

→ CHINA'S MATURE POPULATION NEEDS A MATURE HEALTHCARE SYSTEM



Article by

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Valérie studied Sinology and co-founded China Inroads. She has been active in China since 2000. Valérie creates a bridge between customer requirements and the implementation of their plans in China.

China Inroads supports innovative companies in their expansion to the Chinese market. "China belongs to the Chinese." This philosophy is the guidance for how we match companies with the right parties and markets in China, to create a successful and effective venture.



Growing old is not something we look forward to. Though commercials often paint a happy image of elderly people traveling around the world, reality is often less rosy. Ageing populations are something both wealthy and developing countries need to deal with. This is especially true for China, whose elderly population, counting 123 million in 1979, is expected to reach 487 million in 2053. The health-care system is not growing as fast in China, resulting in a dramatic lack of services and facilities. Western companies can be very helpful and could cooperate with their Chinese counterparts in developing this industry.

The current retirement system is unsustainable

One reason the percentage of elderly in China is relatively high is simply because people live longer. In 1950, the average Chinese had a life expectation of 44 years. Due to rapid economic growth this has risen to 74. Moreover, the retirement age in China is set at 60 for men and 50 for women, something we can only dream of. At this point, the state provides most of the pensions. This model is not sustainable, it is estimated that a financial deficit will emerge in 2030 and in 2050 the accumulated shortage could account for as much as 90 percent of China's GDP.

There are plans to raise the retirement age to 65 for men and 60 for women, but this is not easily done. In a survey among 3,000 mainlanders, 54 percent of respondents opposed delaying retirement and only 26 percent showed support. One of the main reasons for objection was the lack of a secure healthcare system.

This is indeed a serious problem in China. There are insufficient facilities such as geriatric hospitals and nursing, let alone rehabilitation, psychiatric, and palliative care services. Although 95 percent of the population has insurance compared to 30 percent in 2003, patients' premiums and payments are surging at a rate of 10 percent per year. Furthermore, insurance policies often reimburse only 30 percent of outpatient and 50 percent of inpatient services.

One-child policy causes ageing population

The second cause for the rapidly ageing Chinese population is the one-child policy. This policy implemented in the early 1980s has not only resulted in an unbalanced male to female ratio, but also burdened single children with the care for elderly of both families. Moreover, as China develops the birth rate declines naturally like it does in many Western countries, which only adds to the problem. In order to encourage parents to have more children, the government has recently made an amendment to the law, allowing couples to have two children if either parent is an only child. The impact of this measure is huge, since single children are now aged 25 to 35.



There is need for development of integrated institutions

“China knows very well that it has to change and develop, that is why they are eagerly examining systems in other countries,” states Jan Booi, a care consultant with a great deal of experience in China’s healthcare industry. Cao Runwu, senior doctor at the cardiothoracic surgery department in a military hospital in Beijing, also sees several steps that China should take in developing its health system. “First, we need effective healthcare education so that we can improve the healthcare for elderly. Second, we should combine family and community services so the community as a whole supports the elderly living there. Third, handicapped people or those unable to live alone, should be taken care of by several combined institutions that can work on solutions together.”

There already are some projects that integrate institutions and services such as the 686 Project. With an initial investment of RMB 6.86 million, this pilot project was launched in 2004. The main objective is to control or treat patients with serious mental illnesses and provide community psychiatric services. The urban and rural communities provide basic services, cooperating with psychiatric specialists providing back-up support. The pilot project was reasonably successful and the program was rolled out nationwide in 2008 and since then has been one of the largest mental health reform programs globally.

“Implemented by the government, it is still tightly controlled by the authorities at every level and managed by health administrators. Since its implementation, it has both increased patients’ access to medical services and expanded the number of medical personnel.”

Cultural differences affect treatment methods for Alzheimer’s Disease

Chronic diseases such as Alzheimer’s will become more common in the future and it is estimated that China already has 9 million Alzheimer’s sufferers at the moment. Henri Snel, architect and researcher for Alzheimer’s and Architecture, says that cultural differences play an important role in treating these people. “In most Asian countries problems are often solved within the family. Here we have created a sound healthcare system that people can rely on, but that is still lacking in China. This occurs in many countries that have a rapid economic development, certain things have to catch up.” Booi agrees and adds: “China is very happy to have us on board, but we do have to provide some concrete advice. They don’t just want to have a care home, it should be adapted to the Chinese situation.” Cao mentions that in some communities the elderly are initiating new community-based living environments for themselves. “When I am older, I would like to live in a family-style retirement home. For example, I have some friends who are living together like a small community, supporting each other. In this way, people are already actively setting up these new living environments,” Cao says.

Snel believes that China will also focus on developing innovative solutions for mental diseases in the future. "When they see how urgent the Alzheimer's issue is, they will have to deal with it more effectively. There is also more interest in specialized care homes now, which is especially important for people with chronic diseases. Since these are irreversible illnesses we shouldn't create a 'healing environment', but a 'caring environment'."

Although the elderly themselves have initiated small projects, this is yet not common practice. Cao mentions that "these initiatives are only small ventures often started by middle-aged people because there are no service facilities. Moreover, the government is mostly focusing on wealthier Chinese citizens with a certain living standard."

New regulations to stimulate foreign initiatives

Healthcare spending in China is expected to total near USD 890 billion a year by 2017, growing by an average rate of almost 14 percent annually. The central government spent an additional USD 125 billion over the past three years. They are actively taking steps to attract foreign investment into its healthcare sector.

In late 2011 the Chinese government made an important announcement that they would accommodate Wholly Foreign Owned Entities (WFOE) as investors in China's hospital space. This adjustment to the country's Foreign Direct Investment (FDI) Catalog was followed up by another announcement from China's Ministry of Health that it wanted to see 20 percent of all patient visits throughout the country's hospital system to be handled by private operators by 2015. Given that currently only around 8 percent of patient traffic is routed through public hospitals, the objective represents a major increase.



Cao mentions that there are many opportunities for Western companies, but hurdles remain. "Policies and regulations are easily revised because China is a developing market. There are some success stories like the American healthcare company Chindex's United Family Healthcare organization in Beijing, the first international standard hospital established in 1997. But the failures are a much greater number, such as the German Augustinum Group's retirement home project in Shanghai."

The Augustinum Group, a leading provider of retirement homes in Germany, entered an investment partnership with a Chinese real estate company and announced plans in 2006 to build a luxury retirement village in the so-called Shanghai International Medical Zone (SIMZ). It was due for completion in 2010 and aimed at wealthy old Chinese pensioners. In reality, the project was never realized because of difficulties in buying land from the local government and communication problems between the Chinese and German parties.

Booij emphasizes that the government's support is crucial in this industry.

"Many directors of Chinese healthcare institutes and service providers are Party members. They are very motivated to create openings, but it requires a long-term relationship and mutual trust. This is why I founded Karakters.org with some colleagues where we create networks between Chinese and Dutch interested parties."

"Western parties are most likely to enter the high-end service market, but you need to be careful in choosing a partner and carry out extensive market research beforehand", Cao states. "It is also very important to have employees with a thorough understanding and knowledge of the Chinese legal system and Chinese society, so you can figure out why your partner, the government and your clients do things in a certain way. A Chinese proverb says: 'It is easy to raise an army of one thousand, but hard to find a good General.'"

How China Inroads can support you to increase chances for success.

Over the last decades the China Inroads team built a strong local network in China. We will introduce you to the right contacts, opening doors where necessary. China Inroads activates its network and approaches potential partners suitable for your business. Once this partner has been identified, China Inroads supports your company in negotiations with the potential partner, working towards a sound business model that fits both parties.

Once initiatives bear fruit, there will be a lot to take care of. Local presence is essential to become successful. China Inroads has offices in Amsterdam and Beijing. We function as the first point of call, maintaining and strengthening the relations between your company and the local Chinese (potential) partners and clients. We act as your local partner in case of dilemmas and strategic consultation, in China and in the Netherlands.