

Industry Insights

Emergence of Community Care Models

written by Michael Qu

Ever since the Chinese government set up the “90-7-3” senior living framework where aging at home is positioned as a major solution, and community and institutional care serve as supplements, the senior care industry has become a must-go arena for many investors, a large group of whom are targeting right at the service line for 97% seniors (i.e. home and community care). In their early initiatives, either government or private investors are eager to find out viable community-based care service model fits to the Chinese context.

As an innovative experiment to address need-supply gap of senior care services in megacities, Shanghai has launched a program to embed community senior care facility in urban areas as of September of 2014, which is the “Elderly Home” (“长者照护之家”). Elderly Homes, by definition, are facilities that not only provide short-term accommodation and day care service, but also extend professional services into home environment, so as to promote synergy among home care, community care and institutional care, and enable seniors to enjoy professional services in their familiar communities. According to the recent statistics released in the Whitepaper of the Development of Shanghai Senior Care Services, the Shanghai Municipal government has constructed 22 Elderly Homes by the end of 2015 and an increment of 50 is planned for 2016. By the end of 2017, it is expected to realize a substantial coverage of Elderly Homes in downtown and

suburban areas.

Operation Model for Elderly Home

At the very beginning Shanghai launched the Elderly Home Program, the government released a Pilot Work Scheme of “Elderly Home”, followed with a detailed measure (Circular Hu Min Fu Fa (2015) No. 27) (“沪民福发〔2015〕27号”) to furtherance the construction requirement and standard. According to the Circular, Elderly Home is defined as one-shop community-based service facility, which is embedded in the community environment and where continuing care can be provided for seniors living nearby. Typical services can include (a) institutional care to dependent seniors whose care need is above level three according to Shanghai’s Unified Care Needs Appraisal Standards¹; (b) short-term accommodation for seniors who might retrieve from hospital and need rehabilitation service or families who need respite care; and (c) home visiting and care services to seniors on community basis. At the meantime, services can be extended to other senior related areas, such as training for family caregivers, etc.

¹ According to Shanghai’s Unified Care Needs Appraisal Standards (Trial), the Unified Care Needs Appraisal means all qualified seniors who have care needs shall go through the standard appraisal to determine their level of care. The appraisal will be conducted based on the senior’s need by taking consideration of the individual’s dependency, sickness, care status, etc., the result of which will be the basis for such senior to receive service in terms of community and home care or nursing home and other institutional care. Level of care needs in accordance with the Appraisal Standard lays out from I to VI, from low to high in respect to the care needs.

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As the construction requirements provided, minimum size of an Elderly Home is around 300 m² (within which living areas shall comprise at least two third of the construction areas), containing 10 to 49 beds. Minimum construction area per bed and minimum usage area per bed per unit is, respectively, 18m² and 5m². Simply put, construction standard for Elderly Home is lower than what nursing homes (also referred to as senior care institution which is under the administration of Ministry of Civil Affairs) are normally required; however, requirements as to staffing, service standard, security, among many others are almost as same as those applied to nursing home. Similarly, construction and operation subsidies from government are also available for newly constructed Elderly Home, subject to a series of conditions being met with.



As the policy provided, Elderly Home can be established either by district government at street or township level, or by private investors such as social organization, enterprise or individual. However, by far, all Elderly Homes we can find are established by government—they are infrastructure being included in the social welfare system, which is meant to provide basic elderly care needs for senior citizens. While some of these Elderly Homes are operated by the

government itself, more are constructed by government and commissioned to private operators who have experience either in institutional care or in home health care space to operate. The latter way usually enables private operators to involve themselves as early as possible at the stage of a project with their support and expertise input to the design, marketing and operation of the facility.

It seems the “government build, private operate” (also known as a form of Public Private Partnership, “PPP” in short) will bring more opportunities to private operators if the above model is well adopted;

however, the reality is that there are big barrier for for-profit operator and foreign investor to participate in PPP projects. In addition, given the “welfare” nature of Elderly Home, which is to serve majority seniors for their primary care needs, the government has set up restrictive guideline on service pricing. As a result, profit that private operator can seek by operating an Elderly Home is minimal. Of course, upside of the business is apparent that less to no investment shall an operator put in the infrastructure, so even minimal profits indicate a very lucrative participating opportunity many are keen to capture.

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Similar Community Care Models

It is not surprising if some readers who are familiar with the China Senior Care Industry would say that community care models like this have already been spreading all over the country. Admittedly, community care facility is no new thing in the global space, and even in China, there have already been a lot of good examples, of which many are attempted by property management companies (affiliated to real estate developers) who may redefine or upgrade their service line from general property management to a broader healthcare regime. Big developers such as Vanke, Greentown, Poly, just to name a few, are all typical examples who either build senior care center in their residential community or establish small-to-medium sized nursing home in surrounding areas, or stretch community care service by spotting nursing stations in the neighborhood. Whereas business models may differentiate in forms—intergeneration housing, Internet platform or virtual nursing home, transformation of CCRC, or academy senior care, etc.—services will not vary too much around long-term care, day care, respite care, home care, green-channel to hospitals, medical care, rehabilitation, health management, catering and entertainment.

On the other end, local authorities are actively introducing various policies to promote community senior care. In early 2013, Beijing has implemented a series measures to encourage private capital to establish small-sized and chain nursing homes. Among them, community senior house (托老所), which can be established in residential houses, can be understood as the



smallest nursing home that 24/7 boarding services and other community services are provided within it. I had the pleasure to tour one community senior house in Hai Dian District of Beijing, which is established and operated by a private investor, Infinite Care. All essential elements are sized in a three-bed room house, which looks very fit. Benefited from obvious advantages such as lower and reasonable cost on rent and personnel, appropriate price akin to the market acceptance, and accessibility to the government's subsidies, the occupancy of the facility stays very high.

It worth noting that Beijing has just upgraded its experiment to a comprehensive launch of construction of Community Senior Service Center (“社区养老服务驿站”). In addition to defining very similar functions as Shanghai's Elderly Homes, Beijing's policy is more transparent in respect to how private operator can participate in the operation. Unclear issues in Shanghai's practice such as licensing options and requirement, bidding process, PPP mechanism and integration of medical resource are all well defined in a newly policy released by the Beijing authority.

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Another megacity, Chengdu², faces the same demographic challenge. To find out the city's solution, Chengdu has, at the beginning of 2016, published A Three-Year Plan (2016~2018) for Building Up Community Nursing Homes (《成都市社区养老院建设三年行动计划(2016—2018年)》). It aims to establish a systematic cycle that all community nursing homes will play a dominant role while day care, home care, senior catering services being supportive

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and supplementary. The Plan has defined the community nursing home as a facility type in between large-to-small sized nursing home and day care center, where services are focused on disabled or semi-disabled seniors who are either incapable to move or suffered with dementia, and where selected services of boarding care, day care, respite care or home visiting can all be delivered within 15 minutes. Easy to find that learned the experience from Shanghai and Beijing, Chengdu has developed its own policy catering to its local practice. The phenomenon tells a lot on how legislation in the senior care industry evolves throughout the country.

² Statistic shows that population of Chengdu, by the end of 2015, has reached 12.28 million, from which 2.6 million are seniors over 60 year's old, accounts for 21.2% of the whole population. There are totally 309 nursing homes in the city, containing 89,194 beds—in another words, every thousand seniors own 34.3 beds.

Private Project in Blossom?

When the Shanghai government started to spread out the construction of Elderly Homes, the goal is set to encourage private capital to participate in the construction or operation of Elderly Home (though, detailed implementation measure is still await), expecting to develop some chain brands in various forms and shapes. Undoubtedly, the Elderly Home model has provided useful experience in forming senior care model on the community basis; however, given the nature of this product type (which is to meet the ends need for general public), services available may not be able to meet diversified needs from people who want personalized services. Hopefully, at a time community-based aging model is well accepted by the majority, opportunities for private operators who can provide personalized care services shall emerge rapidly.

For many foreign investors and operators, it takes time to warm up. Whether they can overcome challenges such as high cost, scarcity of talent, and evolving regulatory environment, among others, yet to be tested.

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It was recently reported that a Singapore operator, Golden Care, has opened a market-oriented day care center in Shanghai Pudong. The operator plans to transform their successful experience in Singapore into the Chinese market to meet day care needs of seniors. In absence of a clear profitable projection, though, the investor is optimistic on China's community day care field.

Contrary to the enthusiasm from private investors, performance of many day care centers run by the government stands far from satisfaction. Due to unclear targeting of customer group and unprofessional services to a large extent, those facilities are running in a very low efficiency. Some local government pays a lot attention to the hardware but overlook the software, i.e.

provider, has been exploring the market of China for over 2 years. By means of leveraging community networks and minimizing nursing hours, in combination with a unique service model, empowered nurses, lean processes and a strong IT platform, Buurtzorg believes there are great opportunities to work with government here in China, just as its development spans well in other Asian countries. As this article has elaborated, private operators are still waiting for more transparency in the policy as to participation requirement and bidding procedure, in absence of which, working with government is opportunistic and profitability becomes a very realistic issue for providers like Buurtzorg to address in order to survive the market for the time being.

Another reason the government doesn't expand the service in more professional areas (e.g. skilled-nursing, rehabilitation, physiotherapy and hospice) is that they are reluctant to let a public facility to assume too much operational risk in higher acuity services.

professional services, the latter of which actually is vital to the success of a senior care facility. Another reason the government doesn't expand the service in more professional areas (e.g. skilled-nursing, rehabilitation, physiotherapy and hospice) is that they are reluctant to let a public facility to assume too much operational risk in higher acuity services. That said, collaboration between the government and private operators, who are good at finding out the market needs and manage to deliver, could be a good solution to achieve both ends.

Private operators who are suitable to cooperate with government could be home health care providers. Buurtzorg, founded in 2007 in the Netherlands and now a leading European community-based home nursing

Yet to Wait for More Break Through in Legislation

During our conversation with many operators and in the course of our legal practice, it is inevitable to touch upon a lot of discussion on regulatory barriers in the industry. It is more challenging when it comes to the practice of "Combination of Senior Care and Medical Care" in the community care model.

By far, there has been business model of nursing station, where both home healthcare and medical care services can be provided, spreading all over the country, which fits well with the encouraging policy from the government of "Combining Medical and Senior Care Services".

Among those barriers that investors are confronting, non-uniformed establishment standards for nursing station in various localities, shortage of payment resource and non-clarification of permitted services, top the three.

A recent example is from the city of Qingdao where local government advocates the service model allowing community and home care facilities to cooperate with clinics and nursing stations. However, to attract more private investors into the industry, more breakthroughs need to be seen other than just advocating “innovative” approaches. Among those barriers that investors are confronting, non-uniformed establishment standards for nursing station in various localities, shortage of payment resource and non-clarification of permitted services, top the three.

On the other hand, to circumvent the supervision in medical-related area by local authorities, senior services via O2O (online to offline) platform began to emerge in the market. By collecting and analyzing health data, popularizing wearable devices and providing affordable services through the platform, Smart Health speaks to the future of aging-in-place. The trend also echoes to what the central government has encouraged for new technology and business models. However, without proper regulatory guidance in place, compliance issues in respect to professional qualification and risk management of those “movable” nursing stations worth a lot of attention for the regulators.

As long as barrier exists for medical service to be expanded from medical institution to the home environment, collaboration between community service provider and nursing home/hospital has a long way to go.

To sum up what has been discussed in this article, a handful of seemingly viable business models are playing well in respective segment of market which bode well for the upcoming 13th Five-Year period; however, there are still many uncertain factors hesitate investors from rushing in. For many international players, they prefer more certainty in the legislation regime before a serious management decision is made. Though, we have to admit the legislation system has been developed impressively during the 12th Five-Year period. Expecting to see China’s version of “long term care” model taking place could be the most cheering thing many industry players are looking forward to. ■

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Michael Qu Qin is the managing partner of Law View Partners based in Shanghai, China, where his legal practices cover the areas of real estate, foreign investment and mergers and acquisitions. He has extensive experience as a lawyer for over 14 years. In his practice, Michael has successfully represented investors in the real estate, senior living, retail and hospitality sectors, asset management, in dealing with commercial transactions and disputes.

Michael has been practiced in the senior housing and healthcare industry for years. He has participated in many real estate, senior housing and medical healthcare conferences, and has authored several articles. He is also a lecturer of China's Legal Training Center, member of advisory board for a few international senior living associations, such as ICAIA and IAHSA-China, etc.

Being a legal professional that has involved in the development of senior living from early years, Michael has participated in many senior living and healthcare projects on legal matters such as project investment, joint venture, management contract, merger and acquisition and operational counseling, etc. Michael has worked with renowned operators, institutional investors, insurance companies and developers in this field from home and abroad. With his familiarity with and insights into the industry and precise master of client's needs, Michael can serve for varied investors in the field, providing sound service on the full spectrum of issues in project development which can arising during the site selecting, acquisition, feasibility studying, construction, financing, pre-opening preparation, post-opening operation and disposal of senior care or hospital facilities.

Prior to co-found Law View Partners, Michael has a wide variety of working experiences as in-house counsel in multinational group and private law practice in both domestic and international law offices.