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# CHINA'S EVOLVING SENIOR CARE SECTOR

## OPPORTUNITIES AND CHALLENGES FOR CANADIAN CARE PROVIDERS AND BUSINESSES

FEBRUARY 2020

# TABLE OF CONTENTS

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# EXECUTIVE SUMMARY

Like many countries in North America, Europe, and Asia, China is facing the problem of an aging population. In 2017, 240 million Chinese were over the age of 60 – about 17% of the population. And this number is expected to grow, reaching about 35% of the population by 2050. As Chinese society ages, medical problems, particularly chronic diseases, abound. But, amid a growing demand for senior care services, the existing system to support China's elderly is insufficient.

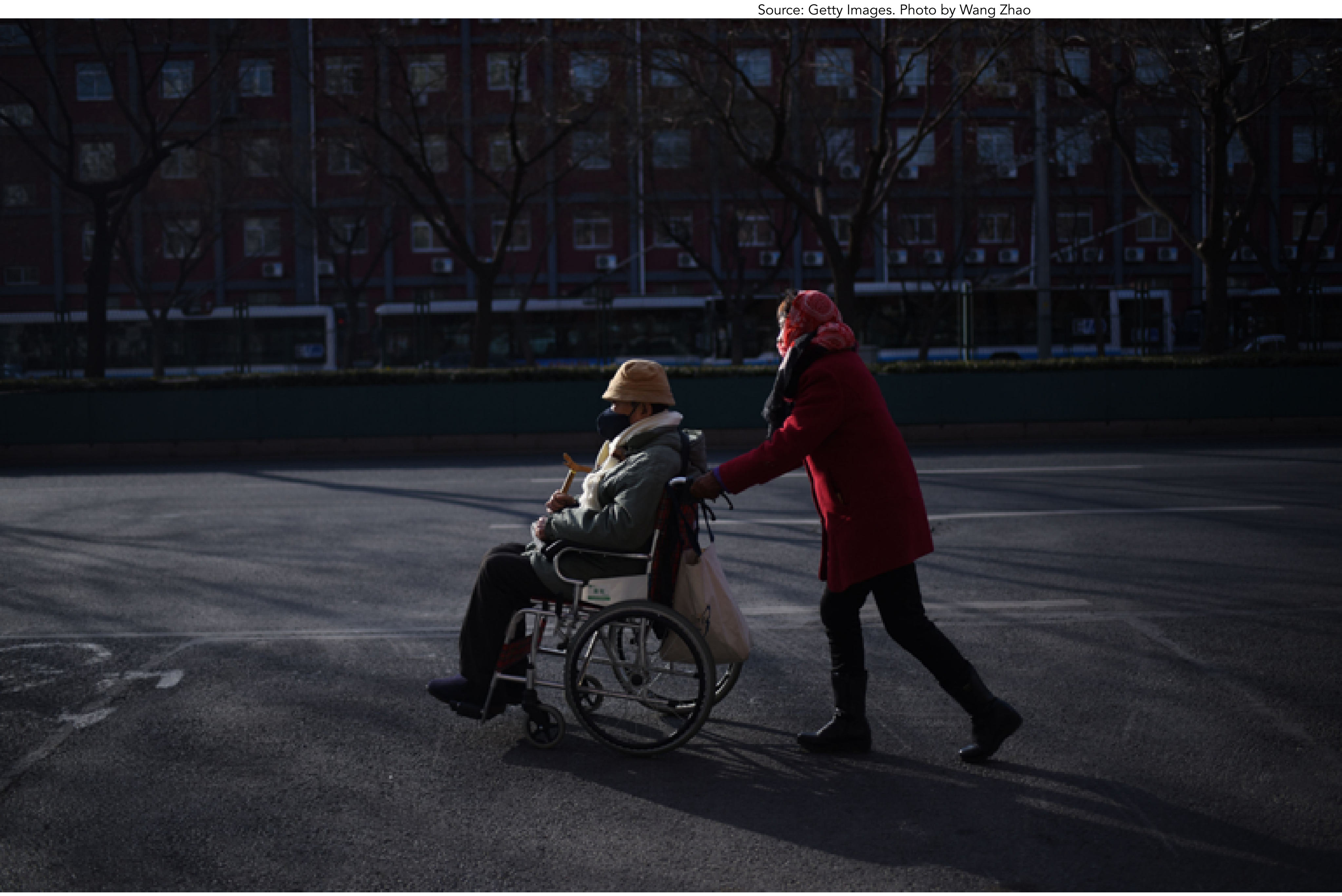
The Chinese government has taken active measures to tackle this problem. Since the previous decade, there has been a "double movement" in state response to social problems in China. After three decades of fast-paced economic reforms, the government has withdrawn from a policy of retrenchment in welfare, committing substantive resources to provide subsidies to poor and rural populations, including seniors. But, simultaneously, it has also altered existing regulations to allow for the operation of private actors in the delivery of services to China's more affluent urban residents, especially senior care and health-care services.

The combination of increasing demand for high-quality care and the Chinese government's policies to invigorate private delivery of senior care services, including by foreign companies, creates opportunities for Canadian senior care providers. In particular, Canadian public hospitals with expertise in medical services for seniors, such as chronic disease management, geriatrics, dementia and memory care, and rehabilitation (post-acute care), are in a position to offer solutions for a growing demand in China for high-quality senior care services. Further, Canadian companies specializing in the delivery of nursing and personal support care, either at seniors' homes or at senior care facilities, are likely to find promising market opportunities in China.

Canadian companies can also benefit from the relative openness of China in the areas of medical care and senior care. In both arenas, the Chinese government has actively sought the advice of foreign experts and has encouraged open debates. This climate of relative openness translates into a welcoming approach in these areas to foreigners, both experts and businesses.

While China's expanding senior care market offers business opportunities, Canadian senior care providers should also be mindful of existing challenges relating to China's complex regulatory system, local cultural preferences, intellectual property theft, identification of reliable partners, and the difficulty in generating profits in the short term. Success in the Chinese market is attainable, but it requires thorough due diligence prior to market entry as well as resources and steadfast commitment to remain in China despite the growing pains associated with the early years of operation in this market.

Source: Getty Images. Photo by Wang Zhao



# INTRODUCTION

The Chinese government is concerned about the rapid growth of its aging population. Life expectancy rose from 44.6 years in 1950 to 75.3 years in 2015 and is predicted to reach 80 years in 2050. Meanwhile, the fertility rate has been decreasing; it dropped from 6.11 children per woman in 1950 to 1.66 in 2015 – largely due to the impact of China's one-child policy.[1] As a result of these trends, the proportion of seniors within the Chinese population has risen quite dramatically. In 2017, 240 million Chinese citizens, 17.3% of the population, were over 60 years old. Senior citizens (people over 60 years old) are expected to constitute 25% of China's population by 2030 and 35% by 2050.[2]

As China's population ages, the frequency of chronic disease also increases. In 2013, close to 100 million Chinese suffered from some form of chronic disease, notably malignant tumours, heart disease, respiratory disease, diabetes, and high blood pressure. The prevalence of these diseases often stems from environmental conditions, notably air pollution, and the cumulative effect of inadequate lifestyle habits, such as lack of exercise, smoking, and unsuitable nutrition and alcohol consumption habits.[3] As the frequency of chronic disease increases, two related byproducts, disability and dementia, have also proliferated. It is estimated that close to 40.6 million seniors in China suffer from either physical or mental disability,[4] and this figure includes approximately 10 million elders with dementia.[5]

Even though China's aging population is rapidly growing, the services available to support this demographic group are deficient. First, existing senior care facilities are understaffed. Approximately 7 million additional care workers are needed in China. In addition, current senior care workers often lack formal qualifications. There is also a shortage in senior care facilities. In 2018 there were 3.928 million beds in China,[6] far less than the 7.5 million beds (3% of China's senior population) that the government has targeted.[7] Existing senior care facilities and services also are not well-integrated with medical facilities –

a problem that undermines seniors' access to health care.[8] While the Chinese government intends to have the vast majority of seniors cared for at home, the practices and technologies to facilitate such a system are still at a nascent stage.

The Chinese government is well-aware of these challenges and has formulated policies to address them. Notably, the Chinese government made a strategic decision to enhance the role of the private sector in senior care provision, altering the existing regulatory structure to facilitate the participation of private actors as well as the entry of foreign investment into China's senior care market.

This report, which focuses on China's evolving senior care sector, poses and answers the following questions:

1. What are the Chinese government policies to address the needs of a growing senior care population?;
2. Which subsectors within China's senior care sector are the most promising for the market entry of Canadian companies?; and
3. What issues should Canadian companies wishing to enter the Chinese market consider?

# Report Outline and Methodology

The report is divided into four sections. Section 1 provides a broad overview of China's policies to promote private sector operation, including foreign investment, in the senior care market. It then discusses the Chinese government's overarching 9073 plan to build a system of care for its senior population for the future. Section 2 surveys the key subsectors within China's senior care market: a) **smart senior care;** b) **assistive devices;** c) **specialized medical services;** d) **pensions and long-term-care insurance;** and e) **senior care facilities**, including assistive residences, long-term facilities, and continuing care retirement communities. Section 3 proposes a set of guiding considerations for Canadian companies on how to enter China's senior care market. Section 4 concludes the report by providing recommendations on market priorities for Canadian companies in China, arguing that specialized medical services for seniors is the most promising subsector for Canadians to pursue commercial opportunities in China, especially for Canadian public hospitals. It also suggests that since existing nursing and personal support services for seniors in China are of low quality, Canadian companies offering such services have strong prospects of success in this emerging market.

Research for this report relies on a variety of sources, including Chinese government official documents, media reports, academic publications, market analyses, WHO reports on China, and various company websites. In addition to desk research, this study is complemented by insights drawn from 22 in-depth insiders' interviews conducted in person in Beijing and Shanghai in May 2019. These interviewees included Chinese government officials, business consultants, senior care facility executives, academics and researchers, employees in smart technology companies, and Canadian government officials operating in China. In addition, the report also builds on 10 phone interviews with Canadian senior care executives and BC Ministry of Health officials to identify areas of strength in Canada's senior care system.

# CHINA'S SENIOR CARE STRATEGY

*By Yoel Kornreich, Post-Graduate Research Scholar, APF Canada*

China has been pursuing a "double movement" in the reconstruction of its welfare system, including senior care. Since the previous decade, the government has dramatically expanded investment in welfare services, particularly with a focus on rural and poor populations. Simultaneously, the government has also encouraged the emergence of private, high-end services to satisfy the demands of affluent urban populations. The same approach has also been applied to the senior care sector, where both the promotion of private operators and encouragement of home care were part of an attempt to preserve the state's fiscal solvency amid growing demand for welfare services. Chinese government efforts at private sector development, in particular, have created an auspicious environment for the entry of Canadian companies into the Chinese market.

Source: Getty Images. Photo by Peter Parks.

*The Chinese government has increased spending on welfare services, particularly in rural and poor populations*

# Promotion of Private and Foreign Investment

Senior care is a fast-growing market in China. The market was valued at RMB5.6T (approximately C$1.06T) in 2017, a 12% increase from the previous year, and it is projected to reach RMB20T (approximately C$3.8T) by 2030.[9] The senior care sector is a component of the "Big Health" industry (da jiankang chanye) – one of the key markets that the Chinese government is actively promoting to stimulate future economic development. The Big Health industry consists of five sectors: health service providers, pharmaceutical and medical devices, health products, health management and consulting services, and senior care. In 2017, senior care was the second-largest sector, (after pharmaceutical and medical devices with 50% market size) constituting 33% of the total market size of the industry.[10]

Since 2012, China has encouraged private sector participation in senior care.[11] In 2016, the government issued a directive specifying its plan to manage 50% of the scope of China's elderly care facilities' beds, while encouraging the private sector to run the remaining 50%.[12] In May 2019, Premier Li Keqiang announced that the government will provide incentives for private providers to run community elder care facilities. Between June 1, 2019, and the end of 2025, the government will exempt earnings generated from these services from the payment of value-added tax (VAT) and reduce the taxable income of these providers by 10%.[13] In addition, private investors are exempted from business taxes on both nursing and household services delivered to senior citizens.[14] To further encourage private investment, the central government also intends to simplify the administrative procedures for obtaining approval to operate private elderly care facilities.[15] For example, in February 2019, the Ministry of Civil Affairs (MCA) cancelled the licence approval procedure for the construction of senior care facilities. As the existing document submission and MCA branch registration procedure remain in place,[16] the abolishment of the former procedure does away with an additional layer of bureaucracy, thus relieving prospective investors from the hassle of dealing with this bureaucratic process. Meanwhile, the Ministry continues to exercise oversight both during and after facilities are structured.[17]

Several other incentives have been implemented to facilitate private investment in seniors' medical care. For example, in June 2019, the government announced the implementation of preferential tax treatment for for-profit investors establishing small-scale medical facilities.[18] According to the two-step new policy, small-scale enterprises will pay a tax rate of 20% for 75% on the first RMB1M of their taxable revenues, and 20% on 50% on their taxable income that is greater than RMB1M but equal or less than RMB3M.[19]

The plan for private delivery of senior care services also includes the participation of foreign senior care operators and providers. In 2013, the Chinese government permitted foreign investors to establish fully owned, for-profit senior care institutions.[20] In April 2019, the State Council announced that elderly care facilities run by foreign investors will be eligible for the same policy treatment as local ones, including government subsidies.[21]

## China's Senior Care Policy (The 9073 Plan)

The broad outline of the government's senior care policy – officially laid out in the 13th Five Year Plan (2017-2021) – divides senior care into the following categories: 1) home care for 90% of seniors;[22] 2) daytime community care for 7% of seniors; and 3) residence in senior care facilities for 3% of seniors.[23] Currently, 96% of Chinese seniors live at home, 3% receive community-based support, and 1% are in residential care.[24] This implies that 6% of all seniors – about 13.8 million seniors – are expected to move from living at home to these facilities. Simultaneously, the government also plans to build the largely absent infrastructure to support home care.[25]

### SENIOR CARE FACILITIES

These include both assisted-living and long-term care facilities. The former refers to residential apartments/units for seniors who are still independent. These facilities normally provide catering and cleaning services, and also organize social, recreational, and entertainment activities. Often, a resident medical doctor and nursing aides are affiliated with such facilities. Long-term care facilities serve elderly clients who have special care needs and are not independent due to either physical or mental conditions (such as dementia), providing around the clock nursing services and access to medical doctors, such as respiratory specialists.

However, there is often a difference between the central government's declared goals, as stated in formal documents, and the dynamics at play during the implementation stage. Local governments – either provinces, cities, or counties – usually have considerable leeway in the interpretation and implementation of central government directives. If a policy does not clearly align with local government's incentives, its execution may be deficient. For example, a prominent Chinese expert has pointed out that the 7% target for community-based care is unrealistic given the limited number of adult care facilities in China and the economic infeasibility of constructing new adult care facilities; ultimately, the majority of Chinese seniors are likely to receive home care rather than community care.

# SUBSECTORS IN CHINA'S SENIOR CARE SECTOR

China's senior care sector is composed of several key subsectors, including smart care, assistive care, specialized medical services, pensions and long-term insurance, and senior care facilities, each having unique features. The following section will discuss each of these subsectors, while identifying both the opportunities and challenges associated with investing in each subsector.

## Smart Technology Senior Care

To make home care possible, the Chinese government is actively promoting the application of smart technology to the senior care sector, which incorporates wearable medical sensors, actuators, computers, cellphones, and other information technologies to enable continuous and remote monitoring of elderly health and well-being at a low cost.[26] The Chinese government envisions that smart tech will facilitate diverse types of care for seniors, in the following critical domains:

### HOME CARE

The Chinese government is promoting experimentation and construction of online platforms through which seniors can order basic services, such as cleaning, cooking, and nursing. Meanwhile, health authorities and platform operators will be able to monitor the quality of services, requiring care workers to take a photo after completing their care service (e.g., if they cleaned the kitchen, a photo of the clean kitchen should be uploaded to the platform). Platform operators also use the platform to conduct digital surveys of clients' satisfaction with the service.

## CHRONIC DISEASE

For seniors suffering from chronic disease, the government intends to promote smart tech solutions, such as digital self-assessment tools, smart testing apps, and emergency alert monitors.

## PATIENT CARE

Smart care technology is likely to facilitate access to medical services through digital medical consultation, online registration for medical checkups, pre-checkup guidelines, and after-checkup monitoring.

## INCAPACITATED/DISABLED SENIORS

For seniors who cannot function independently, smart technology can help family and care providers protect seniors, avoiding life-threatening risks. Smart tech will be able to detect the location of seniors with dementia and track their behaviour, ensuring that they will not leave their place of residence unattended. To help care for seniors in critical condition, there will be smart tech solutions to monitor patients' health during the night.[27]

In addition to planning for the integration of smart tech into the above-mentioned domains of senior care, the Chinese government encourages the development of the following four types of smart senior care products:

1. *Wearables*, such as medical wrist watches, to test seniors' blood pressure, sugar level, and heart rate.

2. *Portable medical devices*, to allow medical staff to conduct medical examinations either in community clinics or at patients' homes.

3. *Self-check medical devices*, to be used by both seniors living at home and medical staff conducting home visits.

4. *Monitoring smart care devices*, such as smart chairs and beds, to detect seniors' breath (while sleeping), heart rate, and brain functioning both at home and in senior care facilities. These devices can also be connected to smart care platforms, allowing either medical staff or senior care professionals to monitor changes in seniors' conditions in real time.

5. *Household robots* will perform household tasks at seniors' homes and ensure their health and safety.

Throughout 2017 and 2018, the government administered a competitive national application process among companies for inclusion in the smart care pilot project. So far, 99 companies have been selected and have received financial support and other policy benefits from the government.[28] Because the Chinese government actively focuses on the promotion of local companies, foreign companies entering this market might face challenges, as they will not be eligible to receive the same kind of support as the local champions participating in the pilot project. The most viable option for entering this market is through partnership with local companies.

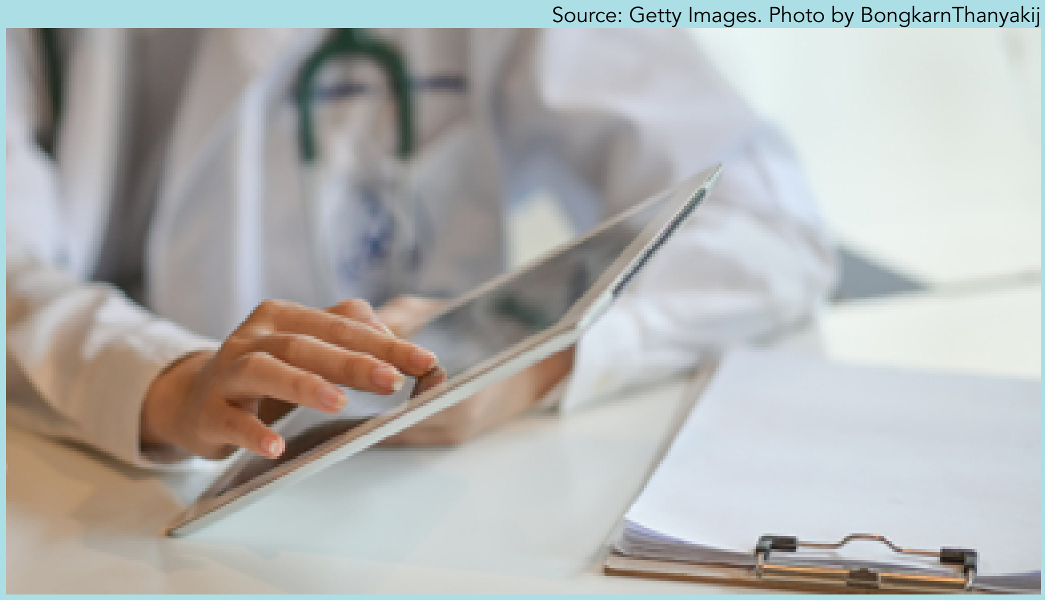
One of the companies that is likely to lead the future smart tech senior care market is Potevio (zhongguo putian), a central government state-owned enterprise with 23,000 employees and assets worth RMB10B. Specializing in information technology, Potevio is active in the following sectors: internet security, smart cities, clean mining and resources, finance information services, and industrial automation.[29] In the senior care sector, Potevio is starting to develop its capacity. One of its signature products is a telecommunication platform to provide medical guidance for the treatment of stroke to approximately 300 hospitals across the country. Potevio collaborates with Xuanwu Hospital, one of China's leading medical institutes, in developing this service. Potevio has also built an online platform to enable seniors to contact household and nursing services, and monitor quality and client satisfaction levels. Potevio has set these platforms – which are part of the government's smart senior care demonstration sites – in 10 different locations across the country.[30]

## CASE STUDY #1 OPPORTUNITIES IN HOME CARE AND SMART CARE: THE CASE OF BUURTZORG

The Chinese government's efforts to promote the emergence of local capacity does not preclude the opportunities for foreign companies to enter into this space. The recent headway of a Dutch company, Buurtzorg, into China's smart tech senior care market is a case in point. With 10,000 employees, Buurtzorg provides community nursing services in the Netherlands and across the globe, including in China, Japan, and Taiwan.

Buurtzorg's approach to care neatly fits with the senior care model envisioned by the Chinese government: cost-effective, community-based senior care run by non-government actors and backed by IT platforms to support these services. Buurtzorg's model consists of small, decentralized teams of 10 to 12 nurses who are granted the autonomy to innovate and adjust their practices to the needs of local people. These nurses primarily serve as health coaches, emphasizing preventive health care. To achieve these goals, Buurtzorg relies on the OMAHA IT platform for nurses, which enables documentation, analysis, and assessment of patients' needs and the outcome of medical interventions.[31] In China, Buurtzorg partners with like-minded companies that provide community services to seniors in various locations across the country, including Shanghai, Suzhou, and Qingdao.[32]

Source: Getty Images. Photo by BongkarnThanyakij



Canada has one company like Buurtzorg. Saint Elizabeth Health (SE Health) has provided home care services, senior care staff training, and senior care facilities operation services for more than 100 years. Like Buurtzorg, it is a non-profit organization that is successfully generating revenue. In recent years, SE Health has made progress in integrating technology into its practice and has also started to explore business opportunities abroad. In 2016, SE Health established Saint Elizabeth Global to actively seek to establish consulting practices, joint ventures, or memorandums of understanding (MOUs) with like-minded organization abroad.[33] Because the Chinese government intends to promote home living for 90% of seniors, and because the establishment of a smart care system is essential for enabling this, opportunities for organizations like Saint Elizabeth Global in China may abound. Canada has a number of innovative companies with specialization in these areas, some of which participated in the 2019 Women-Only Business Mission to Japan that focused on the care economy.[34]

# Assistive Devices for Senior Populations with Disabilities

To help seniors cope with both cognitive and physical impairments, the government promotes the assistive device sector, offering tax incentives and financial subsidies to companies developing such devices. The government also seeks to establish three geographic clusters to promote innovation in the field: Beijing-Tianjin-Hubei (Jing-Jin-Ji Metropolitan Region), the Yangtze River Delta (Shanghai, Jiangsu, and Zhejiang), and the Pearl River Delta (Guangdong).[35] In addition, the Ministry of Civil Affairs is overseeing the implementation of a pilot project in which local governments in 12 different locations across the country experiment with effective ways to rent out assistive devices to patients.[36]

The government focuses on the promotion of the following categories of assistive devices for seniors suffering from either physical or cognitive disabilities: 1) mobility aids; 2) hearing aids; 3) cognitive aids (computer or digital assistive devices, to help people with memory, attention, or other challenges in their thinking skills); 4) software and hardware, such as speech recognition devices and screen readers, to assist seniors with impairments to either use technology or communicate with their environment; 5) physical modifications in buildings, including ramps, grab bars, and wider doorways to enable access to homes, businesses, and workplaces; and 6) adaptive switches and utensils to allow those with limited motor skills to eat, play games, and accomplish other activities.[37]

The government is opening up the assistive device market for international collaboration, primarily for gaining exposure to the state-of-the-art technologies in the field. Foreign companies are permitted to invest and hold shares in Chinese assistive device companies and are also encouraged to open research and development (R&D) and manufacturing facilities within China. Meanwhile, the government is committed to supporting Chinese companies establishing R&D facilities abroad. It now also permits local companies to merge with foreign companies.[38]

# Specialized Medical Services for Senior Citizens

The Chinese government encourages the establishment of specialized medical services for seniors, notably for chronic disease management, rehabilitation/post-acute care, dementia care, and geriatrics, which are in high demand in China.

The shortage of these services in China has its origins in the country's uneven distribution of health resources. Medical services of the highest quality are concentrated in big, urban tertiary hospitals. Yet seeking medical care at these public hospitals is both difficult (due to the high volume of patients) and expensive.[39] As medical resources are distributed primarily to tertiary hospitals, the quality of specialized medical services, which are normally delivered outside of tertiary hospitals, is low. The Chinese government is aware of these problems and is taking active measures to address them. However, institutional change may take a long time. Reliance on best practices and the know-how of foreign providers might be the shortcut for the establishment of such services in China.

In addition, Chinese government policies to promote the integration of senior care and medical care further enhance the market opportunities in China's senior care sector. Currently, most senior care facilities lack the capacity to provide seniors with medical care.[40] To address this problem, the government has encouraged senior care operators to open up medical services, simplifying the approval procedure for senior care facilities to establish and integrate medical services and medical wards into their operations. Existing senior care operators are now permitted to open up complementary seniors' hospitals, nursing hospitals, rehabilitation hospitals, and Chinese medicine facilities. Current policies also encourage medical doctors and nurses to sign private contracts with senior care facilities. Medical services and treatments provided by these facilities are now also eligible for medical insurance compensation.[41] To further explore how to implement these policies, in 2016, the central government selected 100 sites across the country, ordering relevant local governments to conduct policy experiments to explore effective ways of integrating senior and medical care services.[42] But, while the government seeks to stimulate private providers of medical services, local care providers, most notably within senior care facilities and community medical facilities, lack knowledge and specialization in the treatment of seniors.[43] The combination of favourable government policies toward private care operators and the local absence of experience in the area represents an opportunity for Canadian senior care providers specializing in medical services.

In light of these opportunities, the remainder of this section surveys the specialized medical services that seem most promising.

## CHRONIC DISEASE MANAGEMENT

The Chinese government plans to significantly lower the mortality rates from chronic diseases,[44] and it has emphasized the development of practices to minimize the occurrence of chronic diseases, such as cardiovascular and cerebrovascular diseases, diabetes, malignant tumours, respiratory diseases, and oral diseases.[45] One of the measures used in China to promote effective chronic disease management is the creation of contract-based relationships between patients and family doctors. Seniors may select and sign a contract to have a family doctor provide basic care services, including chronic disease management, free of charge.[46] These family doctors, who are usually affiliated with primary care facilities, are in a position to be more responsive to the immediate needs of chronic disease patients than doctors in the crowded tertiary hospitals.[47] Since 2016, Shanghai has been a pioneer in implementing this policy, with 3.22 million seniors signing agreements with family doctors. Concomitantly, to adjust the health system to the needs of patients with chronic disease, the state is revamping the medical insurance reimbursement policy. Public insurance plans will now cover treatment of a specific disease, rather than medical procedures, which will lower the financial burden for seniors with chronic disease.[48] A complementary strategy pursued by the Chinese government is the harnessing of technology, notably, information systems, wearables, and other apps, to better manage and monitor chronic disease patients.

But these policies have their limits. First, considering the high number of patients per family doctor — more than 1,000 — the ability of these doctors to deliver personalized services is quite limited. Second, as most qualified doctors are still working within tertiary hospitals, it has been difficult to attract high-quality physicians to serve as family doctors at the community level.[49] Third, the adjustment of insurance payments from program-based reimbursement to diagnostic-related groups is going to take time to accomplish, as it will require finding alternative sources of income for public hospitals.

## CASE STUDY #2 CHRONIC DISEASE MANAGEMENT IN CHINA: THE CASE OF CANADA WELLNESS INSTITUTE

Canada Wellness Institute (CWI), a Canadian non-profit institute run by Seven Oaks Hospital in Winnipeg, has benefited from the gaps in chronic disease treatment services in China. In 2015, CWI established — in partnership with a local hospital and a private company, More Health — China's first medical fitness facility in Rizhao, Shandong.[50] Recently, a new, high-end facility was opened in Beijing to service the top income groups in the city. Following accolades from the Chinese government, CWI has an ambitious plan to broaden its operations in China and establish 100 new medical fitness facilities in different locations across the country.[51]

CWI offers personalized programs for patients with chronic disease, notably diabetes, cancer, cardiovascular disease, kidney disease, and lung disease. The program includes one-on-one consultations, phone support, workshops, exercise programs, and educational workshops. CWI also targets chronic disease prevention by coaching seniors on how to maintain healthy lifestyles and offering specialized smoking cessation and weight loss programs.[52] CWI's strength is that these programs draw on best practices and expertise that are embedded in the clinical procedures and research emerging from one of Canada's leading hospitals, Seven Oaks.

A key factor in CWI's success in China is its partnership with More Health, a Chinese mobile health startup. More Health provides personalized programs for chronic disease prevention and management through the use of a mobile app and a digital wearable apparatus to monitor patients' health and lifestyle. More Health is also part of China's growing e-commerce sector, and as such it has an efficient mobile payment mechanism. The partnership with More Health, which has leveraged its e-commerce know-how for promoting CWI, has provided Seven Oaks with greater access to potential users.[53]

Source: Getty Images. Photo by STR / Stringer.

## REHABILITATION/POST-ACUTE CARE

As China's senior population grows, demand for multiple facets of rehabilitation care also expands. There is an acute need in China for rehabilitation that does not rely on drugs. More specifically, this category consists of the following types of rehabilitation: post surgery, especially bone and joint disease (osteoporosis and arthritis), heart and bypass surgeries, and brain tumour removal; post stroke (and other cerebrovascular disease);[54] swallowing therapy (dysphagia treatment); speech therapy; brain function (cognitive rehab); physiotherapy; and occupational therapy.[55]

Meanwhile, the current supply of rehabilitation care, a relatively new specialization (it first started in China only during the 1980s) is limited, especially physiotherapy.[56] The number of programs is small, and their quality is low. There is also a shortage in qualified professionals, and those who are currently working in the field receive low pay.[57] In addition, the scope of medical insurance coverage for recovery, which is a long and expensive process, is limited.[58] Although there have been efforts to secure access to these treatments, they are insufficient. In 2016, the government rendered 20 different types of rehabilitation programs eligible for public medical insurance compensation.[59] But these measures are only the beginning – it is likely to take a decade for insurance to provide appropriate coverage for rehabilitation care.

The Chinese government intends to promote rehabilitation care, encouraging the construction of rehabilitation hospitals and mandating an increase in beds at community medical facilities. Further, the government plans to train more rehabilitation professionals and promote fitness rehabilitation activities for the elderly.[60] Canada Wellness Institute has also entered this space, offering stroke, cardiac, and pulmonary rehabilitation. Additionally, there has been an interest in China in the rehab services offered by the Toronto Rehabilitation Institute.

## DEMENTIA CARE

Occurrences of dementia are increasing as the population ages. There were an estimated 9.6 million seniors suffering from dementia in China in 2010, and these figures are predicted to reach 14.1 million in 2020 and 23.3 million in 2030. The annual costs of caring for dementia patients were also expected to rise, peaking at US$69.9B in 2020 and US$114.1B in 2030.[61]

The services to care for dementia patients do not match existing demand. The majority of medical professionals in China have little knowledge of dementia and are unable to diagnose it.[62] There is also a shortage of facilities equipped with trained clinicians to treat patients suffering from dementia. In the absence of medical practitioners to support these patients, 96% of people suffering from this condition are cared for by family members, primarily spouses.[63] The Chinese government is searching for strategies to tackle this problem, but it has so far come up short of solutions.

## GERIATRICS

There is also a mismatch between the quality of education and training of medical doctors specializing in geriatrics and a growing demand for this field of medicine in China. Geriatrics departments in Chinese public hospitals normally engage in a medical assessment with the assumption of a single disease, instead of conducting a comprehensive assessment to identify parallel causes of failing health. In addition, geriatrics does not exist as an independent discipline in China's medical school curriculums. It has never been taught as a subject, let alone as a course.[64] To address this problem, in 2015, the National Health Commission established the National Center for Geriatrics and Gerontology at Beijing Hospital. The Center conducts academic research in the field and is also responsible for implementing training programs for geriatric care and research, co-ordinating national geriatric initiatives, monitoring disease trends in the elderly population, and issuing regular senior health status reports.[65]

Canadian training for geriatricians is likely to be welcomed in China. Canada, along with the United Kingdom and Australia, developed a unique approach to acute senior care and frailty. Building on the assumption that seniors are suffering from multiple medical complications, rather than a single health problem, Canadian geriatricians developed a geriatrics assessment tool to detect numerous medical conditions.[66] Because geriatrics in China is not considered a specialty and is not taught as such, managing a comprehensive geriatric assessment for elderly patients is difficult. Seniors are usually assigned to specialists who are not qualified to evaluate the multiple problems of their patients and, thus, are unable to offer adequate treatment.

Consequently, specialists are often frustrated with their inability to help their elderly patients. The Chinese Medical Doctor Association, a national organization under the auspices of the National Health Commission, and Beijing Hospital are well-aware of this problem, as well as of Canadian strength in this area.

Beijing Hospital has welcomed international collaboration, including with Canadian counterparts. In 2017, Beijing Hospital signed an MOU with Baycrest Hospital in Toronto on co-operation in geriatric training.[67] In addition, Professor Kenneth Rockwood, a geriatrics specialist from Dalhousie University, has, on numerous occasions, advised Beijing Hospital and the Chinese Hospital Association on how to improve the practice of geriatrics across the country.

## OTHER RELEVANT MEDICAL NICHES

**Quality Indicators:**

In China, the system for measuring the quality of health and senior care services is not well-developed, yet there is an awareness of the pressing need to develop such a system. Recently, the State Council established a committee of experts to develop guidelines for a future quality evaluation system.[68] Canada, alongside the United States and Finland, is one of the leading countries in the world in its system of quality indicators to measure aspects of senior care, including clinical care, in both hospital and long-term facilities, and report them in a systematic way.[69] It is thus within this niche that Canadian professionals specializing in quality indicators could serve as consultants to the Chinese government, businesses, and hospitals.

**Accreditation of Senior Care Providers:**

The Chinese government is now seeking to set up a unified accreditation standards for the senior sector.[70] Canada is one of the world's leaders in the accreditation of medical and senior care services.[71] Accreditation Canada and Health Standards Organization (HSO), with both Canadian and international experience, could contribute to the development and implementation of world-class accreditation standards[72] in China's emerging accreditation system.

**Training of Senior Care Personnel:**

The shortage in trained personnel to care for seniors also opens up opportunities for Canadian universities and vocational colleges, particularly in the area of nursing and personal support workers. However, finding a credible academic counterpart in China that can secure funding to pay for such training may be challenging. Recently, BPS Strategies, an Ontario-based consulting company specializing in senior care, signed an MOU with the Nursing School at Hebei University in Shijiazhuang, stating that the Canadian company will be responsible for nurse training programs at the school.[73] This example might attest to the potential that Canadian companies have in this area.

# Pensions and Long-Term-Care Insurance

The pension market in China entails both great pitfalls and opportunities for investment in senior care in China. An ongoing deficit in public pensions undermines market growth, as seniors cannot afford to pay for services. Meanwhile, the emergence of private insurance holds promise for Canadian insurance companies that are already well-established in China.

The size of China's pension assets was RMB11T in 2017 (US$1.6T), with the majority, RMB5T, in public pension funds (PPFs) managed by provinces and municipalities. Currently, these locally managed funds are in deficit.[74] However, the public National Social Security Fund (NSSF), which now manages the pension surpluses of China's richest provinces, is currently generating revenues, with an average 7.1% annual return rate on investments.[75] If more pension funds are transferred from the underperforming PPFs to the NSSF, the quality of pension management is likely to improve, and Chinese seniors are likely to have a more robust consumption power.

While PPFs are running into deficit, the Chinese government is actively promoting the development of private pensions. In June 2018, the government introduced pilot projects of tax-deferred commercial pension products in which participants pay income tax only when they become the beneficiaries. When seniors retire, 25% of pension benefits are exempt from tax, while for the remaining 75%, they pay a rate of 10%. Experiments in tax-deferred pensions are now taking place in Shanghai, Suzhou Industrial Park, and Fujian.[76]

China's private pensions market is poised for growth. According to KPMG estimates, the total assets of China's private pensions are likely to grow by 24% from 2017 to 2030 and reach a volume of RMB46T (out of a projected total of RMB113T pension assets in China).[77] The promising projections give rise to opportunities for private pension players.

The Chinese government is also encouraging the entry of foreign insurance companies into the private pension market. In 2018, the Chinese government permitted foreign insurance companies to own 51% of shares in joint ventures.

Recently, it was announced that in 2020 foreign insurance companies will be allowed to set up wholly owned ventures in China.[78] Manulife, however, received a licence by the Chinese government to establish a wholly foreign-owned enterprise – Manulife Investment (Shanghai) Limited Company – as early as 2017.[79] This is a testament to the company's strength in China and the robustness of its relations with the Chinese government. Currently, Manulife is exploring the opportunity of forming a joint-venture pension management company with the Agricultural Bank of China.[80] Along with Manulife, Sunlife, which already has existing operations in China,[81] is poised to benefit from the liberalization of the insurance market, as long as it can leverage its existing presence to quickly expand in what is likely to become an extremely competitive post-deregulation market.

Absence of knowledge on retirement planning is a problem in China. Only 20.5% of seniors' retirement assets are invested in pensions plans. But, as those born in the 1950s and 1960s grow old, this situation may change, and that will create more business opportunities for private insurance.[82]

A growing private insurance market could also consist of long-term-care insurance. To address the problem of a growing need for nursing services for the 40 million seniors with disabilities in China,[83] the Chinese government is introducing long-term-care insurance plans. In 2016, the Ministry of Human Resources and Social Security introduced 15 pilot sites, including Shanghai, Qingdao, Guangzhou, and Chengdu, for experimentation with long-term nursing insurance to cover nursing and care for elderly people with disabilities. Yet funding for such insurance is limited, and the Chinese government, in a period of economic slowdown, does not seek to place an additional burden on enterprises.[84] Hence nursing insurance funding is derived from the surplus in health insurance pools, and the compensation rate for nursing services is capped at 70%.[85] Experimentation with these insurance plans is expected to end in 2020,[86] when some of the experiments' successful practices could be expanded to the entire country. If these experiments are successful, this is likely to increase the consumption capabilities of Chinese seniors. In addition, the introduction of these insurance plans is likely to open further business opportunities for private insurance companies, including Canadian ones.

# Senior Care Residences

The prospect of a growing senior population has enticed both local and foreign investors to enter China's market and establish senior care institutions. The Chinese government plans to encourage the construction of senior care facilities and also to expand the ratio of beds per seniors (from 25-30 to 35-40 per thousand people).[87] Concurrently, the government has also created financial inducements for the construction and operation of senior care institutions, including the reduction of administrative fees by half on the construction of for-profit elder care institutions, and equalization of electricity, water, and gas fees for elder care institutions with those charged for residential living complexes.[88] These government policies have given a boost to a booming senior care facilities market, leading to an accelerated pace of construction. In 2015, 6.7 million beds were available for 4.7% of the senior population above the age of 65, half of which were built between 2010 and 2015.[89]

Source: Getty Images. Photo by Toa55

*Government policies have given a boost to a booming senior care facilities market*

Domestic real estate companies have been the leading investors in senior care facilities since 2010, primarily focusing on high-end senior care facilities. These developers enter the senior care market for two key reasons: 1) to liquidize idle assets; and 2) to build senior care capacity that could be used as a bargaining chip to gain access to land. These developers, who include leading, local real estate companies such as Vanke, Poly CN, and Sino-Ocean Group, excel in development and construction of high-end facilities. However, they have very little experience in the management and operation of senior care facilities, particularly the provision of nursing care, medical services, and entertainment.[90]

Local insurance companies, such as Taikang, Union Life, NCI, Taiping Life, and Ping An, have also entered the market and established high-end senior care facilities. Their business model consists of levying a membership fee (for example, approximately RMB2M in one of Taikang's facilities) and a monthly fee of several thousand yuan, depending on the unit's size. The accumulation of capital from the sale of life insurance premiums and legislation from 2008 that permits insurance companies to invest in the senior care market have all contributed to this trend.[91]

The prospect of an ever-increasing senior care residence market has also attracted investors from abroad, such as two of the largest owners of senior care facilities in the United States, Fortress and Watermark. In a high-profile move, in 2016, the French company ORPEA opened up a high-end nursing home in Nanjing. The new facility, which includes 140 beds and 111 rooms, provides around the clock nursing and medical services to an affluent population of 80-year-olds and above. ORPEA has plans for further expansion, establishing new facilities across China. The purpose of this venture is to address the absence in high-quality nursing services in a sector that is dominated by real estate developers.[92]

So far, the construction and management of senior care facilities has not been highly profitable for either local or foreign investors. And this trend has not matched investors' expectations for a fast turnover rate, particularly for Chinese developers, who have been accustomed to quick and high profit margin rates. Given the costs of developing the variety of services associated with high-end senior care, profits may arrive only in the long term.

One reason for the operation losses is the low occupancy rate in senior care facilities. For example, in 2015 the occupancy rate in senior care facilities was only 48%. The reasons for this are both economic and cultural. Economically, the current generation of seniors cannot always afford expensive senior housing. These seniors, who were born during the 1930s and early 1940s, have not been the main beneficiaries of China's economic reforms, and the absence of long-term insurance plans has also hindered their access to senior care housing. Culturally, the current generation of elders prefers to live next to their offspring, and their offspring also find it culturally inappropriate to let their parents live in senior care instead of caring for them at home. Seniors who grew up in the 1930s and 1940s, when China was poor, have a developed an ethos of self-sacrifice. Their priority is to maximize resources in order to guarantee the future welfare of their children and grandchildren. Spending money on themselves clashes with their value of self-sacrifice.[93]

Currently the senior care real estate sector is not generating surpluses. For example, according to a Chinese government report, only 9% of elderly care homes in China were profitable in 2015.[94] Further, a survey from 2016 finds that only 4% of senior care facilities were making a profit.[95] But this situation might change in the long term. In 10 to 15 years' time, as the rather affluent generation of Chinese who were born in the 1950s ages, the demand for high-end senior care housing is likely to expand. In addition to the aging of a comparatively rich population, the introduction of a viable long-term-care insurance plan is likely to further stimulate the senior care market.

# CONSIDERATIONS FOR ENTERING THE CHINESE MARKET

Having outlined opportunities in senior care that are available for Canadian investors, the report now focuses on some principles that are essential for achieving success in the Chinese market. This section specifically looks at collaborative approaches, partner selection, existing Canada-China collaborations, cultural adaptation, Japan's example of success, the Canada brand, selection of regional markets, intellectual property (IP) considerations, and thinking about the long term.

## Embracing a Collaborative Approach

*There is potential for Canada to follow China's lead in senior care, particularly in the use of tech*

Source: Getty Images. Photo by Xmee.

Both China and Canada are facing the challenges of a growing senior population, and both countries are also looking for ways to provide cost-effective, yet high-quality, senior care services. Canada's system might be more mature, particularly with respect to the integration of senior and medical care, accreditation, and quality indicators of senior care services. However, Canada's system has yet to find solutions for applying technology to support home care – an area in which China has been quite innovative. Because both Canada and China are tackling somewhat similar problems, and since both countries are experimenting with new senior care delivery strategies, there is potential for collaboration and learning from each other.

# Carefully Vetting Local Partners

Whereas foreign providers of senior care services are permitted to establish wholly owned foreign enterprises, Chinese regulations compel foreign investors in medical facilities to work with a local partner, either through equity investment or collaborative joint venture.[96] Canadian senior and medical care providers are often uneasy about forming partnerships with Chinese counterparts, particularly those from the real estate sector. They are concerned that these potential partners do not share the same goals and values, and that they are in it for the short-term gain at the expense of seniors' welfare. Canadians also fear reputational damage, as a Chinese partner might use the brand name of a top-quality Canadian provider to deliver cheap, substandard care. To identify effective business partners, Canadian senior care providers are advised to use leading public hospitals in China as market entry points. Meanwhile, they can consider business partnerships with a leading public Chinese hospital, and thus benefit from the hospital's reputation in China. Among China's hospitals, Beijing Hospital, which houses the National Center for Geriatrics and Gerontology, proved to be an effective partner for Baycrest Global Solutions.

In addition to public hospitals, Canadian organizations can consider other possible intermediaries. First, China-based lawyers with extensive experience in brokering business and partnerships between international and Chinese entities could be helpful in selecting a partner and ensuring compliance with the partnership agreement. Second, Canada has the advantage of a large Chinese community with elaborate connections and nuanced understanding of the business culture in China – many of whom work within Canada's medical and senior care sector. These Chinese-Canadians can serve as a bridge between Canadian providers and their Chinese counterparts.[97] Third, Chinese professional organizations, such as the Chinese Hospital Association, which has close institutional ties to the Chinese government (China's National Health Commission) can help in ensuring that the authorities are supportive of the Canadian entry into the local market. Fourth, Canada's well-connected Canadian Trade Commissioner Service (TCS) in China is in a position to identify and introduce potential Chinese partners.

# Building on Existing Canada-China Collaborations

MOUs signed between Canadian and Chinese counterparts can facilitate access to important Chinese brokers and partners. For example, in 2016, the Canada Pension Plan Investment Board (CPPIB) signed an MOU with the National Development and Reform Commission (NDRC), China's economic development department, in Ottawa. According to this agreement, the CPPIB will share with its Chinese counterpart the Canadian experience in the governance of pension funds and its investment portfolio policies – especially with identifying strategies for coping with China's deficit-ridden public pension funds.

CPPIB has already gained access to the Chinese market. Currently, 10% of CPPIB funds are invested in its China portfolio, and the organization is also planning to establish an office in Beijing.[98] On top of that, CPPIB is already invested in senior care facilities in China – it is the largest shareholder in the French company ORPEA, which opened a high-end nursing care home in Nanjing in 2014.[99] It is also invested in Chindex, a Beijing-based company owned by Americans living in China, which is running a chain of private hospitals across China – the United Family Hospitals.[100]

Capitalizing on the CPPIB's government contacts and reputation in China, Canadian senior care providers could use this existing MOU to forge new contacts and expand their networks in China.

A second example of existing co-operation is the Royal College of Physicians and Surgeons of Canada's MOU on medical education and training with the Chinese Medical Doctor Association, a national, professional association of 2.1 million practising physicians in China.[101] Building on these contacts, Canadian hospitals and senior care providers can gain direct access to one of the key professional networks in China, which could potentially facilitate the identification of local partners. In particular, it may be worth exploring leveraging these contacts to set up training programs for geriatricians, to take place either in China or in Canada.

## Adapting to Local Culture

On numerous occasions, interviewees specified that having an understanding of Chinese culture is necessary for achieving success in China. The concept of Chinese culture, however, is diffuse. First, Chinese seniors often appreciate elements of both Chinese and Western medicine. In specific contexts, they select among a "supermarket" of possibilities – either Western or Chinese medicine treatment – according to what they deem to be the most efficacious option.[102] Second, Chinese culture is also divided across geographic locations, exhibiting a diversity of customs, dialects, cuisines, business cultures, and so on.

To be successful, Canadian companies entering the Chinese senior care market must apprise themselves of the preferences, values, and tastes of their Chinese customers. In particular, Canadians should take into account the integration of Chinese medicine into their senior care operations in China, paying attention to how Canadian disease prevention methods can resonate with existing preventive practices in Chinese medicine. Canadians should also take into account Chinese dietary habits. Our diet can have a determinant effect on our health in old age and the probability of suffering from a chronic disease. Yet Canadian and Chinese seniors may not have the same culinary preferences, and, thus, the menu needs to be adjusted to local tastes.[103] Other cultural aspects, such as interior design and having frontline workers with cultural compatibility (notably speakers of local dialects), should not be ignored.

Canadians must be highly sensitized to the persisting importance of filial piety in Chinese society. Currently, filial piety is one of the key reasons for the low occupancy rate in senior care facilities. Having one's parents sent away to a senior care facility, rather than cared for by their children at home, is still deemed by many as "un-filial." To counter that trend, senior care service providers must find strategies to have seniors' families actively involved in the care process – even if the parents no longer reside with their family members. Regular updates and consultations between the medical staff, seniors and their family members can be one way of making the absence of physical presence next to one's parents commensurate with the imperatives of filial piety. Recent advancements in smart senior care technologies can facilitate communication and monitoring among the seniors and their family members. Canadian providers should ensure that their senior care practices are consistent with Chinese perceptions of filial piety.

Use of technology and social media is pervasive in China. Urban residents already expect that providers will sell their products online and will also have a digital, interactive platform. Canadians who wish to enter the market must take this into account and integrate technology and social media into their services. A successful operation should have a strong online and social media presence and provide digitally responsive services. Because Canadian public hospitals are not accustomed to these kinds of interfaces, they may need to form partnerships with local companies specializing in this area.

Because culture is a key ingredient for success in China's senior care sector, having a local partner, who is an insider, will be an advantage.

## Learning from Japanese Counterparts

Cultural adaptation is important in senior care, and the Japanese brand is held in high regard in China. The Japanese are perceived to have shared cultural norms with the Chinese, especially regarding filial piety and care for the elderly. Japan has a reputation both in China and around the world for having the most advanced system of care for seniors. The Japanese senior care system consists of a publicly funded long-term-care insurance, an integrated, single entry assessment system, and the longest and most rigorous training system for senior care staff.[104] Japanese aged care facilities are known for providing high-quality services, including mandatory employment of nutrition specialists and promotion of activities to maximize both physical and cognitive performance.[105] Japan is also one of the early entrants into the Chinese senior care market, and as such, Japanese providers are benefiting from both name recognition and understanding of the Chinese market.

## CASE STUDY #3 MANAGEMENT AND OPERATION: THE CASE OF NICHII GAKKAN

Source: Getty Images. Photo by ake1150sb.

Among Japanese senior care providers, Nichii Gakkan, which owns and operates 400 senior care facilities and 1,300 senior care service stations providing nursing services to approximately 135,000 seniors,[106] has attained success in China. Banking on its experience and resources, Nichii Gakkan first entered the Chinese market in 2014, setting up numerous local operations that provide in-home nursing care services and care worker training, often through joint ventures with local Chinese housekeeping companies.[107] The company's asset-light model, which consists of operating nursing services rather than owning senior care facilities, has proved to be financially successful.[108]

Nichii Gakkan fills a gap in China's senior care system. China has an oversupply of luxury senior care residences, continuing care retirement communities, and long-term facilities. Yet the operators of these facilities often have few professional skills and little experience in servicing seniors.[109] An organization such as Nichii Gakkan, which has a reputation for providing high-quality care services and nursing, is in a position to benefit from a growing demand for such services in China.

Canadian counterparts need to learn from the example of Japan, in general, and that of Nichii Gakkan, in particular. Most importantly, we need to pay close attention to how Japanese senior care providers have branded themselves, and also how they have adapted to the local culture. Canadian counterparts could also consider a joint partnership with Japanese senior care providers, especially Nichii Gakkan – a feat that would allow Canadians to benefit from Japan's brand name.

# Creating a 'Canada Brand' in Senior Care

Canada's senior and medical care systems – as opposed to their British and Japanese counterparts – do not have a distinct brand name in China. For example, the Japanese senior care system is known in China for delivering services that are consistent with the virtue of filial piety, and the UK's National Health System is recognized for the quality of its primary care and its general practitioner training and medical education system.[110] This distinct identity facilitates the creation of a brand name abroad which, in turn, enables market promotion.

Canada's system also has some areas of excellence, but Canada has yet to craft a unique brand, primarily because of the fragmentation of Canada's medical system, as compared to the UK and Japan.[111] The provinces are directly in charge of the management of the medical system and its resources, which makes it difficult to identify areas of excellence in the Canadian system, and thus the generation of a Canadian brand name in senior care. Medical sector insiders and academic experts are primarily familiar with the services available in their geographic areas of operation, but they generally lack a good grasp of the inner workings of the systems outside of their province. Canada will need to take a systematic approach to identifying areas of excellence, and then accordingly create a credible brand name to facilitate market entry in China and beyond.

# Carefully Selecting the Market

The proportion of Chinese seniors in the population varies across different localities. For example, in Guangdong Province, which has seen an influx of young migrants, the rate of seniors within the total population is about 8.6%. However, in six provinces, including Liaoning, Sichuan, Shanghai, Shandong, Jiangsu, and Chongqing, seniors over 65 constitute more than 14% of the local population.[112] Canada's focus should be on the urban areas in these provinces, particularly Shanghai and Jiangsu, which have the highest GDP per capita in the country,[113] and where both local governments have welcomed foreign investments. Further, the Canadian Consulate in Shanghai and its TCS offices in both Shanghai and Nanjing could offer invaluable support to Canadians. Shandong Province is another potential destination, primarily because the local success of the Wellness Institute in Rizhao City has cemented Canada's reputation in the province. Because of their hospitable climate, Shandong's coastal cities, such as Yantai, Qingdao, Weifang, and Rizhao, are often a tourist destination for seniors and could be ideal for the operation of senior care services and facilities.

Saying that, we should note that in most cases Canadians are not in a position to select the location in China. In cases of collaboration, it is generally the Chinese counterparts that have initially sought out Canadian senior care providers and suggested the location. Personal connections between Canadian and Chinese companies have also been a strong factor in enabling collaboration, even in geographic areas outside of the TCS radar. This implies that Canadians should be open-minded and flexible, as offers for collaboration could come from partners in diverse parts of the country.

## IP Considerations

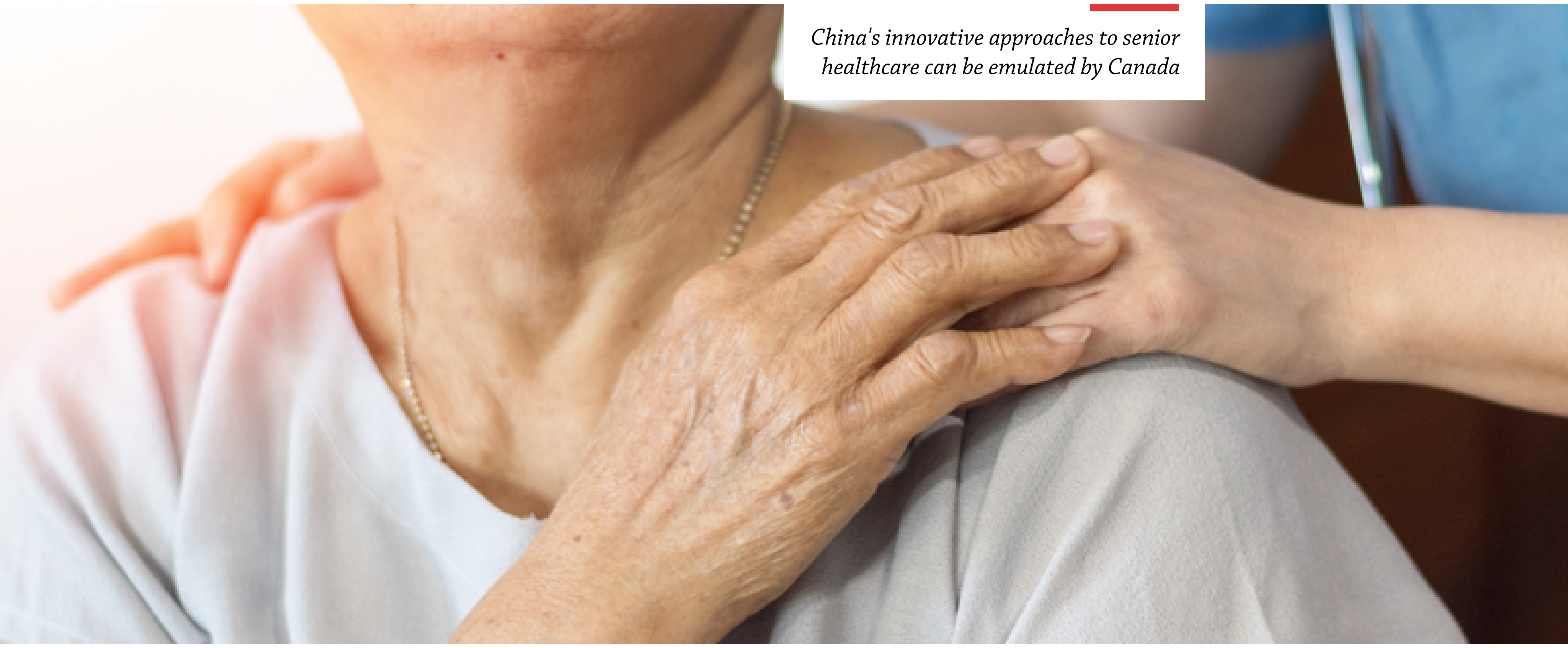
The protection of IP is a major concern for foreign investors in China, including those in the senior care business. While the threat of IP theft is real, there are several mitigating factors, and protection of IP in China has improved over the last decade. For example, China is establishing a system of specialized IP courts, which rely on the advice of specialized IP technical investigators and expert witnesses. Further, there has been increased professionalism among Chinese judges.[114] China has also been stepping up its efforts to root out IP violations. For example, in late 2018, the NDRC specified 38 new punishments for IP infringements,[115] and during the G20 meeting in Osaka, Xi Jinping personally vowed to both compensate victims of IP theft and set up a complaint channel for foreign companies.[116] Xi's discourse and recent policies can be seen as genuine because China now has a real interest in protecting IP. China is undergoing a shift in its economic structure, from manufacturing to services and innovation. In 2017 Chinese companies accounted for 44% of the world's patent filings[117], with Huawei as the world's leading patent filer. As an increasing number of Chinese companies are the owners of intellectual property, it is expected that IP protection in China will be strengthened.

While the recent commitment to the protection of IP might result in more strict enforcement, policy implementation in China is inconsistent and incremental. In locations where the economy relies on copycats, rather than innovation, judges are more likely to be lenient toward IP infringements.[118] Canadian companies should, therefore, operate in localities with higher enforcement standards and identify partners with unblemished records in IP protection. Selection of these localities will require meticulous due diligence, including consultation with TCS offices in China and lawyers specializing in IP.

## Thinking Long Term

China's senior care system is in its infancy. The public pension system, which could be the vehicle undergirding seniors' consumption power, is in deficit, whereas the commercial pension option is only beginning to evolve. There is sufficient supply of high-end senior care facilities; this supply is currently outpacing existing demand. Similarly, a budding smart care sector is still at the pilot project phase, losing money. Hence, those who enter the market now should not expect quick returns on their investment; it might take several years before their operations in China start generating a surplus. Patience, resources, and commitment are necessary for attaining success in the future. Nevertheless, investing for the long term is likely to have its payoffs. In a decade from now, the sector is going to go through a major transformation. As the generation of Chinese born in the late 1950s and 1960s ages, the culture of consumption is expected to change quite dramatically – there will be a large demographic group of comparatively affluent seniors with the means to afford high-quality care. It is also expected that the welfare system to support senior care consumption will improve, as the Chinese government considers major reforms in both pensions and long-term-care insurance. Long-term-care insurance is expected to be implemented throughout the country by 2021,[119] and the public pension fund is undergoing governance reforms that are likely to improve its solvency in the future.[120]

# CONCLUSION



*China's innovative approaches to senior healthcare can be emulated by Canada*

Source: Getty Images. Photo by Pornpak Khunatorn.

This study has shown how much China's senior care sector is rapidly evolving. Its development is fuelled by active government support of private sector participation and foreign investment. As the Chinese senior care market is in an early stage, there is still considerable space for growth. It offers an opportunity that Canadian senior and medical care providers wishing to expand abroad can seize. Joining the market at a later stage might be less promising, as it is likely to become either extremely competitive or saturated.

The sector of integrated care and specialized medical services for seniors is the most promising, given the absence of these services in China, and because of the existence of government policies to actively address this need via the promotion of private and foreign operators. Because Canada's public hospitals have a reputation for the provision of high-quality services, and because of the success of Canada Wellness Institute in Shandong, there is goodwill and trust on the part of Chinese counterparts. Thus, Canadian hospitals could seek these opportunities and identify potential partners in China.

The success of the Japanese nursing care provider, Nichii Gakkan, in China also attests to another area of opportunity. Because the quality of training and practice of nursing and personal support workers for the elderly in China is low, there is a demand both within upscale facilities and in home care for such services. Canadian companies, such as Saint Elizabeth Global, that offer both nursing services and training still have the space to enter the Chinese market, provided they are able to adjust to local culture and identify a reliable partner.

The senior and medical care sectors could become fruitful avenues of economic engagement and knowledge exchange with China. As these arenas are not sensitive, the government is more open for feedback and engagement with non-government actors. In the course of reforming its health-care system, the Chinese government has encouraged debate and solicited the advice of diverse experts, including foreign experts and international organizations.[121] This atmosphere of openness has informed Chinese government policies to promote foreign investment in senior care. The relations between Canada and China are at their lowest point since 1989. But this does not necessarily stop all channels of engagement with China. The recent opening of a new Wellness Institute facility in Beijing is a case in point.[122] It demonstrates that China's emerging senior care sector opens up outlets for constructive business relations and knowledge exchange with foreign countries, including Canada.

Even if the Chinese senior care market holds promise, great challenges for new entrants remain. For example, the Chinese market operates very differently from the Canadian one, local culture also diverges from Canada, and finding a reliable partner is often a long and complicated process. After entering the market, companies may have to wait several years for their businesses to become solvent, and they will need to maintain vigilance against potential IP theft. Successful entry will require considerable time devoted to careful due diligence. Afterwards, the company must have the resources and commitment to remain despite the challenges associated with the early years of operation in China. The task of entering the Chinese market may seem daunting in the early stages, but China's senior care sector offers great opportunities that cannot be matched by any other country. This is important in the current period, when trade and investment diversification is high on the agenda of the Canadian government.

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