

## Steps You Must Know about Opening A Foreign-owned Senior Care Facility – Take Shanghai’s Approval Process as An Example

As a typical city that having the most aging proportion, Shanghai has reached an amount of 3.3 million elderly people over 60s, among which 230,000 are disabled or half-disabled, with an annual increase of 10,000. From year 2013, more than 80% of elderly people who have just turned to 60s are parents with only one child. As of the end of 2011, there are totally 630 senior care facilities with approximately 102,000 beds, equipped with 35,000 nursing staffs—the supply is far from enough and actually Shanghai is facing with many challenges. Huge amount of aging people, large proportion of family with one child, shortage of nursing bed and scarcity of funds invested in the senior care service are among those challenges.

### **Market Pioneers**

Recently, Shanghai Bureau of State Administration of Industry and Commerce (SAIC) has issued a series of stimulus on driving innovative and transitional policies to be implemented in Pudong. One of the 16 policies is to initial a pilot in incorporation of for-profit foreign-invested senior care facilities in the Pudong district. Meanwhile, the first foreign-invest senior care company, Shanghai Kaijian Huapeng Elderly care Co., Ltd was approved for registration in Pudong.

According to publicly available information, the company is invested by China Senior Housing ( HK-Songjiang ) Private Limited and two local partners, with registered capital of 3 million USD and investment volume of 6 million USD. The foreign investor is a Hong Kong subsidiary of Emeritus Senior Living, a US based senior care operator.

To be noted, Pudong is always a hot destination for foreign investors in the livelihood regime as it has many incentive policies. As reported, SECOM has also located its senior care facility in Pudong with its local partner, Lujiazui Group.

### **Approval procedure to be further clarified**

Although approval procedure from Shanghai Bureau of MOFCOM and SAIC is expected to be standardized and simplified, and registration for senior care WOFE incorporation is also permitted, some more approvals are time-consuming. Approval from other authorities, such as local bureau of Civil Affairs, Ministry of Health (MoH) and Public Security Bureau is needed, given the mixed and special nature of the industry. According to prevailing regulation of *Shanghai’s Administrative Measures for Senior Care Institution*, local bureau of Civil Affairs is still the main approval authority to grant business permission for senior care facilities.

The abovementioned Shanghai pilot scheme distinguished itself from those in other cities in that it put registration with local SAIC prior to the other requisite approvals. Consequently, it can bring more convenience to investors (especially foreign investors) in the preparation period, and further is expected to facilitate the simplifying of red-tape process in the near future. Pursuant to Shanghai’s relevant regulation, before a senior care facility can start business, permission for facility set up and opening shall be obtained from local bureau of Civil Affairs. Essential requirements are as follows:

- A.** Comply with municipal zoning plan for establishment of senior care facility and obtain approval from district government for such compliance.
- B.** Having fixed business location for senior care service, with nursing beds over 50 and construction areas over 1,250 square meters. Holding real estate certificate for business premises, general construction design drawing and fire fighting inspection permits for second-time decoration. For a leased business premises, having a legitimate lease agreement with a more than 10 years' term.
- C.** Comply with *Shanghai's Construction Standards for Senior Care Institutions*. Obtain construction completion certificate for the business premises and pass examination from Civil Affairs Bureau. Premises shall be equipped with standard medical housing and rehabilitation training room, and lifts for medical purpose for premises higher than three levels.
- D.** Comply with *Shanghai's Qualification Standards for Management and Nursing Staffs in Senior Care Institutions*. Management staffs shall have college degree or above major in relevant specialty and top management shall have occupational qualification certificate on social work. Facility shall set professional position for medical, social work and rehabilitation. Nurses in the facility shall obtain occupational qualification certificate of care issued by National Labor Department, and other staffs have relevant professional qualification.
- E.** Comply with *Shanghai's Internal Management Standards for Senior Care Institutions*. Form and implement with procedural formality the regulations for the facility and various positions and rules in regard to safe operation and others.
- F.** Comply with *Shanghai's Staff Equipment Standard for Senior Care Institutions*. Ratio of caregivers to seniors in special care shall reach 1 to 1.5~2.5; ratio of caregivers to seniors in first level care shall reach 1 to 2.5~3.5; ratio of caregivers to seniors in second level care shall reach 1 to 3.5~5; ratio of caregivers to seniors in third level care shall reach 1 to 5~10.
- G.** Having reached agreement with medical institution or approval from local bureau of MoH to set up internal clinic, and equipped with qualified physicians.

### **Conclusion**

In practice, the above requirements issued by Civil Affaire Bureau are still to be clarified given the fact that part of the approval process has overlaps with other government authorities. Obviously, however, these requirements were set forth mostly for senior care operators in the form of non-enterprise welfare institution. With appearance of different types of private funds into the industry, requirements and procedure for establishment of for-profit senior care institutions shall be in place, different from those for not-for-profit ones. Although a revise of the current Administrative Measures for Senior Care Institutions is already on proposal, investors may have to wait for some time after lawmakers have got feedbacks to the abovementioned 16 policies. So at the time being, requirements we list in this article is still applicable.

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