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Exporting Hong Kong's Medical Services

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Confidential

Exporting medical services has significant potential benefits to various sectors in Hong Kong

Health Care

- Regain private and public sector balance through stronger demand for private health care
- Reduce pressure of oversupply of doctors
- Support development of highly specialised treatments with expanded market reach

Biomedical Sciences & Education

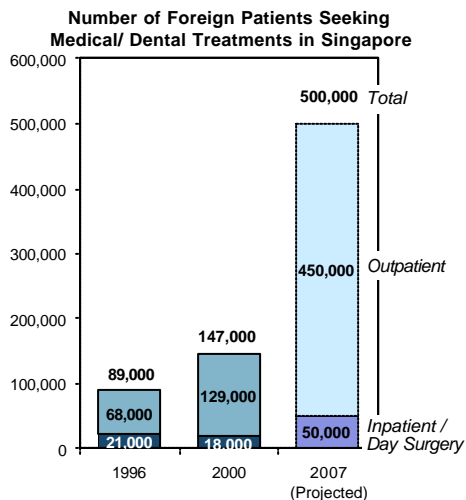
- Create synergies between clinicians and biomedical researchers through a more vibrant health care sector
- Attract foreign talents and investors to drive R&D
- Enhance research capabilities and global visibility of Hong Kong medical schools

Hospitality & Tourism

- Generate arrivals of high-income patients and accompanying visitors from abroad
- Increase proportion of repeat visits due to sticky doctor-patient relationship

Successful export of medical services to the region can bring about sizeable economic contributions

For example, Singapore is committed to exporting medical services to drive economic growth

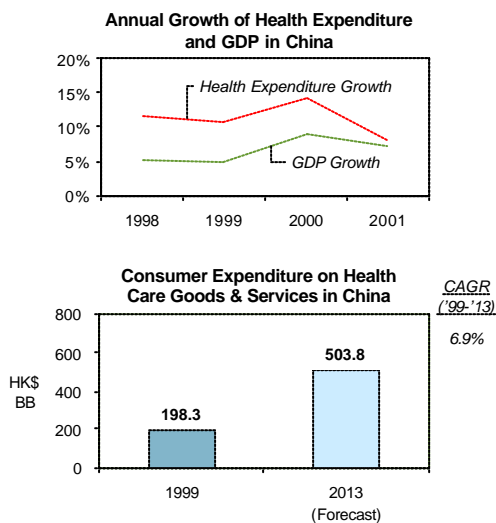


Direct & Indirect Economic Contributions of Singapore Medical Services Export, 2000

	Health Care/ Foreign Patients	Tourism/ Accompanying Tourists
Total Expenditure	HK\$1,580MM	HK\$360MM
Expenditure Per Person	HK\$10,800	HK\$2,900
Total Value Added	HK\$1,450MM	HK\$230MM
% of GDP	0.20%	0.05%
% of Total Health Care Sector	20.4%	-
Health Care Jobs Creation	5,300	-

Source: Singapore Economic Review Committee
XCG-HNG-HKU-TDC Aug 9-'01

China represents a promising opportunity for export of high-quality medical services from Hong Kong



- Health expenditure has grown strongly — even faster than GDP — and is forecasted to continue growing steadily at 7%
- Application process for Chinese visitors to enter Hong Kong is being streamlined
- Closer Economic Partner Arrangement has liberalised access to China medical services market to Hong Kong professionals and JVs
 - Opportunities to refer complicated cases to Hong Kong for more sophisticated treatment

Source: Ministry of Health P.R. China, National Bureau of Statistics of China, Euromonitor International Marketing Forecasts

However, competition is intensifying as competing countries are committed to becoming the medical hub of the region



Thailand

- Provides competitive services at very low cost
- Promotes attractive offerings of 'medical tourism' under private & public sector initiatives
- Major foreign patients: Indochinese



Singapore

- Committed to clinical excellence
- Aims to attract high throughput of foreign patients to achieve economies of scale
- Major foreign patients: Indonesians & Malaysians

Hong Kong needs to provide differentiated offerings to attract foreign patients from China and other countries

'Specialty care factories' are a good vehicle to deliver efficient, quality care to foreign patients

For example, Shouldice Hospital of Canada has managed to become a top-choice medical institution for numerous Americans seeking abdominal wall hernia repairs



Hospital Profile

- Founded in Greater Toronto, Canada in 1945
- Staffed by 12 full-time surgeons
- Licensed with 89 semi-private beds
- Averages 30 hernia operations per day
- Surgical cost and hospital ward partially or fully covered by provincial insurance (depending on different provinces in Canada)

Success in Health Care Delivery

- Complication and infection rate less than 0.05%
- Overall recurrence rate of 1% on more than 270,000 hernia operations
- The success rate has long been the benchmark for the medical professional internationally
- More than 270,000 patients from all over Canada and the US since 1945
 - Attracted more than 55,000 patients (20%) from the US

"The Shouldice Hospital performs only hernia repair operations. Its quality rankings are superb; its costs below average and its reputation for patient-friendliness high. The limited agenda concentrates the talents and energies of Shouldice's staff on one clear goal."

- Williams Inference Center

The public and private sectors need to work together to overcome a number of key challenges and improve Hong Kong's competitiveness

Major Challenges:

- Low transparency of private sector tariffs
- Restrictions on advertising by private doctors and facilities
- Limitation of most sophisticated operations to public-sector teaching hospitals
- Restrictions on private doctors working in HA hospitals
- Limited number of private rooms in HA hospitals
- Relatively small scale of local health care companies/ organisations as compared with those in the region (e.g. in Australia, Thailand, Singapore)

Conclusion

- The export of medical services could provide a significant benefit to Hong Kong's economy
 - Broader than just the healthcare sector
- However, careful consideration needs to be given to *where* and *how* Hong Kong will compete versus more established healthcare centres
 - Hong Kong is not well positioned to compete merely in costs
- The public and private sectors will need to work together to overcome a number of key challenges that may prevent the successful execution of a medical service export strategy
- Finally, success will require close collaboration across the various tourism and medical sectors