

# China Aged Care : Opportunities and Challenges

International Conference on 'Aged Care and Ageing:  
Global Challenges and Responses'



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# Overview

Australia's Senior Living and Aged Care services sets a global benchmark for best practice

- ▶ Australia has a mature seniors living and aged care industry
  - Well regulated with a robust accreditation framework
  - Strong Government support and funding
  - Long history of co-operation between service providers, government and community

Asia's emerging seniors care market – grappling with the depth and breadth of the problem

- ▶ In contrast, Asia (in particular China's) seniors living and aged care market is at infancy stage
  - Historically low levels of regulation, Government support and funding
  - Negative connotations associated with placing elderly into aged care homes
  - Sector is desperately underserved in terms of integrated health and aged care services, shortage of qualified workforce to care for the elderly, short supply of quality facilities to house the elderly

China presents a significant market for aged care and seniors care companies if they can develop a scalable and profitable business model



# Overview

My experience involves over 35 years in health and aged care in Australia, Great Britain, Singapore and China

- ▶ CEO for Moran Health Group for over 15 years (largest privately run healthcare and aged care operator in Australia during this time with operations in UK and Singapore)
- ▶ Established Provectus Care in 2001
  - Provectus owns and operates a number of high end residential aged care facilities on east coast of Australia
  - Vertically manage all facilities from purchase of land, design, development, operations and management

In recent years we have “exported” our expertise in the field of residential aged care services and management to China

- First project was Tiantong Hall in Beijing (a 150 bed high end facility), now in almost full occupancy
- Currently working with JV Partner to develop and manage aged care facilities in the Shanghai area (specialising in dementia care) and across a number of other Chinese provinces (tier 1 and tier 2 cities)

**This presentation draws on our views and experience in China in recent years**

# Overview

Provectus Care Portfolio of Premium Residential Aged Care Facilities in Australia





# Opportunities in the Chinese Aged Care Market

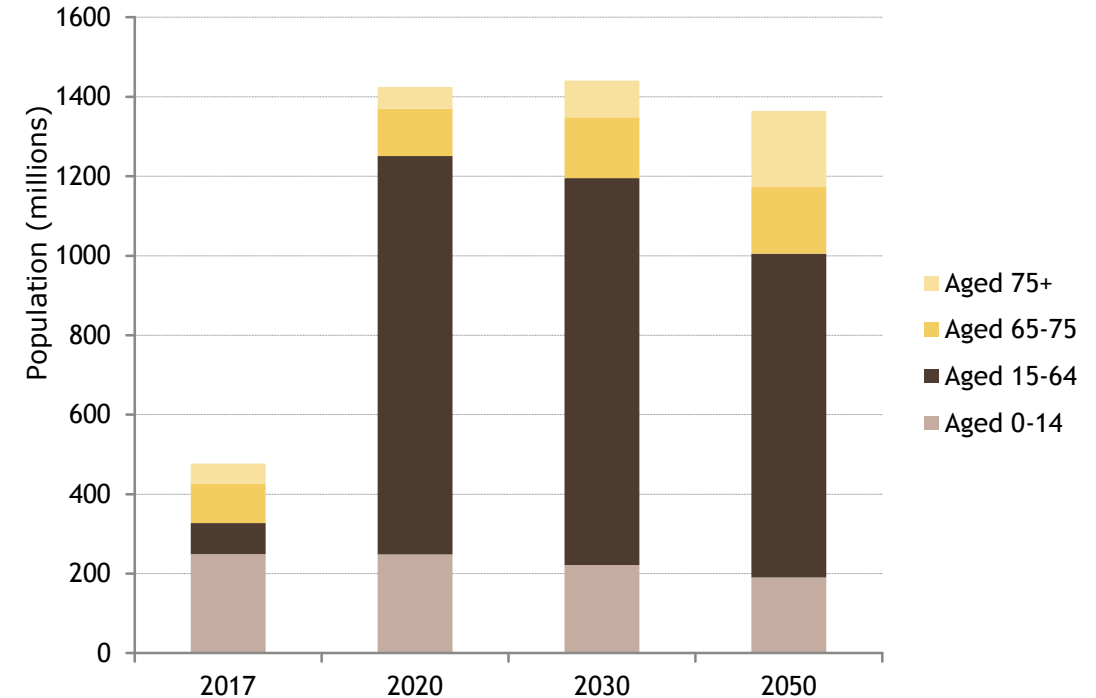
Opportunities for Aged and Senior Care results from a unique combination of demographic trends and economic development

## ► Changing demographics in China & a rapidly greying society

- Improved economic conditions in China have led to longer life expectancies (now 75 years old vs 45 years old in 1960)
- One Child Policy (4:2:1 phenomenon where one child is left to look after 2 parents and 4 grandparents)
- Growing middle class with more affluent middle class driving demand for improved health and aged care services

## ► The Silver Tsunami – Demographic Time Bomb

- Adjacent graph show that by 2050 there will be a shrinking working aged population (aged 15-64 years – **dark brown**) to support the growing elderly population (aged over 65 years - **yellow**)



By 2030 China's aged care population:

- Aged 60+ years is expected to reach 360 million (25% of total population)
- aged 65+ years is expected to be over 240 million (17% of total population)
- and 75+ years around 93 million (6% of the total population).

The Chinese Government has embarked on an ambitious plan to transform the country's health and aged care sectors

# Opportunities in the Chinese Aged Care Market

## ► 13th Five Year Plan (2016-2020) – Promoting a Healthy China

For the 60+ population, in aged care, the framework revolves around:

- Approximately 90% to be cared for at home
- Six to seven percent cared for by the community
- Three to four percent requiring residential aged care
  - 35 to 40 beds per 1000 elderly citizens
  - Workforce of 10 million in aged care sector

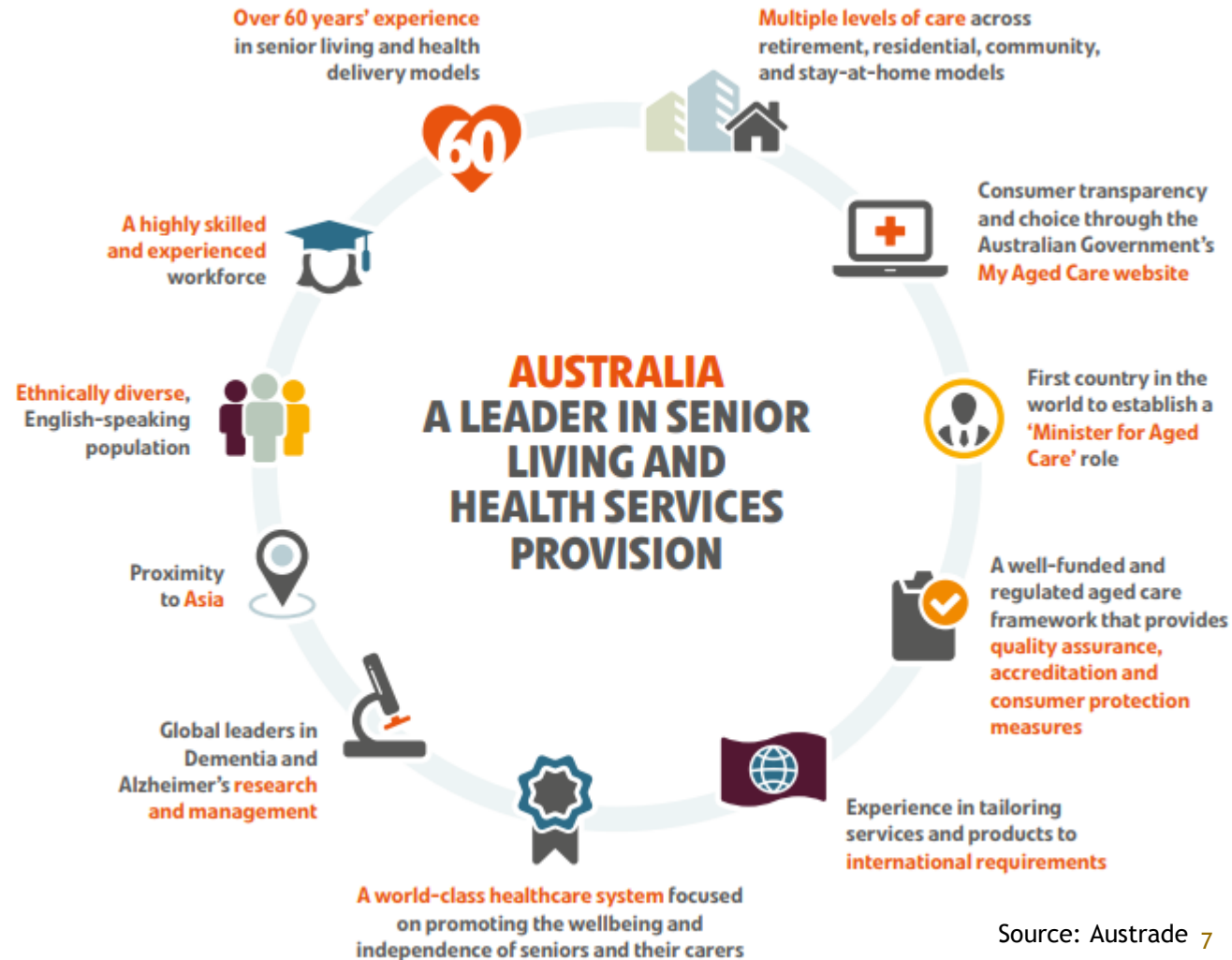
## ► China-Australia Free Trade Agreement (ChAFTA) (2015)

For Australian health and senior care companies it creates a level playing field and greater market access:

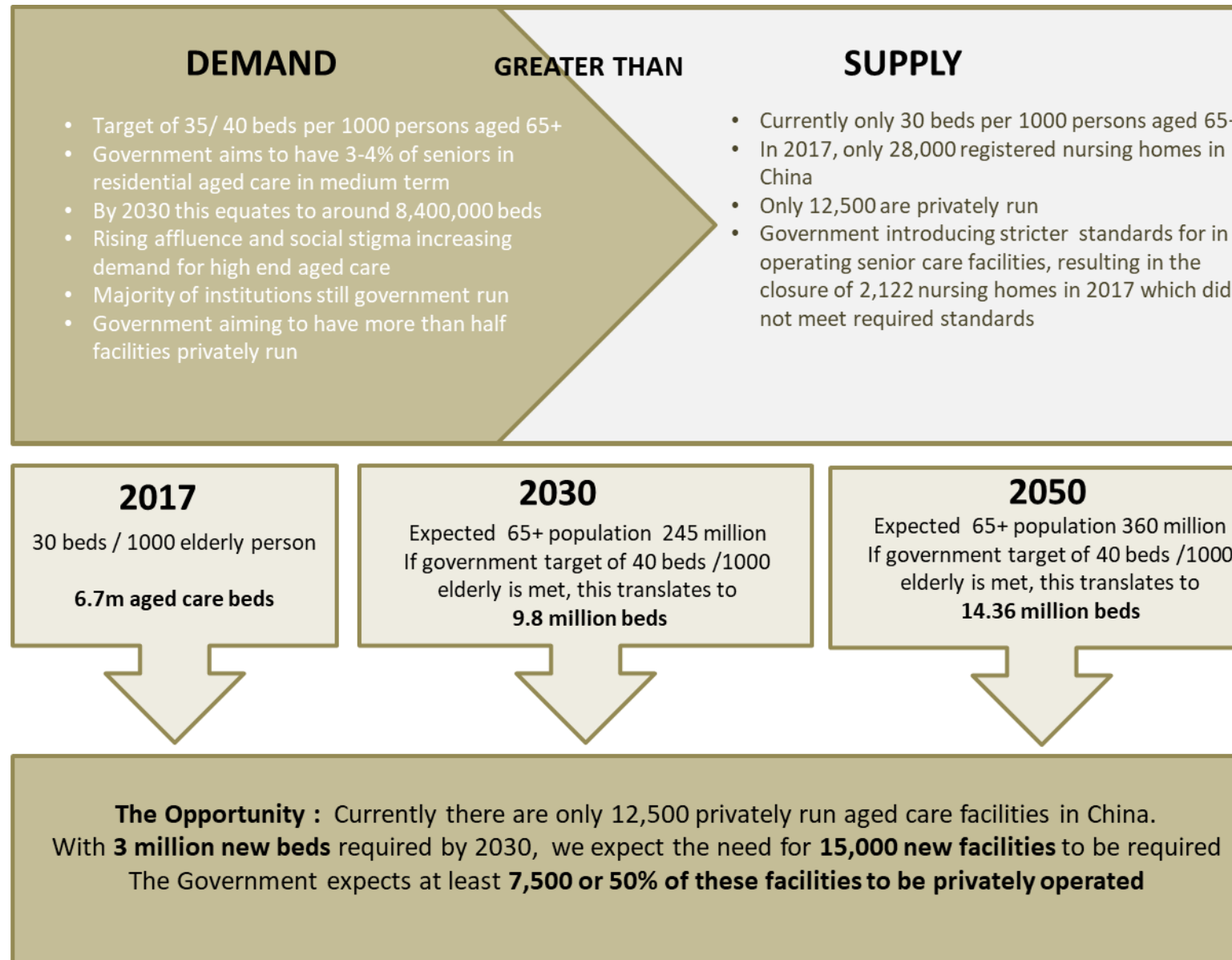
- ChAFTA permits Australian companies to establish wholly owned profit making institutions (hospitals/ aged facilities with no geographical restrictions)
- Australian health companies have international reputational excellence for providing high standards of quality service and care

# Opportunities in Chinese Aged Care Market

The Chinese Government has identified Australia's Health and Aged Care industries as top class and welcomes our capabilities into China



# Opportunities in Chinese Aged Care Market





# Challenges : Operating in the Chinese Aged Care Market

Facilities are generally more institutional based rather than “residential or homely”

- Traditionally government run institutions comprise the largest operators

## Cultural differences

- Ingrained traditions of Confucian tenant of xiào (filial piety)
- Stigma associated with being placed into residential aged care

## Role of Government is not clear

- No overriding regulatory body solely responsible for monitoring the aged care sector
- No unified standard or norms for standards
- On national level there remains inconsistent development and implementation of policies on taxes and subsidies



As an immature market with rapidly changing dynamics the Chinese aged care sector presents a number of challenges:

# Challenges in the Chinese Aged Care Sector

## Need to provide integrated services:

- ▶ Senior housing projects require different requirements to simple development projects
- ▶ Need to build in integrated medical, health care (including rehabilitation) and elderly nourishment, lifestyle and leisure services
- ▶ Requires proper planning and resourcing

## Profit Model is not clear:

- ▶ Asset Heavy (big capital investment eg real estate developers) vs Asset Light models (consulting, management and IP)
- ▶ Many participants have entered the market and tested various business models with limited or without success

## Lack of Talent:

- ▶ Geriatric care not a well respected or well paid profession
- ▶ Scarcity of high quality and skilled elderly care geriatricians, registered nurses and other professionals

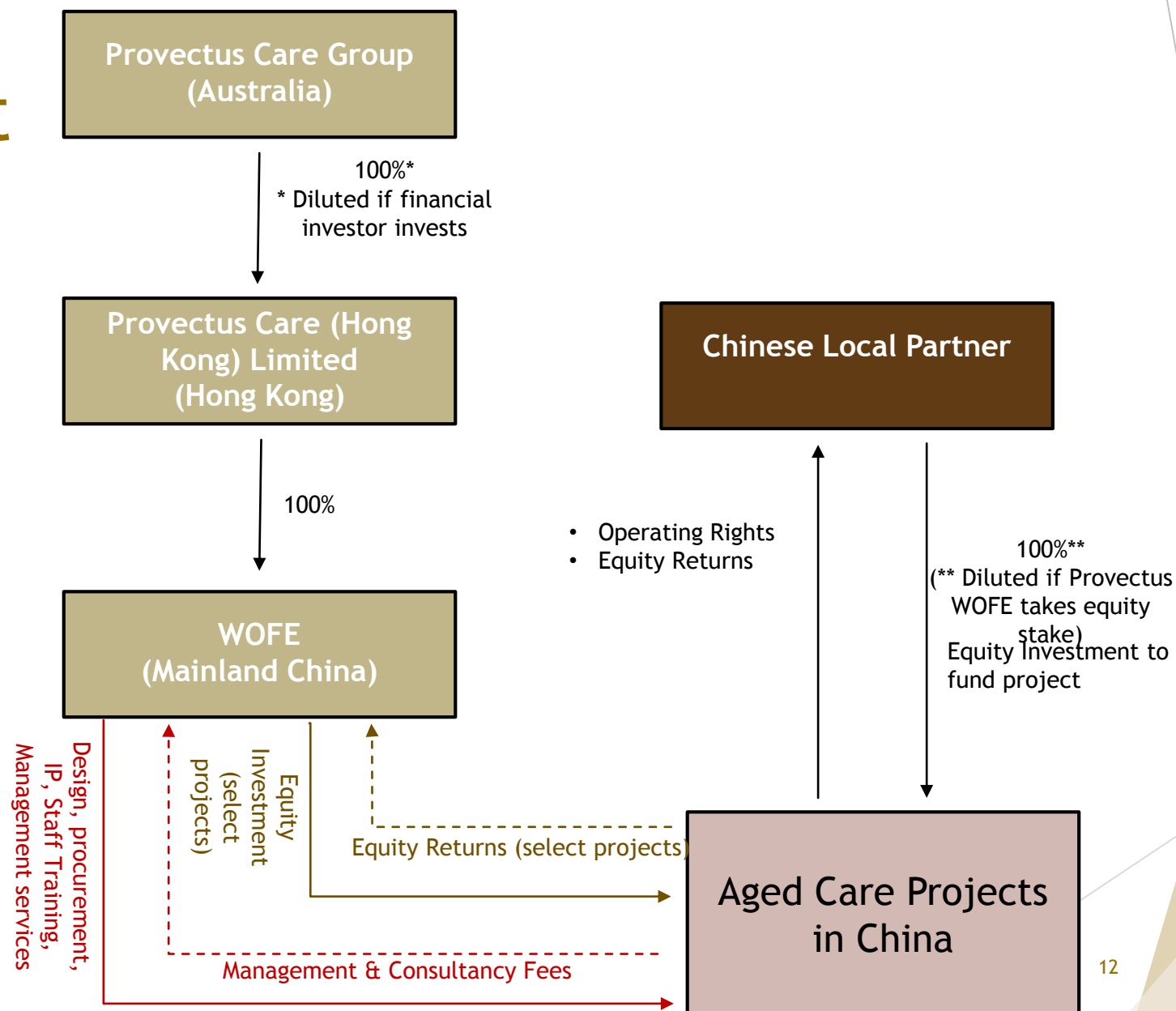
## Challenges of doing business in China:

- ▶ Language barrier (nationally and regionally)
- ▶ Different working culture and work practices
- ▶ Myriad of regulatory hurdles (local, regional and central)

## Addressing the Challenges:

- ✓ Manage your expectations and expect things to go wrong. Just be prepared to face the challenges
- ✓ Think carefully about your business model and be prepared to adapt as the environment or operating conditions change
- ✓ Find the right local JV Partner(s) ensuring your interests are aligned and capabilities are complementary
- ✓ Leverage your expertise and protect your IP
- ✓ Hire locals and train them up so you can transfer your working culture and operating standards. Staff exchange programs work well
- ✓ Build a network of local professionals and advisors (including lawyers and accountants) who can help navigate the regulatory and other practical issues

# Possible investment structure:



# Provectus in China: Shanghai International Medical Centre





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*SIMC Dementia Bathroom/Bedroom*



# Provectus in China : Yangtze River Delta Aged Care Project



*Entrance*



# Provectus in China : Yangtze River Delta Aged Care Project



*Communal Lounge Area*



# Provectus in China : Yangtze River Delta Aged Care Project





# Provectus in China : Yangtze River Delta Aged Care Project



*Dining Area*