

SECTOR ASSESSMENT (SUMMARY): HEALTH

Sector Road Map

1. Sector Performance, Problems and Opportunities

1. **Aging as a Socioeconomic Challenge.** The People's Republic of China (PRC) faces tremendous challenges in ensuring the well-being of its elderly population. The PRC has the largest elderly population and one of the most rapidly aging societies in the world. The proportion of people above the age of 60 is expected to grow from 15% in 2014 to 34% by 2050.¹ The PRC government has taken robust action to provide social protection to the elderly. It has significantly expanded the coverage of public pension and health insurance programs, strengthened social safety net programs, expanded programs and services for the elderly, and raised social awareness about the need to assist the elderly.

2. The PRC's population is aging rapidly at a time when the per capita income remains modest. Social security systems have broad coverage, but are still insufficient to meet the financial needs of senior citizens especially the high financial burden of medical costs. Social welfare programs such as dibao are targeted and limited in coverage and benefit rates. As a result, 22.9% of the elderly have consumption levels that are below the poverty line.² Although the vast majority (88.7%) of the elderly who need assistance with daily activities receive physical assistance from family members, the number of elderly living alone is likely to increase in the future given the fewer number and greater migration of children, posing challenges for providing elderly care, especially in rural areas.³

3. **Health Status of the Elderly.** A large number of elderly have physical health limitations with 38.1% reporting a disability and 23.8% requiring assistance with basic daily activities. Health limitations are more common among those who are economically deprived and socially isolated. The elderly suffer from chronic diseases such as hypertension (54%). Physical health problems of the elderly increase steeply with age, pointing to the potential for substantial benefits of implementing healthy aging programs. Cognition declines rapidly with age and a large gender gap exists in cognitive ability especially among older people. 40% of elderly display higher levels of depressive symptoms. Women are doubly burdened by this as they are the primary caregivers in most households and generally in poorer and physical health condition than men among older people.

4. **Reforming the Health Care System.** The spectacular economic development of the PRC over the last three decades is not matched by comparable improvements of the health care system. Given the increasing need of medical care as age advances, reforming the health care system to improve financial accessibility and the quality of services is a key determinant of ensuring elderly wellbeing. Chronic diseases management, rehabilitation and palliative services will have to be expanded at all levels of the health care system, and quality and access substantially improved. Benefit packages of health insurance schemes should increasingly cover elderly health care services.

¹ United Nations Department of Economic and Social Affairs. *World Population Prospects: The 2010 Revision*. New York. <http://www.un.org/en/development/desa/publications/world-population-prospects-the-2010-revision.html>, and PRC Government figures.

² Peking University. 2013. *China Health and Retirement Longitudinal Study (CHARLS)*. Beijing

³ *ibid*

5. **Development and Issues in the Elderly Care System.** The Government strategy of developing the elderly care system with “home-based care as the foundation, community care as a necessary support and residential care as supplements” is relevant and in line with international trends.⁴ Home-based care supported by community services is cost-effective relative to institutional care and reinforces family ties.⁵

6. The safety-net approach to elderly care is appropriate in the current context of the PRC. Currently government provides free services for destitute old people, subsidizes those living in difficult situations, and expects the rest to purchase services from the market which also receives subsidies and preferential policies to provide of care services. The development of the elderly care system suffers from public and private underfunding, including the financial ability of old people to purchase services and a limited market of service providers. The development of long term care insurance is being debated and seems administratively challenging. Instead, improving coverage and benefit levels of the current means-tested social assistance programs (Dibao and Medical Assistance) as well as the subsidies and incentives supporting development of the market could be strengthened.

7. Community-based home care services are underdeveloped due to many constraining factors in both demand and supply. While government has implemented preferential policies to encourage investments of private and non-profit sectors, it has failed to attract providers, largely because it is not a profitable business. Local governments tend to prioritize their resources for the expansion of residential beds or community centers neglecting investment in community services. Both coverage and benefit levels of subsidies on the demand side are generally low. For those ineligible for government subsidies, private financing of care services is limited.

8. Residential homes for the elderly are expanding rapidly as this approach is still prioritized in most localities. Despite increasing government promotion, private market-oriented provision is still limited. Residential services have continued to be dominated by government provision, and their development is driven by the availability of local government funding. Government owned facilities charge fee for services.

9. The private sector in elderly care is underdeveloped. Most private facilities operate as non-profit organizations, have low occupancy rates and are more appropriate for people with no care needs. Their involvement in home-care and community-based services is minimal and fragmented, but focused mostly on the mid-range and high ends of the market. Services are provided in the form of gated communities or resort-style residential complexes with a market-driven mix of (i) independent-living residences for active seniors; (ii) assisted-living units for seniors who require some support; and (iii) access to skilled nursing care for frail or infirm elderly who require frequent assistance or acute medical care.⁶ Increasing but still timid foreign investments in elderly care is mainly directed at establishing high-end facilities.

⁴ The Government seeks to develop a system of elderly care commonly referred to as 90-7-3. The three tiered system provides 90% of elderly to age at home supported by home care services, 7% to receive community-based services, and 3% institutional services. (National People's Congress. 2011. *Twelfth Five-Year Plan for National Economic and Social Development, 2011–2015*. Beijing).

⁵ “Residential care is 2-3 times more expensive than home and community care” in Hollander, M. J. (1999). *The Cost-Effectiveness of Community Based Long Term Care Services for the Elderly Compared to Residential Care: A British Columbia Perspective*. Victoria, BC, Canada, University of Victoria.

⁶ Bromme H. Cole (2013) *Enter the Ageing Dragon...: Musings on the nascent senior living industry in China*, China Senior Living Ltd.

10. Quality of services is generally low especially in the private sector, due to multiple deficiencies, including poor financing, low number and quality of human resources, poor monitoring and deficient regulations. Although government has issued many standards and regulations regarding community and residential services, there are considerable difficulties in enforcing compliance and monitoring service quality. Poor quality services are offered at relatively low cost and low service quality is likely to lead to higher costs and reduction of demand and supply of services.

11. Unmet human resources needs in the medical, social and management sectors for elderly care is dramatic. Care givers, the large majority of whom are women, are not attracted by low paid jobs and difficult work conditions leading to high job turn over.⁷ A limited number of vocational schools and universities have integrated elderly care curricula in their programs and management training is rarely available. Policies to support family caregivers, most of whom are women, are absent. Policies to address the acute shortage of the workforce need to be strengthened to develop general and specialized vocational and tertiary training, encourage care giving roles, create new service areas such as social work, and invite and organize the labor force to enter into this new and increasingly professionalized service sector.

12. Government planning capacity for elderly care at the local level is still limited. Plans are rarely based on sound community and individual elderly care needs assessments (demand side).⁸ Planning is often biased towards residential care at the expense of community and home-based care and lacks integration in more comprehensive urban development plans and health sector prevention strategies.⁹ Local governments take responsibility for the lower end of the market and leave the mid-range market to the private sector. Government provided incentives for private sector investments are still not attractive enough. The care of people with cognitive impairment is at best acknowledged by Government but poor services and lack of designated facilities limit the care provided.

13. **Key Development Challenges.** Five development challenges need to be tackled to satisfy the needs for care of the elderly: (i) strengthening financing of medical and elderly care services, including long-term care financial coverage mechanisms and more generous pension programs to ensure financial access to care and avoid major inequities in the way people experience their life as seniors; (ii) expanding the provision and quality of elderly care services, focusing primarily on home-based and community services, while ensuring a conducive environment for private sector and civil society participation; (iii) preparing medical facilities to provide adequate health services to the elderly, including for chronic diseases, rehabilitation and palliative services, (iv) integrating social and medical care, with social workers at the center of this interaction, to ensure coordinated care is provided across the medical and elderly care systems; and (v) developing sufficient human resources that extend across the broad range of care needs (i.e., medical, social work, home care, community services, etc.).

⁷ For instance in PRC, it is estimated that 300,000 professional care workers are available when 10 million are needed (communication from Health and Family Planning Commission and professor Du Peng, Renmin University, Beijing).

⁸ Projections of future beds for residential care beds on past trend and current usage can be misleading. As general health status of the elderly improves, factors such as future shorter period of disability in older age and a reduction of the severity of disabilities are leading to declining need in residential care especially among OECD countries.

⁹ Planning rarely includes aspects of health promotion, health prevention, transitional care, palliative care.

2. Government's Sector Strategy

14. The PRC has been addressing the consequences of its aging population since the late 1970s, with successive policies to finance old age care, stimulate private sector participation, define the responsibilities of families, and organize community-wide responses to support the elderly. The 12th Five Year Plan called for establishing an old age care system by expanding grassroots aging associations; encouraging volunteerism among senior citizens; developing the non-profit services sector; and improving health management services. The 2012 revision of the Elderly Law includes requirements for local governments to develop community services for senior citizens.¹⁰ The recent opinions of the State Council (September 2013) to accelerate the development of the elderly care service industry recognizes the progress made and the significant challenges that remain.¹¹ The document highlights the urgent need to develop services and address the aging population as one of the key tasks for addressing the overall goal of creating a comparatively well-off (*xiao kang*) society.

15. The China National Committee on Aging (CNCA) is headed at Vice Chairman level and is present from central to county government nationwide. The CNCA is responsible for planning, developing policies, conducting activities and coordinating across 32 ministries and institutions. The major stakeholders in provision of elderly care include Ministry of Civil Affairs which, under the 12th Five Year Plan, was appointed as the lead agency for responding and coordinating elderly care, the National Health and Family Planning Commission and the National Development and Reform Commission. Funding of elderly care services is generated mainly by local governments from diverse sources including government allocations, public donations, preferential policies and subsidies to address both supply (support for construction and operation of facilities) and demand (to support access for the most destitute, disability subsidies and social pensions). Since 2013 general revenues are allowed to fund elderly care services and insurance funds can be invested in the industry.

3. ADB Sector Experience and Assistance Program

16. Asian Development Bank's (ADB) elderly care experience in the PRC is growing. Technical assistance (TA) includes (i) municipal level planning for long term care; (ii) promotion of market innovation in developing social infrastructure, including franchising models for affordable community and institutional care; (iii) integration of elderly care curricula in technical and vocational education training; (iv) development of social workers for elderly in need; (v) improving efficiency in public service procurement, financing and delivery; and (vi) outsourcing of public welfare services to non-profit organizations. On the financing side, ADB is also supporting TA on rural pension reform. A solid training on elderly care planning, financing, monitoring, and delivery is being prepared for capacity building of government officials and private sector actors.

17. The future assistance program includes ADB's first investment loan in elderly care systems development in Hebei province targeted for 2017 and a second in Hubei Province in 2018. Future TA include elderly care nursing education.

18. Since 1986, JICA has provided technical assistance in the area of human resources development for elderly care, rural pension and promoting exchange programs with Japan. It is now engaging in a strategic cooperation project to support aging in the PRC (2015 – 2019). The

¹⁰ Law of the People's Republic of China on Protection of the Rights and Interests of the Elderly.

¹¹ State Council. 2013. *Opinions on Promoting the Development of Senior Care Service Industry (Circular No. 35)*. Beijing.

World Bank is contributing to the 13th plan on elderly care through sector work and identification of best practices. It is also preparing a first investment loan on elderly care in Anhui province focusing on service provision and elderly care system development. UNFPA is working on socio-economic data collection on aging issues with a right based approach and healthy aging strategy. WHO is supporting research on aging, prevention activities and age-friendly cities initiatives.

PROBLEM TREE

