

Investment Opportunities in the Healthcare Service Industry in Taiwan

I. Reasons to Invest in Taiwan's Healthcare Service Industry

- A. Taiwan's healthcare expenditure in 2012 was NTS930.18 billion with a 2.64% growth compared to the expenditure of NT\$906.25 billion in 2011. In addition, the turnover of healthcare service industry in 2013 reached NTS3.6 billion, which is also a 6.37% growth compared to the turnover of NT\$3.38 billion in 2012. From the above data, it is obvious to see that healthcare service industry has been constantly growing.
- B. The low birth rate and aging population in Taiwan have largely increased demands for healthcare services, thus bringing infinite business opportunities.
- C. Taiwan has a positive international image, quality hospital management, healthcare environment and personnel. Nearby two biggest Asia markets, China and India, Taiwan owns favorable factors such as its optimal location and manpower quality.
- D. Healthcare service industry is one of the government's key industries for future development with many forward-looking projects, such as Action Plan for the Internationalization of Medical Service and Ten Years Program for Long Term Care.
- E. With the signing of ECFA between Taiwan and China, healthcare-relevant industry enjoys certain concessionary terms, having a better opportunity when entering the market of China.
- F. In comparison with our neighboring countries, such as Japan, Korea

and Singapore, medical price in Taiwan is more reasonable, coupled with advance service and medical technology as well as a more complete integration of the industry's upstream and downstream resources.

- G. In terms of the enormous market for Chinese people, when compared to Hong Kong and Singapore, Taiwan has a wider hinterland and larger space for development. If we compare the market in Korea and Japan with that in Taiwan, we have the advantages in language and culture.

II. Analysis of Taiwan's Healthcare Service Industry

A. Aging population and low birth rate

Due to the improvement of public health and the advance in medical technology, the life expectancy in Taiwan has been gradually extended. Population over 65 in 2013 was about 2.69 million people, which is about 11.53% of the total population; it is expected to exceed 20% by 2025. Also, the dependency ratio is also climbing. On the other hand, since most of the youth in Taiwan have higher educational background, their age when entering society has also increased. Late marriage resulted from this has caused low birth rate, and the number of births has been declining year by year. Due to the phenomenon stated above, aging population and low birth rate are going to shape the structure of Taiwan's population. There is sure to be a high demand for healthcare services.

B. Emphasis on chronic diseases

The top ten causes of death in Taiwan in 2013 were mainly chronic diseases and illnesses resulted from aging, from which at least five of them were chronic diseases. In addition to congenital conditions and genetic causes, modern lifestyles, changes in eating habits and societal pressures are all the major causes to these diseases. Therefore, government policy on disease prevention will focus on the prevention of chronic diseases and encourage the development of preventive

healthcare industry.

C. Quality healthcare service technology in Taiwan

a. Cloud-computing health management platform

In combination with a cloud database and the consultation from healthcare professionals, employees may receive a 24 hours per day, 7 days per week health management and risk assessment, such as the “Cloud-computing Health Management Platform” launched by Chunghwa Telecom and Industrial Technology Research Institute and the “Smart Health Management Network” presented by IBM.

b. Telecare system

Since 2008, Department of Health has begun to promote the telecare system through the introduction and application of information and communication technology to develop an easy-to-use, human-machine interface and construct an exchange mechanism in interworking electronic care records and a certification environment. With years of promotion, relevant technology has become fully mature. Whether the user is at home, outdoors or a care institute, he/she can receive continuous services between all kinds of different care systems (please refer to Table 1).

Table 1. Outline for the Development Project of Telecare Service

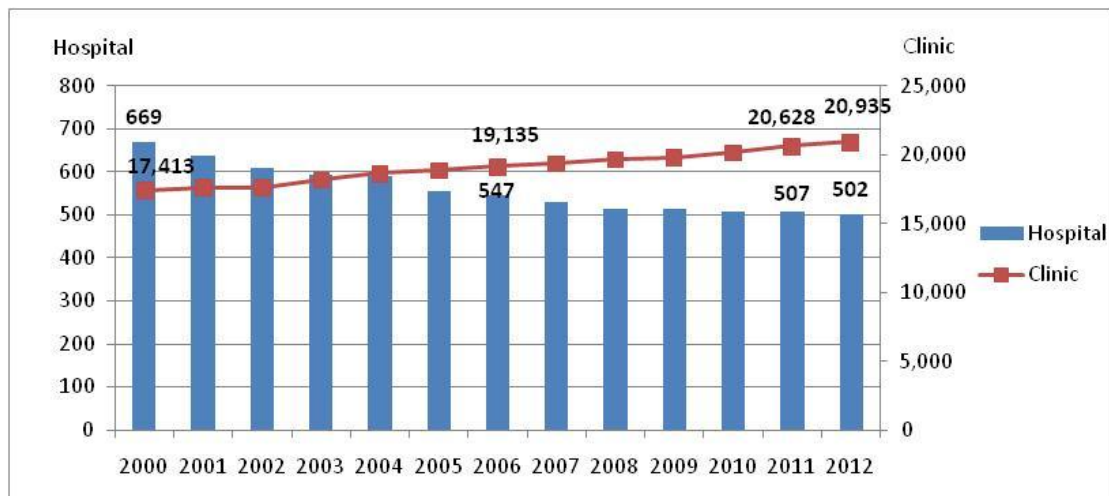
Telecare Model and System	Detail
Community-based	1. Establish a telecare service center and provide each care model supportive and workable services, including a 24-hour customer service, emergency call, handling of abnormal situations, monitoring and ensuring service quality. 2. Establish a telecare information platform to store service providers' information in order to build an integrative and connected care service system. 3. Advocate relevant training to promote and enhance the spread and reproduction of telecare services.
Home-based	
Institute-based	

Source: Department of Health, Executive Yuan (2008) (Development Project of Telecare Services), organized by Commerce Development Research Institute.

III. Development Trend for Taiwan’s Healthcare Service Industry

A. Clinics focus on specialized departments while large corporate hospitals emphasize the opening of chain hospitals and the diversification of operation.

According to the Department of Health (please see Figure. 1), there were 547 hospitals in Taiwan in 2006. However, the number of hospitals was declined to 502 in 2012. In 2006, there were 19,135 clinics. As in 2012, the number was increased to 20,935. While many small and private hospitals are closing, the number of clinics is increasing. Large corporate hospitals emphasize openings of chain hospitals and the diversification of operation while clinics focus on specialized departments.



Source: National Statistic (2014.06)

Figure 1. Statistics on the Number of Medical Institutes

B. Major business models in Taiwan’s medical institutes

Under the regulation of the medical law in Taiwan, business models in Taiwan’s medical institutes are different from private companies. They are briefly described as follows (Yang Chin-liang, 2009):

- a. **Partnership:** Private medical institutes are usually established with doctors and non-doctors in a joint venture, and they recommend one doctor to be registered as the responsible person at the health authority
- b. **A holding company:** The actual operator of a medical institute establishes a company and a private medical institute respectively, and a person with the qualification as a doctor would register at the health authority to acquire business license. Then, the business of the medical institute is tenanted by the doctor and managed by a related company belonging to the parent company. Such a company may control the capital and management system, while the medical institute provides medical services. Investors may invest in such a company, which is also the most common business model in Taiwan's medical institutes.
- c. **Direct sales:** Its fundraising is similar to a direct sales company. The company sells membership to its members.
- d. **Outsourcing:** One department at the medical institute is outsourced, and the contractor is not necessarily a doctor.

Healthcare service providers operating as a corporate company (listed, OTC, or public offer) are shown as below.

Table 2. Major Healthcare Service Providers in Taiwan

Code	Company Name	Other	Listed Date	2011 Revenue (NT\$ million)	2012 Revenue (NT\$ million)	2013 Revenue (NT\$ million)
8403	SHAREHOPE MEDICINE CO., LTD.	OTC	2008/12/24	1,310	1,251	1,865
4734	GWOWEI TECHNOLOGY CO., LTD.	Emerging	2008/5/15	135	129	104

Source: Market Observatory Post System (2014.06)

Since medical institutes in China can be operated as a company, many healthcare service providers have moved to China (please see Table 3).

Table 3. Current Operating Situations of Taiwan-invested medical Institutes in China

Category	Taiwan Invested	Institute(Time)	Partner	Model	Description
Hospital	Formosa Plastics	Xiamen Chang Gung Hospital (2008)	Xiamen Haican Public Utilities Development Co., Ltd.	Joint Venture	Total investment amount:: RMB 1.78 billion.
	Want Want	Hunan Want Want Hospital (2005)	Hongyi Investment and Development Co., Ltd.	Joint Venture	Supported by Taoyuan Min-Sheng Hospital at the initial stage
				Joint Venture	Hongyi invested 30% while Want Want invested 70 % of the total investment, RMB 700 million.
	Ford Lio Ho	Jen Ching Memorial Hospital (2008)	KETD	Joint Venture	KETD offered land and invested 30% while Ford Lio Ho invested 70 % of the total investment, RMB 600 million.
	BenQ	BenQ Medical Center, Nanjing (2008)	Nanjing Port Longtan Tianyu Terminal Co., Ltd.	Joint Venture	Supported by China Medical University at the initial stage. The first phase of investment was RMB 1.1 billion.
	Landseed	Shanghai Chenxin Hospital(2002)	Shanghai Power Hospital	Joint Venture	Shanghai Chenxin Hospital was built by Landseed in cooperation with Shanghai Power Hospital under Shanghai East China Electric Power Company. Both Landseed and Shanghai Power held 1/3 of the company share while the other 1/3 was held by a foreign capital in Hong Kong. The hospital was run by Landseed Group.
	Taiwan Business Association Dongguan	Dongguan Taixin Hospital (2009)	Undisclosed	Joint Venture	The hospital was built with funds by the members with total investment of RMB 720 million.
Landseed	Landseed Hospital, Shanghai (2011)		Wholly-owned	Formerly known as Chenxin Hospital. After the signing of ECFA, it was allowed to be a solely Taiwan-funded hospital in 2011.	
Health Check	MJ Group	Shenzhen MJ Health Management Center (2010)	Look good love Hong	Joint Venture	The contract was signed by the two parties on November 8, 2010.
		Shanghai MJ Health Management Center (2009)	Seagull Group, Shanghai Municipal Trade Union	Joint Venture	Total investment amount: RMB 50 million.
		Beijing MJ Health Management Center (2003)	Beijing Physical Examination Center	Joint Venture	MJ invested RMB 31 million.
Specialized Dept.: Dentistry	Dr. Wells	Shanghai BlueShield Dental Clinic (2009)	Undisclosed	Joint Venture	The clinic was first controlled by the creditor's right, and then become a joint venture. Dr. Well invested in 30%.
		Shanghai Lanhua Dental Clinic (2009)	Undisclosed	Joint Venture	The clinic was first controlled by the creditor's right, and then become a joint venture. Dr. Well invested in 30%.
		Department of Dentistry, Shanghai Ruidong Hospital		Trusteeship	

Category	Taiwan Invested	Institute(Time)	Partner	Model	Description
Specialized Dept.: Dialysis, Cosmetology	Excelsior Healthcare	Excelsior Healthcare , Hong Kong(2010)	Sinopharm Group	Joint Venture	Total investment amount:: RMB 245 million.

Source: Organized by Commerce Development Research Institute

IV. Business Opportunity of Taiwan’s Healthcare Service Industry

1. Taiwan’s aging population means profitable senior care business

In 2013, the number of people over 65 was 2.69 million, 11.53% of the total population, from which there were about 683,000 people over 80. It is expected that by 2030 there are going to be 5.68 million people over 65, which is 24.4 % of the total population. The elderly population will show a multiple growth in the next twenty years. The population of the senior over 80 will be 1.3 million people.

2. The overall market size and growth rate is increasing

In 2013, Taiwan’s healthcare service industry generated NT\$3.6 billion in revenue, which was a 6.37% growth compared to the NT\$3.38 billion revenue in 2012, showing a continuously growing situation.

3. Rising Healthcare Expenditure for Taiwanese People

Due to major advance in medical and biological technology, increasing national income, and aging population, healthcare expenditure has been growing year by year. On the other hand, since National Health Insurance controls the cost with its total budget, healthcare expenditure is still rising. Even when the economy shows a negative growth, healthcare expenditure is still increasing, meaning that it is one of the sectors that are not so much influenced by the economy.

D. A growing ratio in household consumption expenditure on “healthcare services”

According to the household income and expenditure survey conducted by DGBAS, due to economic development, the ratio of the household spending on “food, beverage and tobacco” is declining while healthcare expenditure is gradually increasing. Since 2007, household expenditure on “healthcare services” was over 14% of the total spending with the amount around NTD 100,000 and has become a major household expense. The ratios between “healthcare services” and “food, beverage and tobacco” have been relatively close in recent years. Therefore, it is clear to see that both are significant to Taiwanese people’s life. “Healthcare services” has become one of the necessities of life for people in Taiwan.

V. The Policymaking of Taiwan’s Healthcare Service Industry

1. Action Plan for the Internationalization of Medical Service

By 2013, the investment in Taiwan’s medical services was about NTD 4.08 billion and the number of medical service providers will be 45, 558, creating a 10.99-billion international output value. Based on the “Action Plan on the Internationalization of Medical Service in Taiwan” promoted by Council for Economic Planning and Development, relevant approaches are shown below.

a. International medical team

1. Planning committee: Department of Health invited members from CEPD, Tourism Bureau, News Bureau, Ministry of Economic Affairs, the Mainland Affairs Council, the Overseas Chinese Affairs Commission, Ministry of Foreign Affairs as well as experts and scholars to be the committee members.
2. International Medical Management Working Group: The group was commissioned to be established by the Department of Health and was divided into 8 teams based on different tasks.
3. Participation of medical institutes: The working group gathered 31 regional hospitals around Taiwan and helped them establish an

internationally competitive medical service environment and complete service chain.

b. Breakthroughs of laws and regulations

1. Simplify medical visa application

Ministry of Foreign Affairs has requested all embassies, consulates, and missions abroad to issue visa for medical treatment. Foreigners who want to have medical services in Taiwan may submit the proof of diagnosis from local hospital and referral recommendation, and proof of financial resources to all embassies, consulates, and missions abroad.

2. Normalize the procedure of medical treatment for people from China

To build a normalized medical treatment procedure for people from China, National Immigration Agency has published the additional articles of “Regulations Governing the Entry Permission to Taiwan Area for the People from Mainland China” on June 8th, 2009. It specifies “medical treatment” as one of the legal purposes for Chinese people.

3. Medical commercials

In terms of promoting internationalization of medical service, building the national image in medical service is very important. In order to advertise Taiwan’s excellent medical service to foreigners, the current regulations on medical commercials need to be changed.

4. Establishing hospital beds for international patients

Hospital may apply the "Regulations on Permission and Control the Establishment or the Expansion of Hospital" which published on January 25th, 2010, to set up beds for international patients.

VI. Investment Opportunities of Taiwan’s Healthcare Service Industry

1. International medical services

a. International medical zone

The Ministry of Health and Welfare will focus on “international

medication” and “tourism medication” to plan and establish a “international medical zone” and ease restrictions. International medical hospitals in the future can be established as a “company,” and the hospitals may also apply for establishing hospital beds at international level. The government is now working on the project, which implies a great potential for investment.

b. International medical enterprises in Taiwan

As an international certification standard formulated by global medical experts, JCI is verified all over the world. JCI accredited hospitals offering quality medical care services. Many hospitals in Taiwan have obtained the JCI certification (please see Table 4) due to the government’s advocate on “international medication” and that has also brought huge business opportunities. As a result, it is recommended to invest in the reinvestment companies of tourism, international medical referral agencies or medical institutes.

Table 4. Medical Institutes Accredited by JCI

Names of the Hospitals	Date Passed the Certification
Min Sheng General Hospital	2006/7/15
Wan Fang Hospital	2006/7/22
Koo Foundation Sun Sat-Sen Cencer Center	2007/12/6
Changhua Christian Hospital	2008/9/14
Tung’s Taichung Metro Harbor Hospital	2008/11/15
E-Da Hospital	2008/11/22
Taipei Medical University Hospital	2009/12/12
Chang Bing Show Chwan Memorial Hospital	2009/12/21
Shuang Ho Hospital	2010/4/24
National Twaiwan University Hospital	2010/4/24
Universal Eye Clinic	2010/10/7
Dr. Wells	2011/11/5
Taiwan Adventist Hospital	2012/7/21

Source: Joint Commission International. (As of March, 2014)

2. Invest in Taiwan, advance toward China

Many policies in China are favorable to Taiwan, and the major ones are as follows:

- a. “Management Approach for Taiwanese Physicians Acquiring Qualification as a Physician on the Mainland” promulgated in 2009: Taiwanese physicians may work at a medical institute in China.
- b. “Interim Measures on Management for Taiwanese Service Providers to Establish a Wholly-owned Hospital on the Mainland”: Corporates in Taiwan may establish a wholly-owned hospital in Shanghai, Jiangsu, Zhejiang, Fujian and Guangdong.

The 12th Five-Year Plan also lists healthcare as one of its key projects. With regard to the demands for healthcare services in China, since aging population has been growing rapidly, healthcare expenditure also shows a large amount of growth. As of 2012, population over 65 was 9.39% of the total population in China, which meant 127 million people. In terms of healthcare expenditure, in 2012, healthcare expenditure contributed to 8.7% of rural residents’ consumption expenditure (about RMB513.8 per person), 6.83% of urban residents’ consumption expenditure (about RMB16,674.3 per person), showing a continuous growth over the past three years. With regard to supplies, there has been a growth in private hospitals and health management centers, but medical resources show serious imbalance in geographical distribution. The number of public hospitals is declining while the growth of private hospitals is rather rapid. According to the statistics of Minister of Health, P.R.C., there were 13,381 public hospitals and 11,585 private hospitals as of April, 2014, which was 13.19% growth in comparison with 2012. Since 2000, the number of health check centers in China has shown a growth rate of 25% per year. There were about 8,000 of them at the moment. With respect to healthcare human resources, the average number of medical personnel out of every one thousand people is lower than the median of the OECD countries, with the nursing staffs particularly lacking. On the other hand, there is a serious imbalance of the geographical distribution in medical resources. The average number of physicians out of every one thousand people in Beijing and Shanghai is far higher than the number in the

other regions.

From the above description, it is possible to see a rapid growth in China's medical market and many service gaps. Taiwan's healthcare service industry has a lot of advantages when entering the Chinese market. Investors may consider investing in Taiwan's healthcare enterprises based on those favorable policies offered by China and adjust their business model, making it more suitable for the China market. In addition, investors may also cooperate with Taiwanese corporate, which may largely lower risk of entering the market of China.