the US dollar, to be valued at RMB6.73 : US$1.00 in 2028.

China's president, Xi Jinping, was reappointed as the general secretary of the Chinese Communist Party (CCP) in 2022, and to fresh terms as state president and chairman of the Central Military Commission in 2023, while an ally, Li Qiang, was appointed to the premiership. Mr Xi has consolidated his power and is expected to remain in power until at least 2027. National security will remain high on the policy agenda, which will involve restricting the outflow of sensitive data and technologies while seeking greater self-sufficiency in advanced technologies and supply diversification in agriculture and energy. Elevated growth pressure has urged officials to be more cautious about introducing policies that may disrupt the economy.

Healthcare provision

Structural weaknesses in the healthcare system — including capacity, staff and equipment shortages, over-reliance on major public hospitals, and inadequate service provision in rural areas — were exposed by the huge wave of COVID-19 infections witnessed in December 2022 and the early part of 2023. Efforts to tackle these issues will be stepped up through the implementation of measures outlined in the government's 14th Five-Year Plan covering the period to 2025.

National healthcare expenditure accelerated again in 2022 and was equivalent to 7.0% of GDP, with growth of 11.0% driven by a 16.3% increase in government spending on healthcare, while social and personal healthcare expenditure rose by 9.7% and 8.2%, respectively. Funding improvements to the healthcare system will pose a growing challenge as the population ages and economic growth slows, however, ensuring that healthcare cost-containment remains a priority.

Health insurance coverage will continue to improve gradually. While basic medical insurance (BMI) scheme affiliation has stalled, a shift in the structure of funding for the urban employee scheme will underpin improvements in outpatient coverage. City-based supplementary health insurance schemes remain a work in progress. The pandemic has raised levels of interest in commercial health insurance, and while disease-specific policies still dominate, interest in more comprehensive medical insurance is growing.

Further improvements in the hospital infrastructure will be pursued, including efforts to establish national and regional networks of specialist facilities for certain major diseases. A renewed push will be made to roll out hospital funding, payment and management reforms, which will be implemented more widely over the next two to three years. While the pandemic triggered a degree of consolidation in the private hospital sector, it will remain an attractive long-term target for investors, driving further increases in capacity.

Efforts to shift demand out of major hospitals are making gradual progress, reflecting hikes in funding for the primary care sector and initiatives such as the family doctor scheme. Progress varies widely between provinces and individual cities, however, and the need to make more substantial headway will increase as the population ages. More resources will be ploughed into public primary care, while private providers will be encouraged to invest in the sector.

Centralized procurement of drugs and other medical supplies will be pursued more widely as part of broader efforts to keep BMI spending in check. Over 374 multi-source drugs are now procured via national volume-based procurement (VBP) contracts. Policymakers want to see that figure reach 500 by the end of 2025 and will also encourage more widespread VBP by provincial authorities. The National Healthcare Security Administration (NHSA) is expected to begin issuing national tenders for the supply of some multi-source biologics in 2025.

The government will continue to pursue the expansion and improvement of digital health information systems — primarily in a bid to increase the availability and efficiency of public sector provision, but also with a view to rooting out corruption and fraud. Regulation of e-health will be stepped up following the establishment of rules governing hospitals and other key stakeholders.

Prescribing and dispensing

The need to limit prescribing costs will increase as the aging population drives up prescription volumes, and as more innovative new drugs are reimbursed by BMI schemes. Hospital reimbursement reforms and VBP will both have a growing impact on prescribing choices, while hospital and individual physician behavior will be the focus of growing scrutiny.

The latest version of the National Reimbursement Drug List (NRDL), which came into effect at the beginning of 2024, added a record 126 new drugs. With only one product removed from reimbursement, the new NRDL contains 3,088 drugs, including 1,698 western medicines and 1,390 traditional Chinese medicines (TCMs). In common with recent updates, oncology and rare disease treatments feature heavily among the newly reimbursed products.

New rules applied during the 2023 update favored the inclusion of breakthrough products and drugs offering significant improvements over existing standards of care. With that trend set to continue, latecomers to crowded therapy areas will find it increasingly difficult to gain access to the NRDL. Notwithstanding the renewed focus on innovation, some ultra-expensive breakthrough drugs will be denied access to the list on financial grounds.

With an aggregate of more than 550 new drugs admitted to reimbursement since 2016, the pace at which reimbursement is being expanded is posing problems for hospital formulary managers and will become a growing issue. Gaining (and retaining) widespread access to public hospital formularies will be both difficult and time-consuming.

A further increase in the proportion of prescriptions dispensed outside the major hospitals will be witnessed, reflecting more widespread remote prescribing, improvements in primary care provision, growth of the e-pharmacy channel, and efforts to strengthen the dual-channel policy, which enables the reimbursement of selected NRDL drugs in designated retail pharmacies. Shifts in dispensing activity will be gradual, however, and a substantial majority of drug sales will still be generated in hospitals at the end of the forecast period.

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Pricing and reimbursement

Acknowledging the threat posed by current policies to foreign investment and the sustainability of the local industry, the NHSA has refined price negotiation and renewal mechanisms. The administration is also exploring measures it says would expedite market access for new drugs prior to their inclusion on the reimbursement list. While these would involve closer oversight of launch prices, they would also establish a centralized approach to the inclusion of new drugs on provincial procurement platforms, enabling public hospital purchasing to begin promptly following receipt of marketing authorization.

Of 126 new drugs included on the latest version of the NRDL, 121 were admitted to reimbursement following the conclusion of successful price negotiations, which triggered cuts averaging 61.7% in the price of those products. Signs of a more nuanced approach by regulators were evident, however, reflecting the establishment of a new ‘value rating’ system and the application of incremental cost-effectiveness ration (ICER) thresholds for some drugs. Regulators said average price cuts for innovative new drugs were 4.4% below the overall average.

Pressure on manufacturers to cut prices further in order to retain initial reimbursement listings has also begun to ease, reflecting the application of explicit algorithms under which price adjustments are determined via reference to the impact of a drug on BMI budgets. Under latest changes, drugs reimbursed via price negotiations that have been on the NRDL for more than eight years will be included automatically in the regular List B.

With commercial opportunities outside the BMI sector failing to meet previous expectations, NRDL listings will remain the key to success for most new drugs in the foreseeable future. NRDL selection methods and rules governing the establishment of acceptable ‘envelope’ prices for shortlisted candidates will favor the inclusion of genuinely innovative new drugs, whilst mitigating against listings for ‘me-too’ products unless manufacturers are willing to give significant ground on price.

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Regulatory environment

Further improvement in regulatory efficiency is anticipated as the National Medicinal Products Administration’s (NMPA) resource base improves, and as it aligns local regulations more closely with international norms. New NMPA Commissioner Li Li, who was appointed in September 2023, will oversee a renewed push to root out corruption, and will steer the agency towards Pharmaceutical Inspection Co-operation Scheme (PIC/S) membership.

In the wake of regulatory improvements in recent years, innovators will continue to enjoy a much quicker, smoother path to market. So-called fast followers will encounter a more challenging environment, however, as the NMPA attempts to discourage duplicative research and development. This has already seen the agency raise the regulatory bar for PD-1/PD-L1 drugs and tighten qualification criteria for conditional approval status.

Drug Administration Law (DAL) reforms have triggered further improvements in the regulatory framework governing clinical trials since 2022, which have reduced average clinical trial approval times. The NMPA’s Center for Drug Evaluation has issued new guidance on patient-centric trial design and requirements governing decentralized clinical trials (DCTs), which could be pursued more widely. Foreign companies conducting large-scale trials in China will be forced to contend with new anti-espionage and data protection rules.

While landmark intellectual property amendments were supposed to have come into force in June 2021, final rules on patent term extension and adjustment provisions have not been issued, and their potential scope remains unclear. State Council guidelines published in August 2023, designed to attract and retain foreign investment, offer some hope of movement on that score, however. Originators have used new patent linkage provisions with some success, though a number of pivotal court judgments have been decided in favor of generic challengers.

Pharmaceutical business environment

Further consolidation of the local industry — which is being actively encouraged by the government — will be witnessed. Leading domestic manufacturers will pursue the establishment and expansion of overseas businesses, while multinationals operating in China will focus increasingly on the development and commercialization of innovative new drugs. Tie-ups between local and foreign partners, which offer attractive advantages to both parties, will become more common.

Disruption caused by the COVID-19 pandemic and a subsequent downturn in venture capital funding for the biopharmaceutical sector have posed new challenges to the emergence of a more innovative domestic industry. While policymakers have announced measures designed to bolster both local and foreign investment in innovation, these have come too late to prevent the sale of rights to some significant domestic assets by local companies.

Pressure on generic prices will drive further consolidation of market shares. Early biosimilars, which have made significant inroads into originator market shares, will gain further momentum when regulators begin issuing national VBP contracts for the supply of multi-source biologics.

Leading wholesalers will continue to post growth at rates in excess of the market average, reflecting their involvement in VBP contracts and the impact of further merger and acquisition activity. Downward pressure on margins and tighter enforcement of quality standards will act as additional drivers of consolidation in the sector. Wholesalers will begin to pay closer attention to the retail market as retail and online sales continue to grow.

While chains are pursuing further rapid expansion, the retail pharmacy sector remains highly fragmented. Policymakers would like to see further consolidation to raise quality standards in the sector. Shifts in BMI reimbursement policy, with ‘dual-channel’ designated pharmacies to dispense certain reimbursed drugs, will contribute to retail market growth in the longer term, while online drug sales will continue to increase rapidly.

A anti-corruption drive launched in July 2023 disrupted promotional activity, blunting early sales of recently launched products and delaying a shift back towards more widespread face-to-face physician detailing after the pandemic. While promotional activity has begun to recover, most leading manufacturers will pursue a cautious approach, limiting increases in overall spending and driving further shifts in the promotional mix.

Total China market forecasts 2024–2028

Summary of the prognosis

The total pharmaceutical market in China is forecast to grow at a CAGR of 3.5% (±1.5%) during the period 2023–2028.

Figure 1: Key drivers and constraints of market growth

Market drivers	Market constraints
Recent and future product launches, dominated by innovative new cancer therapies, and with the new anti-obesity treatments also expected to contribute to growth over the forecast period.	**Expansion of volume-based procurement**, with the impact of national rounds amplified by provincial and multi-province rounds, and biologics expected to be included nationally from 2025.
Reimbursement of innovative new drugs following national price negotiations, with the latest NRDL update adding 126 drugs from January 2024, and annual updates expected.	**Rollout of flat-sum hospital payment models**, with Diagnosis-Related Group and Diagnosis Intervention Packet models expected to be rolled out and to drive more cost-conscious prescribing.
Improvements in the hospital infrastructure, with efforts to establish national and regional networks of specialist facilities, and improvements in the capabilities of county-level hospitals.	**Demographic factors**, with China's total population forecast to decline from 2026 onwards, and the decline accelerating over the remainder of the forecast period.

Source: IQVIA Market Prognosis.

Leading domestic manufacturers will pursue the establishment and expansion of overseas businesses, while multinationals operating in China will focus increasingly on the development and commercialization of innovative new drugs.

Market overview and forecasts: Hong Kong

Market synopsis

The Hong Kong pharmaceutical market is forecast to grow at a CAGR of 5.8% (±1.5%) between 2023 and 2028, reaching HK$25.4 billion by 2028.

Business environment

Real GDP will expand at 3.2% in 2024, compared to a growth of 3.4% in 2023. Private consumption growth will slow as the post-pandemic rebound settles down. GDP growth will ease to an average of 2.3% annually through 2025-2028. Inbound tourism will support GDP growth over the forecast period, but private investment will be constrained initially by muted business sentiment, both locally and on the mainland. Inflation will remain low at 2.2% in 2024 due to the declining private residential rents, which account for more than a third of the consumer price basket. Inflation will average 2.1% annually in 2025-2028 supported by strong fixed investments. The exchange rate is expected to remained pegged to US$ reaching HK$7.78:US$1 by 2028 from HK$7.82:US$1 by the end of 2024.

The administration led by the chief executive, John Lee, is expected to be highly stable in 2024–2028, particularly in comparison with the previous two decades. Political reforms introduced by the Chinese central government and the new national security law enforced in Hong Kong will minimize likelihood of any disruptive protests during the forecast period. The government's economic policy agenda in 2024-2028 will include further integration with the Greater Bay Area, but progress outside the financial sector and professional services will be limited.

Healthcare provision

Amid increasing demand for care and rising cost of provision, the healthcare system continues to face challenges including meeting the needs of a rapidly aging population, the increasing prevalence of chronic diseases and healthcare workforce shortages. Acknowledging the need for systemic reform, in December 2022 the government released a Primary Healthcare Blueprint, designed to address these challenges by shifting the focus of provision from treatment to disease prevention.

The budget for FY2024–2025 allocates a total funding of HK$95.4 billion for the Hospital Authority (HA), representing an increase of 2.0% on the revised HA spending estimate of HK$93.5 billion in FY2023-2024. The HA will continue to focus on expanding service capacity of public hospitals, implementing digital workflow, attracting and retaining talent, and extending services into genetic and rare diseases.

The Chronic Disease Co-Care Pilot Scheme (CDCC), outlined in the Primary Healthcare Blueprint, was launched in November 2023. The pilot scheme offers subsidized check-ups and consultations for individuals aged 45 or older without a history of diabetes mellitus or hypertension. Participants can receive comprehensive care and follow-ups from community teams at any District Health Centre (DHC) or DHC Express (DHCE). The initiatives aims to enhance preventive healthcare strategies and foster public awareness regarding early diagnosis of chronic disease.

Policymakers are exploring measures address the healthcare workforce shortage. Steps include a registration scheme for graduates from top medical schools and plans to build more medical colleges. Nevertheless, the talent shortage - exacerbated by the migration of skilled workforce - remains a problem.

The reopening of the border with China in February 2023 fueled demand for healthcare from Chinese medical tourists. Although 2023 saw fewer visitors than anticipated, the situation had improved by early 2024. Nevertheless, the ratio of outbound to inbound travelers remains higher than pre-pandemic levels. However, tourist spending was noticeably lower, attributed in part to the weakening of the Chinese economy which will undermine the arrival of tourists, the bulk of which are from the mainland and also lead to a reduction in spending per head.

The Guangdong-Hong Kong-Macao Greater Bay Area (GBA) policy, that provides access to Hong Kong registered drugs and medical devices in selective healthcare institutions within the GBA is expanding gradually. As of January 2024, 28 drugs and 28 medical devices were registered for urgent clinical use across the 19 designated institutions within the GBA. This will increase demand for pharmaceuticals from Hong Kong-based manufacturers. In February 2024, the coverage of the Elderly Health Care Vouchers was extended to seven medical institutions in the GBA, increasing access to over 80,000 elderly patients in the GBA.

The government is developing its public healthcare infrastructure to meet evolving healthcare needs of its population. It is investing in public healthcare through two 10-year Hospital Development Plans (HDP), allocating around HK$470 billion to modernize infrastructure, increase hospital and outpatient capacities, and construct new facilities. Additionally, the government is urging the public to utilize private medical facilities whenever feasible to ease burden on the public healthcare system. It is also facilitating private hospital development by allocating additional land and inviting interested developers, designers, and equipment suppliers to engage in discussions regarding development plans.

Prescribing and dispensing

There was an uptick in generic prescribing during the COVID-19 pandemic, especially in private clinics in the light of declining patient affordability. However, in the absence of more robust pro-generic policies, demand for brands is expected to continue to recover. Strong brand awareness, backed by manufacturer promotions, will keep driving prescriptions for original brands.

Use of telemedicine surged during the pandemic, particularly in private healthcare. Post-pandemic, demand for remote consultations and medication deliveries has receded as patient flow to clinics and outpatient facilities has returned to pre-pandemic levels. Nevertheless, the HA plans to expand telehealth adoption, extending it to outpatient specialist services. The ‘HA Go’ app introduced during the pandemic will diversify services by providing electronic sick leaves and, in future, enabling drug delivery. In the 2023 Policy Address, a five-year plan called ‘eHealth+’ was outlined that will create electronic health records and promote data sharing.

As of December 2023, the Samaritan Fund (SF) covered 89 self-financed drugs, an increase from 65 in September 2022, while the Community Care Fund (CCF) subsidized 32 innovative oncology drugs and ten ultra-expensive drugs. Expanding the coverage of self-financed items (SFIs) or indications within the SF and CCF will boost the consumption of high-priced innovative drugs over the forecast period.

Pricing

Hong Kong currently does not have a reference pricing system for medicines, although the HA occasionally takes regional and international pricing into account when determining drug prices. While the likelihood of an international referencing mechanism being adopted in the foreseeable future remains low, certain members of the Legislative Council suggest conducting price comparisons with China’s drug reimbursement rates. This may pose a threat to what is essentially a free market for pharmaceutical companies.

Mainland China’s advancements in regulatory approvals may exert downward pressure on drug prices in Hong Kong. This shift would stem from quicker registration processes and the incorporation of additional drugs into China’s national reimbursement drug list. Significant price differences and the availability of reimbursed drugs in China might eventually dissuade Chinese patients from seeking treatment in Hong Kong or discouraging them from coming to Hong Kong to refill prescriptions that they might get refilled in mainland China.

In 2023, the Drug Advisory Committee (DAC) approved 56 drugs out of 110 listing applications for inclusion in the Hospital Authority Drug Formulary (HADF). Incorporation of another 15 drugs was approved, from a total of 22 applications in the January 2024 round of evaluations. Delays in the evaluation process often occur due to requests for additional information. Although price is not explicitly mentioned as a factor, stakeholders believe that higher rejection rates, especially for expensive drugs, relate to pricing and budget concerns, emphasizing the need for greater transparency in listing decisions.

Regulatory environment

The government has expanded the list of reference countries for the drug registration process. From November 2022, certificate of pharmaceutical products (CPPs) from Brazil, China, Republic of Korea and Singapore are also accepted for new chemical entity (NCE) registrations. This will benefit applicants in getting drugs registered faster as they can now provide CPP from these countries in addition to established reference markets such as the US, the UK, the EU and Australia.

In the 2023 policy address by the Chief Executive, the establishment of the Hong Kong Centre for Medical Products Regulation (CMPR) was envisaged by 2024. This is aims to have the primary evaluation of pharmaceuticals within Hong Kong, and will reduce reliance on reference from external drug bodies. To assist in this transition, a preparatory office will be set up under the Department of Health (DH) by first half of 2024 that will work on reframing the current regime of marketing approvals.

A new '1+' mechanism for expedited approval of drugs addressing critical unmet needs was introduced in November 2023, under which two new drugs for colorectal cancer were registered within the span of a month in early December. In addition to local clinical data, only one Certificate of Pharmaceutical Product (CPP) from an external review authority is required, instead of the customary two CPPs. This procedure will help accelerate access to innovative drugs, strengthen assessment capabilities domestically, and increase local R&D activity.

The government intends to encourage local innovation by implementing a 'patent box' tax incentive system. Under this system, tax concessions will be offered on profits generated in Hong Kong from qualifying patents that arise from local R&D. In the 2023 policy address, it was announced that the tax on profits from qualifying patents would be reduced from 16.5% to 5.0% in the first half of 2024.

Pharmaceutical business environment

The government has undertaken several measures to attract high value businesses and enterprises to establish a foothold within Hong Kong. Of the HK$10 billion allocated for the development of life and health technology in the FY2023-2034 budget, around HK$6 billion will be redirected towards local universities for scientific collaboration with Chinese and international institutes. Infrastructure for clinical trials is also being strengthened. Moreover, the Safeguarding National Security Ordinance passed in March 2024. During the public consultation phase, the government coordinated with business leaders, professional organizations, who had frequently highlighted the turbulent 2019 street protests as a justification for the necessity of the new law.

The New Industrialization Acceleration Scheme (NIAS) will be launched in 2024, with a funding of HK$10 billion under the FY2024-2025 budget. This will provide support for life science and health technology companies, amongst others, that seek to invest in Hong Kong. Subsidies will be provided to engage talent in R&D activities. The InnoLife Healthtech Hub will be established in the Hong Kong-Shenzhen Innovation and Technology Park (HSITP) to promote R&D, and funding has also been appropriated for supporting start-up companies.

Pharmaceutical companies continue to explore untapped market opportunities in the Guangdong–Hong Kong–Macao Greater Bay Area (GBA). Since 2021, the selective access to Hong Kong registered drugs in the GBA has lured multinational companies, as this not only provides them access to a substantive population base in the GBA, but positively influences approvals for their drugs in China. The trend is expected to continue as the list of eligible pharmaceuticals continues to expand.

The trend towards multinational pharma companies expanding the number of medical science liaison (MSL) employees or medical advisors is expected to continue. This is being done with the objective of educating healthcare professionals on the applications and benefits for specialty medicines in areas such as oncology, biologics or any new launches requiring medical discussions or off-label communication.

Total Hong Kong market forecasts 2024–2028

Summary of the prognosis

The total pharmaceutical market in Hong Kong is forecast to grow at a CAGR of 5.8% (±1.5%) during the period 2023–2028.

Figure 2: Key drivers and constraints of market growth

Market drivers	Market constraints
Recent and future product launches such as drugs, for the treatment of cancer, cardiovascular disease, and musculoskeletal disorders will be a key driver of growth.	**Generic competition** will erode market growth in value terms. Key near term expiries include Lenvima (lenvatinib) Vyvanse (lisdexamfetamine), Xtandr (enzalutamide) amongst others.
Increase in safety net funding from the Samaritan Fund (SF) and Community Care Fund (CCF) providing access to expensive medications not covered by the Hospital Authority (HA), will propel growth.	
Enhanced access due to regulatory improvements through streamlining of processes in line with international standards and expediting approval of drugs for clinical unmet needs.	

Source: IQVIA Market Prognosis.

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