

Guide of China Medicine

Interview Outline

As a magazine in the charge of Ministry of Health, People's Republic of China, sponsored by China Medical Foundation, *Guide of China Medicine* aims at taking and embodying media's effect, showing the present image of medical enterprises, paying attention to the latest changes and the development of advanced technology in medical industry, and promoting the prosperous development of the Chinese healthcare industry.

"Special Talk" is one of the most important and outstanding columns with 4 pages in the magazine. It provides the honored guest, namely the authoritative, such as government officials, medical and economic experts, quintessential leaders of enterprises and investors, with opportunities of communication and talk. It focuses on the latest phenomenon, trends of development, the novel mind, and major events in the medical and healthcare industry. In the form of communication between the column host and the invited guest, it does not only reflect the international development trends of the healthcare industry, but also shows the personal glamour of the honored guest.

In this issue, the interview with Sheldon I. Dorenfest, President of The Dorenfest Group goes with the following subject:

World's Expert, Sheldon I. Dorenfest:

Paying close attention to healthcare system reform in China

Talk with Sheldon I. Dorenfest, President of The Dorenfest Group

The questions for the interview are as follows:

Question 1: Mr. Dorenfest, thanks a lot for your attention. It is known that you have been paying much attention to and researching the world's healthcare systems improvement. Why do you have special and great interest in the healthcare system and investment opportunities in China? When and how did you begin to become interested in those problems of China?

I first came to China in 1992 to do a research study about Chinese traditional medicine. I hired a young college student in Beijing to help me with the research. Her name is Pan Xi, and she is now the Director of Marketing at Yahoo in China. At the end of the research, I decided to help finance Pan Xi's education in the United States. She received an undergraduate degree at the University of Mississippi and a degree in filmmaking at Stanford University in Palo Alto, California. She occasionally worked for my company during her time in the United States.

Pan Xi decided to return to China in 2000 to be with her aging parents and to further examine

a relationship she had with a high school sweetheart who had become a famous singer in China. His name is Lao Lang. In 2004, Lao Lang and Pan Xi decided to get married and invited me to the wedding. When I came to the wedding, I decided to see the same cities I visited in 1992 and observed the remarkable change in China firsthand. It was extremely exciting to me to see how much improvement China had made in its economy.

But when I visited hospitals in China, I observed many management and work process issues and problems, along with many opportunities for improving them. I felt the skills I had developed through 30 years of experience in helping hospitals in the United States to improve their operations could be applied to China and could be used to help the Chinese government accomplish its healthcare reform objectives. The combination of a very exciting economy that was going to continue to grow rapidly, the wonderful and loving Chinese people, the desire of the Chinese government to improve its healthcare system, and my unique blend of skills, that could be applied to help accomplish the opportunities that I observed, all contributed to my decision to investigate the Chinese healthcare system in greater detail.

Question 2: How, do you think or expect, your technology and funds can make effect in Chinese healthcare system reforms? Are there any obstacles that hamper you in China, and what is the most important one?

First, I think the most important thing required from me to help China improve its healthcare system is not necessarily my technology or money. It is my skill in helping hospitals to get benefits from improved management systems, work processes, and information technology deployment.

By working with a friendly provincial government, a capable hospital management team, and a supportive workforce in the hospital, I would like to help that government, the management team, the physicians, and employees to define and execute an improvement plan that would lead to the building of a “model hospital” in China. My vision of a “model hospital” includes the following characteristics:

- *Provides improved quality of care to its patients.*
- *Operates at a highly efficient level through effective use of systems and better work processes.*
- *Offers its services at an affordable cost.*
- *Creates a highly satisfied patient population with the patients observing a noticeable improvement in the services and treatments provided by the hospital.*

These are goals that I can accomplish. Other problems such as lack of access for poorer people, drug over-prescribing, and inadequate insurance can only be solved by government intervention and funding.

Once the “model hospital” proves itself, I would like to replicate the work done to create other “model hospitals” throughout China. I will focus on making the characteristics of the “model hospitals” consistent with China’s healthcare reform goals so that as the model accomplishes its objectives, it can become part of a national program for Chinese healthcare improvement.

The obstacles that I have perceived include the following:

- *There are limited funds available in China to invest in improving its healthcare system.*
- *Past efforts at healthcare reform and improvement have not been successful, and there is uncertainty and debate about the next steps in healthcare reform.*
- *Privatization efforts have not succeeded because the private investors were primarily real estate developers or other types of entrepreneurs who knew little about healthcare industry and hospital improvement methods.*
- *The Chinese people are extremely irate with healthcare services, and the next steps in healthcare reform need to focus on providing cures for the causes of their irritation.*
- *Because the government of China is uncertain about how to take its next steps in reforming the healthcare system, there is risk for any investor wishing to help China to improve its healthcare system.*

Because of these obstacles, the most important issue to me is to receive Chinese government support for my “model hospital” plan at both the national and the provincial level in the province where I expect to create the “model hospital.” The project is hard enough, and without such support, I will face many additional challenges.

Question 3: The object of your visit China is to make a better understanding of Chinese healthcare systems and to look for opportunities of further communication and collaboration. What progress have you made on your objective in China?

I am now in the middle of what I call a Phase I investigation to determine how I can apply my skills and capital to help China improve its healthcare system. On August 10, 2005, I concluded a five-week visit to China which began on July 5, 2005. Prior to this visit, I made visits of four weeks each in October, 2004 and May, 2005. In these three visits, I have met many leaders in the healthcare system in China that support my objectives for helping China to improve its healthcare system. During my learning phase, I have met with Ministry of Health personnel and visited with hospital and local government personnel in many cities including Beijing, Shanghai, Harbin, Hefei, Chengdu, Guangzhou, and Shenzhen. In these cities, I have met with local and provincial health bureaus and have had the opportunity to visit and tour over 50 hospitals in China. I have become more confident that there is a role for me to play in applying my skills to help China improve its healthcare system, and the “model hospital” project has received several expressions of serious interest for participation by local governments. I am still in the process of validating these opportunities and examining which one offers the highest probability of success. I will make some decisions about this before the end of 2005 and will let you know my final plans at that time.

Question 4: In the materials provided in your last letter, it refers to “Specific approach to Mr. Dorenfest’s visit will include the following activities,” which uses “will.” So is it in May of this year or a certain year in the future? If it is in May, 2005, please introduce something

special in details about those activities and the achievements. If it is not, please introduce more about your plan, perhaps we can help you. Thank you for your introduction!

The letter I sent you was created in April, 2005 when I was planning the May, 2005 visit. It is not current because since creating the letter, I have been in China twice for a total of nine weeks and will be planning to visit China again in early October to continue to finalize my plans. My investigation has included the following activities:

- 1. Visits with hundreds of leaders in the healthcare industry in China to learn about healthcare reform in China — its progress, its problems, and its next steps.*
- 2. Visits with over 50 hospitals to gain an understanding of hospital operations in China, their current status, and opportunities for improvements.*
- 3. Visits with local, provincial, and city health bureaus to learn what they would like to do with their provincial and local hospitals.*
- 4. Visits to some private hospitals to observe the results of healthcare reform privatization efforts in China.*
- 5. Visits with product and service companies serving the healthcare industry in China to learn how they see the healthcare industry in China and what they believe are appropriate next steps for reforming the Chinese healthcare system.*
- 6. Evaluation of a number of hospital management and ownership opportunities that have been presented to me to become more familiar with the alternative ways to proceed in building a “model hospital” in China.*
- 7. Identified a series of projects that are worthy of more detailed examination.*
- 8. Now beginning several more detailed evaluations.*
- 9. Defined a series of next steps so that I will conclude my plan of action before the end of 2005.*

I appreciate very much the opportunity to conduct this interview with you, and I look forward to any help and suggestions you can provide to me as I move forward in the examination and implementation of my plans.

Question 5: As far as what you have known about Chinese healthcare systems, what specific fields are you interested in for your investment? Why?

There are many demands for improvement in the Chinese healthcare system. As the wealth of China continues to grow, some of these demands will be met by effective new programs. There will be changes in primary care and in hospital operations. New health insurance products will emerge, as well as other changes in how healthcare costs are funded. So opportunities exist for me to help in all of those areas.

Almost 70% of China’s healthcare costs are devoted to hospital operations. And these hospital operations are in need of substantial improvement. There are imbalances in the way that hospitals are financed. At the present time, the price of patient care services offered is much lower than the cost of those services. The deficiency of service revenues is made up by

substantial drug and diagnostic test revenues, which has encouraged physicians and hospitals to over-prescribe drugs and tests. Over the next five years, I am sure that the Chinese government will develop policy changes to correct these issues. But at present, quality of healthcare can be improved while the cost of healthcare can be reduced by making improvements in hospital management systems and work processes for delivering patient care.

So the focus of my investment activities will be where I believe my skills can have the greatest impact by helping hospitals to improve their management systems and re-engineer their work processes. I will select from over 10 projects that I am now evaluating, the most appropriate community and hospital setting for implementing my “model hospital” vision.

Question 6: You have been paying close attention to investment opportunities in China. And what kind of investment opportunities are you expecting?

The healthcare system of China is in need of substantial improvement and reform. Neither the privatization model nor the public health model has worked. The private hospitals have weakened healthcare, and reform has not accomplished its objectives. New changes are coming, providing great opportunities for investors with skill and foresight. China will likely opt for some combination of public and private healthcare in the future, and will likely end the private investments of investors who do not have the skill to improve healthcare operations. The real problem of privatization has been the emphasis of real estate developers and other entrepreneurs who know nothing about healthcare taking over public hospitals and not improving them and even weakening them. The time has come for a new kind of skill in the investors who operate in the private healthcare arena. This new skill will also be needed to help the public hospitals make the changes they need to improve their operations. People like myself will collaborate with the healthcare leaders of China to help the next steps of reform of the healthcare industry in China to be more successful. In the initial phase, I would like to work with local governments and effective local hospital management teams to build this “model hospital” vision I discussed earlier. I am now looking for those opportunities and am in discussion with major organizations in several provinces. I will keep you posted as my discussions develop.

Question 7: You are looking forward to further communication and collaboration in the healthcare industry between China and America. At present, except for communication of knowledge, what progress has been made with your technology and funds in China?

America’s healthcare costs have risen tremendously over the last three decades, rising from 7% of gross national product in 1970 to 15.3% of gross national product at the present time. In recent years, the growing healthcare costs have been accompanied by declines in the quality of healthcare in the United States — not a good situation for the United States. Because the United States has spent so much money on healthcare, some of the leading technological developments that could benefit all countries of the world have been created in the United States, and many of these technological developments are making their way into China. I can certainly facilitate more of that, especially in the I.T. arena. But most Americans want to bring the American model of healthcare to China, and that is not right for China. What is right for China is to improve its healthcare by making the necessary changes in the way healthcare is delivered in its hospitals.

I have been part of the American healthcare system for over 30 years, and I know what America did right, and I know what America did wrong. And I can help China avoid the mistakes of America and produce an even better healthcare system than exists in America today.

Question 8: What do your plan to do in the future, in order to further the collaboration between the two countries and to take advantage of your technology and funds in China?

I believe that I have already answered this question. But to summarize, I plan to work with a friendly local government, a capable hospital management team, and a supportive workforce in the hospital to define and execute an improvement plan. Together we will use new technology in combination with skillful management reorganization and work process redesign to create an organization that meets my vision of a “model hospital” and that can be a model for other hospitals in China. I am excited about the potential of this idea, and I will continue to work with leaders in the healthcare industry in China to accomplish this potential.

Thank you very much for the opportunity to conduct this interview and to communicate my ideas and thoughts to the medical industry in China. I am looking forward to taking some positive steps in the next six months and to the possibility of being interviewed by you again to let you know of my progress.

We appreciated that you accepted our interview, and if you need help, the staff of *Guide of China Medicine* would like to try our best to offer. We are looking forward to our further cooperation. And if you would like to, you can offer more information on yourself and The Dorenfest Group, such as your resume, or the latest development of The Dorenfest Group.

If you do not mind, our interview by E-mail letter will be reported in the column of “Special Talk.” with 4 pages of about 4,000 words in Chinese, and at least 4 pictures.

So I am sorry to say that you have to provide the following digital pictures or photos:

1. Your personal photos taken in your office or during your work (big ones with colors, 1-2)
2. Photos that can show the image of your group Ltd. and your staff (big ones with colors)
3. Photos that can reflect your communication with leaders, experts and so on, during your visits to other countries including China. (at least two, big ones with colors).
4. Photos that you think are necessary or useful for this column or our further cooperation.

Thank you! And wish a happy cooperation!

The Column Host: Liu Jia, Executive Chief Editor, *Guide of China Medicine*