CONCORD MEDICAL SERVICES HOLDINGS LIMITED

Guidelines of the State Council of China on Promoting the Development of the Healthcare Services Industry

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This is the government's latest effort to consolidate and expand the reach and performance of its medical and healthcare system, plan for stable overall growth of the industry, adjust the industry structure, promote reform, and protect and improve the livelihood of people. The Guidelines are significant in order to satisfy the diverse and multi-leveled healthcare service needs by the Chinese people, improve the health of the nation's population, enhance the quality of service, effectively expand the job market, promote economic reform and growth, and establish a new point of growth.

The "Guidelines" proposed relaxation of market access restrictions, strengthening of planning layouts and land protection, improvements to the tax price policy and other measures focused on encouraging expansion of supply and fueling consumer demand.

The "Guidelines" define a set of primary tasks for the development of healthcare services industry in the upcoming development period. First, is to develop the medical services industry, accelerate the formation of multi-run medical patterns, implement the preferential policies to encourage injection of social capital into the medical industry, optimize healthcare resources, and promote extension of high-quality resources to low income and rural areas, and promote the development of professional standards for nursing services. Second, is to accelerate the development of healthcare services, promote the strengthening of cooperation between medical institutions and pension institutions, improve the ability for communities to provide daily care for the elderly, as well as improve chronic disease management, TCM healthcare, and other medical care services. Third, is to actively develop healthcare insurance and encourage commercial insurance companies to provide diversified, multi-level and standardized products and services. Fourth, is to promote overall development of Chinese medicine healthcare services. Fifth, is to support the development of healthcare consultation, national fitness and physical education, healthcare culture, and healthcare tourism for diversification of healthcare services. Sixth, is to cultivate the supporting industries of the healthcare services industry. Seventh, is to bolster the human resource protection mechanism. Eighth, is to consolidate the healthcare service development foundation.

The focused and groundbreaking policy measures the "Guidelines" proposed include: Increase accessibility of the medical services industry. Anywhere that law and regulations do not explicitly ban entry should be open to the social capital; every area open to local capital must be unrestricted; Strictly control the establishment of time limits on approval for medical institution's and establish a delegation for approval authority; reduce restrictions on for-profit hospitals for the number, size, layout, and configuration of large medical equipment. The "Guidelines" promote the innovation the investment and financing methods, as well as encourage financial institutions to innovate financial products and services with features appropriate to the healthcare services industry. The "Guidelines" clearly proposed government guidance to promote the establishment of a healthcare industry investment fund co-financed by financial and industrial capital. The "Guidelines" clearly state an intention to increase policy support of financial and land planning. For the first time, it has been proposed that the healthcare services institutions are organized and established by social capital into the fiscal subsidy scope to improve the government's policy of investment grants. Through the private operation by public financing or private operation by public help, the government supports the social capital to hold not-for-profit healthcare institutions and supports the use of the stocked land or buildings obtained through allocation, and the establishment of healthcare services on the original land without the changing of land use and use rights temporarily. The "Guidelines" also requires full taxation and pricing policy roles for the for-profit institutions and provides preferential tax policies for not-for-profit medical institutions the basis of existing preferential tax policies if tax payers are identified as high-tech enterprises of pharmaceutical companies. Additionally the "Guidelines" proposed that non-public medical institutions can use market adjusted prices for medical services and proposed to abolish price controls for medical services from non-public not-for-profit medical institutions .

The "Guidelines" required that all localities should develop healthcare services in an important position, integrate local conditions to develop specific programs, plans or special action plans. Additionally, various departments will be required to fulfill their duties in accordance with a division of responsibilities which are to be promptly formulated and documented to strengthen communication, coordination and cooperation, and jointly promote healthy, orderly and rapid development of service industry.