More Implementation Opinions from Ministry of Civil Affairs on Senior Living

On this July 24, the Ministry of Civil Affairs issued Implementation Opinions on Encouraging and Guiding Private Capital to Invest in the Senior Living Service Industry (the "Opinions"). With little special or surprising, the Opinions to some extent clarify some attitude or practice that having been pursued by local authorities. As such, we believe the following topics from the Opinions are worth reading and digging:

Expanding options to participate government-run facilities or services

The Opinions illustrate three options for private investors to participate in operating in government-run projects. Firstly, private investors can operate public care facilities by means of contract, partnership, joint venture and cooperation, among others, through public tendering and bidding procedure; secondly, in their private-run facilities, investors can admit government designated elderly people and in return receive service fees allocated by local government; and thirdly, in the home care regime, investors may cooperate with local Civil Affairs Bureau to deliver basic in-home care service to qualified seniors by means of government purchase. Being wisely involved in with government, investors may find a shortcut to approach the market very quickly where high demand is still increasing.

Chain brands will have more opportunities

In another local regulation of Nanjing, we've already seen chain brand facilities can enjoy a simplified procedure in approval for medical qualification. And more in the Opinions are chain service and facilities are encouraged to expand into communities, where resources and networking can be enjoined with magnified effects. It is obvious the government is happy to see some reputable and competitive brand growing up. Are we still thinking early entrants are risking? Maybe we shouldn't.

Does anybody care about the seniors in rural areas?

There is a study showing senior population in rural areas are 1.69 times of that in

urban areas, that is to say, nation-widely, aging rate in urban areas is only 7.97%, comparing to the figure of 18.3% in rural areas. With lower income, scarcity of social insurance and less value of real property, elderly in rural areas are facing more difficulties in senior living, but also present more business opportunities. To find a suitable business model for rural seniors, the Opinions provide several approaches, such as community daily care center and catering. We've seen perspective business such as high-end supermarkets and shopping malls in downtown city, but may overlook profitable opportunities equally exist in rural areas. The Opinions give us a remainder.

Incentives are on local government's shoulder

As for incentives most investors are caring about, we find no inspiring movement. Actually central government does not intent to impose financial pressure to the local; even local authorities have found it's hard to stick to the preferential policy stipulated by themselves. Now we see only not-for-profit facilities are possible to enjoy land or construction-related incentives, depends on the scale, investment and oriented residents; taxation exemption are only on business tax and some property tax preferential is again only for non-profitable business; infrastructure utility fees in senior care facilities aims to equal to those in civilian apartment, which actually has already realized in many cities; and most important is to realize reimbursement network for medical expense in facilities, but unfortunately no lessening requirement on qualification approval is provided.

Mentioning of future regulatory

The Opinions put more stress on industry association in formulating regulation, standards or procedure on facility construction, service quality and supervision. Since accredit procedure can play an important rule in discipline the industry and provide consumers with benchmarks to make comparison, many professionals are urging to introduce third party accreditation. Pursuing to the Opinions, industry associations, or even third party institutions can participate in appraisal and accreditation activities as long as they are professional enough. Does that mean early practitioners have a chance to be the regulator? Probably.■

For more information, please contact Michael Qu

Email: quqin@co-effort.com

Phone: 86- 21-68866151-152; 0086-13817878607

Website: www.lawviewer.com