

# KEY INSIGHTS FROM AUSTRALIA'S LARGEST EVER AGED CARE MISSION TO CHINA

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Legal Briefings - By **Brendan Earle**

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The Austrade health and aged care mission to Beijing held 16-17 November 2015 was a great success and attracted much stronger interest from both Australian and Chinese delegates than organisers expected.

More than 150 delegates from Australia attended, representing 75 companies together with 600 Chinese participants from the government, industry peak bodies, institutions and companies drawn from 17 provinces.

I attended the mission along with fellow Corporate partner [Karen Ip](#) from Beijing and associate Doreen Yang also from Beijing.

Senior officials from Chinese government departments presented to delegates and emphasised the following:

1. China's 5 year planning cycles will continue to respond to forecast population ageing by adopting policy settings that encourage system building for care and accommodation of China's elderly. Planning will assume participation by households and community, supplemented by providers.
2. More broadly, one of China's two millennial goals is to become a middle income country by 2020-2021. Health and well-being of the broader population is a key part of executing this goal.
3. Relevant policies are being adjusted to encourage system building including those relating to land acquisition and use, planning rules, taxation and the digital economy.

There is a clear recognition, however, that China will need to develop a regulation framework for minimum standards of care and accommodation across the entire senior living sector, from retirement villages to aged care including both residential, community and day care models.

4. China forecasts that 176 million of its people will be aged 65 or over in 2020 and officials say the market is big enough for both foreign and domestic providers.
5. China recognises that access to skilled labour for a growing sector needs to be addressed. A number of delegates from Australia represented training and education businesses.

I was a panellist in the Investment Roundtable session at the Summit. My observations from the mission and site visits follow.

1. Chinese officials do not see their ageing population simply as a logistics challenge. They are focused on the experience of each resident, as revered and dignified members of the community. Policy settings will therefore promote social connections and independence, not simply addressing basic accommodation and care needs.
2. Many Chinese families will wish to play a central role in assisting elderly residents in daily life which presents significant opportunities for Australian providers with experience and know how operating community care business models. However, the demographic challenge presented by a short-fall in the informal care network means that families will need to be supported by access to day care facilities to care for aged parents while their younger family members are at work, and also other in-home and meals services.
3. Some early example of high end aged care facilities in China involve the conversion of hotels which presents challenges in creating a floor plan conducive to a sense of community within the facility.
4. Australian service providers in the following domains have much to offer:
  - a. Architects and designers,

- b. Builders and developers with experience in building aged and health care facilities,
  - c. Operators with strong clinical governance protocols which are integrated with their operating and training models. Dementia and falls prevention are just as relevant in China as in Australia,
  - d. Professional education and training organisations,
  - e. Community and home based care providers,
  - f. Given the scale of China's market, operators with strong IT and digital platforms could also be attractive partners for local Chinese businesses.
  - g. While the China-Australia Free Trade Agreement has given Australian operators a profile boost, the Chinese healthcare and retirement living sector is already attracting international attention and Chinese policy makers are looking to expertise in Germany, Japan, Taiwan, the USA and Australia in building up the broader sector. For example, policy makers are considering the German system as a model for long term insurance and the Australian system as a model for accreditation and quality assurance.
2. "Brand Australia" is trusted in China so it is to be hoped that early examples of Australia/China collaboration in this sector will maintain and enhance our national brand.
  3. The private sector for retirement living accommodation and services is still emerging, and experimentation with business and funding models is a key feature of the sector. A key question is how will residents fund the purchase of senior living accommodation services?

Currently, many Chinese lack financial means to purchase accommodation services. Facilities that have recently been constructed or that are under development are directed to wealthy Chinese who purchase services for themselves or their parents. Chinese life insurance companies, which typically also offer medical and health insurance (in contrast to the Australian market) are showing interest in the sector as direct investors and developers of facilities. For example, the delegates visited Taikang Community Yan Garden in the Changping District of Beijing, the first senior housing project developed by an insurance company. Taikang Life Insurance is planning for capacity of up to 3,000 units and the site will include a rehabilitation hospital. One way to access a unit is to purchase Taikang's insurance products.

4. While the China-Australia Free Trade Agreement may permit Australian companies to wholly own hospitals and aged care facilities in certain regions, this seems an unlikely strategy at present. Joint ventures are likely to be preferred, perhaps preceded by a consultancy or fee for service relationship. In the healthcare sector, recent announcements indicate that even established South East Asian hospital groups favour a joint venture model when investing in private hospital businesses in China.

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