



Identification of potential partners for cooperation in Chinese elderly care

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Executive summary

How can companies be successful in China's elderly care market? That is the question that a cluster of Dutch companies and institutions asked itself over a year ago. The program they started at the end of 2017 yielded less results than expected. This prompted a short, targeted research project to identify promising projects in the elderly care market.

The first part of this project is an analysis of government policy in the field of elderly care. This analysis shows how the elderly care market first developed as poverty alleviation at the end of the last century. The first decade of the current century saw the introduction of pension and health insurance plans, while the second decade saw steps towards professionalization of care itself. Parallel to the economic decentralization from the late seventies when China was "opening-up", elderly care and welfare were also decentralized. The development of these sectors depends on the financial resources in any given city or region. Relatively rich regions lead the way in terms of care quality. In the Chinese context, decentralization also means that the central government formulates general principles and directions, but local governments are relatively free in interpretation, with a wide variety leading to sometimes contradictory local applications. The differences are intensified by the fragmentation of government at all levels. Many ministries and their local offices operate under their own procedures and regulations for elderly care. Research carried out by Chinese ministries and policy bodies together with the World Bank Group and World Health Organization shows, with respect for progress in many areas, that there are hundreds of experiments in elderly care, but that the overall coherence, direction, and coordination are lacking. This makes the field difficult to understand for Dutch companies and institutions. Contacts with central governmental bodies are useful, but for business, local parties, including governments, are more beneficial connections for creating real opportunities.

After an outline of Dutch contributions to elderly care in China, the second part of the study focuses on the perception of market leaders on elderly care developments and opportunities in China. More than twenty organizations were interviewed, including local authorities, large and small companies, universities and branch organizations.

The interviews confirm the policy analysis, but also show that progress is being made in many areas. Looking at foreign countries, including the Netherlands, interviewees express the need for exchange and advice, training, technology, equipment, and scientific research. The key to success in elderly care lies in public-private partnerships: combinations of local authorities and associated or cooperating companies and institutions. These conditions can be found in regions with international experience and economic prosperity. The presence of large companies and internationally oriented universities brings additional opportunities for foreign players. It is advisable to choose one region and to focus all efforts there, but a representative voice in China is also indispensable to establish and maintain contacts overall. Multiple regions were identified as being ripe with opportunity. In this study, Jiangsu province emerged with several leads from governments, healthcare providers, businesses, and universities. Guangdong is another province with perspective opportunity, and the less extensive exploration that has taken place in Chongqing and Liaoning also shows signs of future opportunities there. The conclusion of the report re-centers the information gathered and highlights the need for further dedicated missions sent to the regions with most opportunity in order to encourage successful foreign business development in China's regions identified in the report.

1. Introduction

Many parties engaging in the healthcare industry in the Netherlands are interested in international contacts and projects. Universities and colleges are looking for opportunities for education and research. Companies are searching for new markets for their products and services. The government is often involved in international cooperation, sometimes laid down in letters of intent with other governments. Task Force Health Care is a platform presenting Dutch expertise in health care at home and abroad. Various ministries and more than 100 institutions and companies make use of this platform. China is one of the countries in the spotlight across a variety of industries. This is not only due to the interest from the Netherlands in the market in China, but also due to the positive reputation of Dutch healthcare in China. Sino-Dutch contacts in the field of health care have a history of many years. This report will focus on elderly care, which is an industry being developed in China and of great interest to Dutch healthcare companies.

In 2017, a cluster of institutions and companies started a program for Elderly Care in China.¹ The aim of this program is to create new contacts with the support of the Dutch government, in particular the Netherlands Enterprise Agency (RVO) and the economic network in China. The program supported various government missions to China, often linked to fairs, and always set up meetings for Dutch elderly care providers to meet with Chinese counterparts in the industry. The participants in the cluster experience these missions as instructive and interesting, but the expectations about further results have not been fulfilled. It was therefore decided to conduct a short, targeted study into projects and contacts that could yield more real business opportunities for Dutch companies in China. This report is a record of this investigation.

The report provides an overview of elderly care in China, against the background of the way political decision-making surrounding the elderly care industry is organized. The Five-Year Plans are analyzed to provide insight into government policy priorities. Reports from the World Bank Group (WBG) and the World Health Organization (WHO), along with a brief overview of the most recent developments, provide information on the extent to which the central government has been successful in realizing these policies. This creates a picture of the most important developments and trends that businesses in the Netherlands can use to identify real opportunities in China. After a brief review of missions and other contacts in recent years, the core of this report follows. Over twenty contacts with possible entries to projects were interviewed. The results of these interviews, together with the findings of the document research, have been translated into conclusions, and recommendations to companies and institutions. General considerations regarding entering business in China are included as well as a roadmap for future missions looking for successful business partnerships in China. Lastly, the conclusions summarize the key points of the research and interviews.

¹ Partners voor Business (PIB) is a governmental program to assist Dutch organizations to realize their international ambitions in public-private partnerships. See rvo.nl.

2. Elderly care in China: government policy

2.1. Political decision making in China

In the 1980s, China distanced itself from the centrally planned economic system. Local governments now retain a larger portion of collected taxes and are given room to generate their own income and experiment with a local economic policy that fits into the larger central framework. Social entities such as communes and working units that encompassed all spheres of life, including elderly care, are now disappearing mostly due to the changing economic structure. In the decades that followed this initial opening, the economy developed remarkably. For health care, the consequences have been less positive. Before reform and opening, there was a centrally regulated care system that was relatively accessible.² Shifting responsibility for health care - also in a financial sense - to lower levels of government often led to a decline in the overall supply and quality of healthcare. In economically weaker regions, there is a lack of resources to maintain health care. In other regions, health care facilities were transformed in favor of largely self-financed businesses. The central government predominantly sets global goals and allows for regional and local experiments. Different and sometimes contradictory solutions are implemented with the expectation that successful projects will be enacted elsewhere. So while innovations start at the local or regional level, they can eventually lead to national reforms.³ This is also how elderly care is developing. The direction of the policy is clearly formulated, but the roadmap to enacting the policy and reaching targets are lacking overall.

2.2. Governmental stakeholders in elderly care

The development of care for the elderly involves many different issues. First, policies must be made to establish the goals. Next, land, buildings, and inventory are needed to create the physical space for such care. Staff then must be recruited and trained with

BOX 1
Elderly care in China
Governmental stakeholders
National Health Commission (NHC)
Ministry of Civil Affairs (MoCA)
National Development & Reform Commission (NDRC)
Ministry of Education
Ministry of Finance (MoF)
Ministry of Human Resources & Social Security
Ministry of Natural Resources
Ministry of Housing and Urban-Rural Development
General Administration of Market Supervision
National Medical Insurance Bureau
State Administration of Traditional Chinese Medicine
National Working Commission on Aging

recognized diplomas and certificates. Insurance plans or other forms of funding must be developed. To have quality care, each of the hurdles must be cleared successfully. In the Chinese government, every issue falls under a different ministry or bureau. This means that a wide range of interested parties play a role in elderly care. Box 1 lists the most influential of these parties. The National Working Commission on Aging aims to bring all of these parties together to reach agreement.

² Qian, Jiwei and Åke Blomqvist, Health Policy Reform in China: a comparative perspective, Singapore 2014

³ Florini, Ann e.a. China experiments. From Local Innovations to National Reform, Washington DC, 2012.

This broad national palette of stakeholders returns at every lower government level. There are just as many local offices and departments working on these issues. It is also not always clear which stakeholder is dominant on a certain issue. In addition, the dominant parties can differ region by region.

At the national level, MoCA is responsible for drafting regulations and standards for the organization and quality of elderly care facilities. The Department of Civil Affairs (DoCA) is responsible at the local level as a market steward, coordinator, and quality control monitor. They accredit and register non-profit healthcare providers as residential healthcare providers. NHC is responsible for medical services, including long-term care. The NDRC is responsible for the policy framework, development plans, and tariff standards. Institutional care is funded by MoF.

A 2015 guideline from the central government stated that by 2020 all facilities for elderly care must be able to provide medical care to stimulate integration of medical and social care.⁴ As of 2018, the National Working Commission on Aging became part of the NCH. This is also the case with the China Association on Aging, which until then had been part of MoCA.⁵ The NHC thus seems to have more control over policy, while the MoCA published a fairly detailed classification of institutions for elderly care in 2020, which also includes provisions on medical care. Opposite the NHC, which keeps its distance from the business community⁶, there is the MoCA, which encourages private parties to invest in care for the elderly, both in public-private and fully private institutions. This expresses the government's position on solving the gap in the current supply and future demand for elderly care: the problem of aging cannot be answered without the contribution of private capital. The NDRC also plays a role stimulating movement towards creating public-private partnerships.⁷

2.3. Trends in government policy

China works with Five-Year Plans to indicate the desired direction of government policy. Table 1 gives an overview of these plans as far as elderly care is concerned from 1996 until 2025, when the 14th Five-Year Plan expires. In 1994, the ambitions for elderly care development were released for the period up to the year 2000. The theme of the programs was meant to combat poverty by stimulating facilities for shelter, food, clothing, and medical care for the elderly. The significance of pensions and health insurance is mentioned, but these only become part of the clearly stated policy goals in the period of the 10th and 11th Five-Year Plans (2001-2010). The 12th Five-Year Plan (2011-2015) shows a further developed and coherent vision of care for the elderly through introduction of the “90-7-3” policy idea. It is expected that 90% of the elderly will live independently at home, with support from family if necessary. 7% of elderly are expected to depend on professional care from a community center, while 3% would

⁴ Guiding opinions Promoting the Integration of Healthcare and elderly care services, NHFC 2015

⁵ http://english.www.gov.cn/policies/latest_releases/2018/10/16/content_281476347899148.htm

⁶ Starting from 2010 NHC has a policy of reducing the direct and indirect influence of the pharmaceutical industry and suppliers of medical equipment step by step.

⁷ As an example, NDRC did not only sign a MoU with Dutch Ministry of Health, Welfare and Sports, but also with Philips.

Elderly Care in Five Years Plans China		
9 th	1996 – 2000	Poverty alleviation
10 th	2001 – 2005	Experiments with pension and health insurance plans
11 th	2006 – 2010	Implementation of pension and health insurance plans
12 th	2011 – 2015	Coherent vision “90 – 7 – 3”
13 th	2016 – 2020	Financial limitations government involvement Private investment
14 th	2021 – 2025	Guidelines Introduction Long Term Care Insurance

Table 1

require institutional care. The graph in Figure 1⁸ shows that it took the Netherlands 40 years to bring the percentage of institutionally housed elderly people below 4% and that this percentage will rise again if policies are not further adapted. It is therefore interesting to note that the end result of 40 years of Dutch policy is the starting goal for a new Chinese policy.

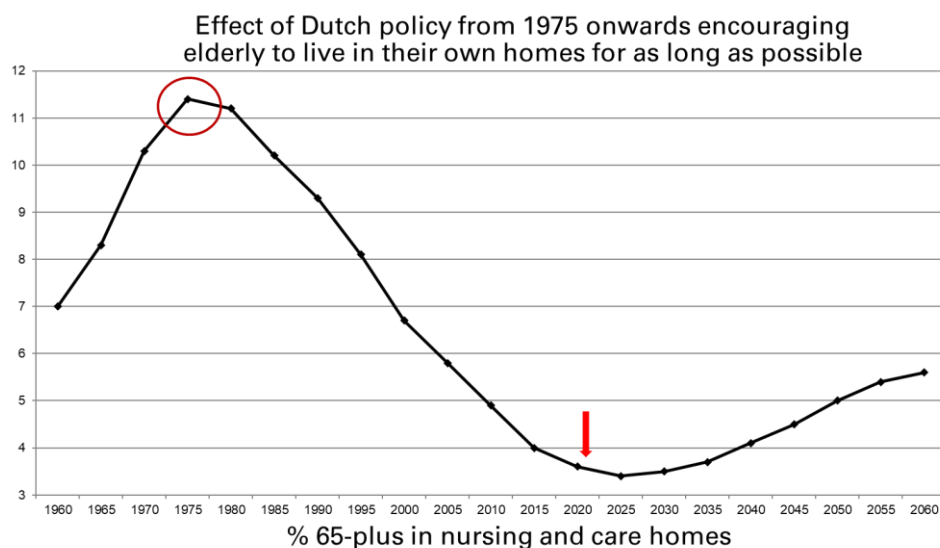


Figure 1

The 12th Five-Year Plan is a pivotal point in the transition from experimentation to implementable policy. This means that many local authorities gave high priority to care for the elderly in the run-up to this Five-Year Plan and thus contributed to this policy. In 2015, the Chinese government announced the *Healthy China 2030* strategy, aimed at improving public health in such a way that the pressure on healthcare facilities will be

⁸ Presented by Prof. Robbert Huijsman PhD, Presentation Elderly Care, 2017.

reduced. This strategy places the elderly care policies in a broader framework. Prevention becomes central to elderly care and healthcare policies in general. In the 13th Five-Year Plan (2016-2020), funding is the predominant theme of all changes regarding elderly care. For the proper development of care for the elderly, China is mainly dependent on private parties and the contributions of consumers. In principle, the government has limited itself to funding the 3% reliant on institutional care. The year 2021 is the start of the new planning period. The 14th Five-Year Plan underlines the role of family in elderly care, along with a coordinated system of home care, community care, and institutional care. Institutional care is encouraged to develop activities at both the community level and at home. The introduction of gradual long-term care insurance is new in this plan. Depending on the pace and size, this can be an incentive for private parties to invest in care for the elderly.

2.4. Conclusions

Over a period of thirty years, the government policies towards elderly care have developed from being a part of poverty alleviation planning and towards the direction of a cohesive and comprehensive plan for elderly care. The policy has evolved alongside the decentralized economic policies of reform and opening. The large number of stakeholders require a great deal of alignment and coordination. This seems to be changing with the decisions to integrate medical care and welfare and the issuing of detailed guidelines that should lead to a uniform system. In terms of policy, the emphasis is on care at home. With *Healthy China 2030*, prevention is getting attention in policies. It is also clear that the government's financial contribution to elderly care is limited and the goal is to have large investment put forth by private parties. The introduction of long-term care insurance is a step towards incentivizing this investment.

3. Evaluation of the implementation of elderly care policy

To what extent is China succeeding in designing care for the elderly as intended by policy? The answer can be found in three reports. The Chinese government is regularly advised by the World Bank Group and the World Health Organization on the realization of these policies. The resulting reports are co-productions of experts from these organizations and representatives of various government bodies. Table 2 shows that out of the main stakeholders as mentioned in Chapter 2, the NHC⁹ cooperated on two reports and the NDRC contributed to one report. The MoCA has not been included in these reports. The reports contain a critical assessment of the state of elderly care, followed by recommendations for improvement.

REPORTS ON ELDERLY CARE IN CHINA		
PUBLISHED	TITLE	AUTHORS
2015	China country assessment report on ageing and health	Health and Family Planning Commission World Health Organization
2016	Deepening Health Reform in China	Ministry of Finance Health and Family Planning Commission Ministry of Human Resources and Social Security World Bank Group World Health Organization
2018	Options for Aged Care in China. Building an Efficient and Sustainable Aged Care System	National Development and Reform Commission World Bank Group

Table 2

3.1. The current state of elderly care

The three reports express their admiration for the great progress that has been made in China in poverty alleviation and the first steps towards the professionalization of elderly care. In general terms, the central government aims to develop integrated care for elderly people who need it. However, there is still a long way to go to achieve this mission. The road from vision to implementation is capricious. Policy is slowly trickling down from top to bottom with government bodies not coordinating with each other or moving in different directions. There is a shortage of steering capacity at all levels and a lack of insight into what is going on. There are hundreds of pilots without coordination or overview. The gap between supply and demand is huge. It is estimated that 16% of the total demand for home care is covered. The pressure on informal care is high. Care for elderly people with dementia, palliative care, respite care, transition care and long-term care falls on the shoulders of family members.

There is insufficient manpower in healthcare. Contrary to what might be expected in elderly care, there are fewer nurses than doctors, the majority of whom work in urban areas. Most patients are elderly, but there is a lack of specific knowledge of geriatric care. Working in healthcare has a low status. To change this, training programs for

⁹ When the reports discussed here were published, National Health Commission was called National Health and Family Planning Commission.

carers have been developed at a national level. The question is whether there are sufficient expertise and resources at local level to implement them adequately.

Most of the population is insured for medical care, but the inequality in coverage is great and much care is not insured or only partially insured. There is currently no long-term care insurance. Short-term medical care close to home, which is especially needed by the elderly, also does not fit well into the existing medical system. Medical care is entirely concentrated in hospitals. The highest designation of hospitals are “Level 3” hospitals, which are assumed to have the highest quality outcomes for patients. These Level 3 institutions have the greatest appeal for both the professionals who work there and the average citizen with a medical problem. Hospitals derive their income from treatments and prescription drugs. Care outside of hospital walls is not reimbursed and hospitals are disincentivized to refer patients to more affordable community health centers due to the predicted loss of revenue. Pilots to introduce general practitioner clinics have little chance of success in the current environment.

China is estimated to spend between 0.02% and 0.04% of the GDP on elderly care.¹⁰ This does not include hospital care, rehabilitation, and nursing care that are covered by basic health insurance. While the focus of the central policy is on care at home and in the community, in practice it is mainly residential care that is growing in popularity. The concept of professional care is associated with physical institutions, financially supported by local governments via fees per (patient per) bed. Only 50% of the urban communities and 20% of the rural communities have facilities for outpatient care and support close to the homes of elderly citizens. In various places in the country, experiments are being conducted with new forms of care, in which remote monitoring is used to provide emergency aid in the event of acute problems.

With the promotion of private parties' responsibility for non-medical care, the role of the government is shifting from provider to purchaser and regulator of care. Large insurers and real estate companies are responding to this. They have built luxury facilities for the elderly who can afford high costs or have children who can shoulder the burden. These care complexes have a high rate of vacancy. A more successful model has been owner-occupied apartments for relatively independent elderly people with service contracts including limited care and support.

The report from 2018 supports the conclusion that elderly care facilities must also provide medical care in 2020.¹¹ However, the funding and the recruitment of doctors for these roles remain challenging.

3.2. Recommendations

Each of the three cited reports ends with a series of recommendations. These can be summarized in ten points.

- a. The central government should assume a strong directing role and continue this on a project basis with responsibility for results at all lower levels.
- b. Strengthen the demand side by shifting funding to services and care provided instead of beds and providers.
- c. Increase the financial resources for community-based long-term care.
- d. Reform hospitals in such a way that more capacity can be shifted to primary care.

¹⁰ In the Netherlands this is about 2%.

¹¹ See footnote 4.

- e. Give private parties a level playing field.
- f. Invest in prevention and postponement of care dependence through information about nutrition, exercise, and self-management of chronically ill people.
- g. Consider informal care as part of the workforce that needs guidance and support.
- h. Invest in expertise through education, training, and scientific research.
- i. The reform of the household registration system makes it possible for migrant children to take care of their dependent parents.
- j. Raising the retirement age contributes to the longer social activity and involvement of the elderly.

3.3. Recent developments

Two recent developments are noteworthy. In 2020, MoCA published detailed standards for institutions for elderly care with the aim of achieving a uniform classification system for institutions with minimal to complete facilities.¹² In this way, the government has somewhat taken control of care for the elderly, even if these are still guidelines. It is noticeable that this concerns institutional care, while care at home and community care has the highest policy priority. A second indication of central control is the removal of obstacles for hospitals. Very recently, hospitals in Shenzhen were given the opportunity to provide care at home. The Shenzhen experiment is a breakthrough in a system in which hospitals can only work within their walls, the general practitioner care does not exist as it does in the West. Furthermore, until recently hospital doctors were not even allowed to work outside their own hospital. This brings the integration of hospital care and nursing home care a step closer. Finally, we see in the 14th Five-Year Plan the intention to speed up the introduction of long-term care insurance. In addition to cautiously taking central control, the government is making more financial resources available.

3.4. Conclusions for Dutch companies and institutions

Later in this report an overview will be presented of the expertise Dutch companies and institutions have to offer. For now, it can be stated that elderly care in China offers opportunities. The development is multiform and capricious, but a line is visible that demonstrates similarities to the sector development in the Netherlands. In a business case for activities in China, attention must be paid to:

- a. The importance of contacts at the local level where decisions are made. This does not alter the fact that contacts at national level are valuable. It is good to realize, however, that information about what is happening locally is not always available at a national level.
- b. The importance of understanding the relationships in a local environment. The local offices of Civil Affairs, Health and NDRC can take a variety of leadership roles that can differ region by region.
- c. Finance is a complex matter and resources are scarce. This makes insight into local subsidy regulations and contacts with private parties important.
- d. Regions that lead the way in policy and are closer to the centrally formulated objectives probably offer more opportunities for foreign parties.

¹² <https://pan.baidu.com/s/1DUWOj3cbdQrFi68cViMmRw>

4. Sino-Dutch cooperation in elderly care

4.1. More than two decades of cooperation

Information about Dutch involvement in elderly care in China dates back to the end of the last century. Chinese government officials and elderly care managers from Suzhou and Jiangsu province, among others, visited the Netherlands in the late 1990s for an introduction to Dutch elderly care and an intensive training program. In later years, the elderly care provider Laurens coordinated another exchange program under the umbrella of the sister city relationship between Rotterdam and Shanghai. Advised by Laurens, small-scale housing for people with dementia and other community health facilities were then built in Shanghai. These facilities provide a range of services from daytime activities to short-term 24-hour care as a transition to a nursing home. In 2009, a Dutch-style nursing home with 250 beds opened its doors. Chinese nurses and caregivers travelled to the Netherlands for internships and Dutch caregivers also traveled to China to provide training. Other healthcare organizations are now undertaking similar activities in China. Oftentimes, the Chinese party hosting Dutch professionals will compensate the costs for accommodation while travel costs are sometimes reimbursed by the Dutch local government. The employees of healthcare institutes usually travel to China at their own expense and in their own time. This does not alter the fact that a discussion arises in the Netherlands about whether public funds should be used for foreign activities. When the pressure of this discussion increases and it becomes clear that the Chinese side is lacking resources, the Dutch institutes gradually stop their activities.

Besides elderly care providers, colleges and universities are also undertaking activities related to elderly care in China. There are universities that offer nursing students the opportunity to do an internship abroad, including in China, which is financially interesting for Chinese institutes. There is also contract-based training for healthcare professionals and top management, both on location in China and also in the Netherlands. Maastricht has connections with Sichuan, Groningen with Tianjin, and Rotterdam with the department of the National Health Commission that is responsible for professional qualifications. There is funding for the exchange of researchers. Management training is paid for by Chinese companies, especially from the pharmaceutical industry.

Large and small companies and agencies also undertake activities in elderly care in China. This paragraph will highlight a few of these agencies. Teresa Happy Care and Becker's Happy Care present themselves with concepts for care, management, and housing. AMEHR, who often collaborates with Enraf-Nonius, advises an alliance of approximately 80 geriatric hospitals with interest in foreign concepts, gives lectures at the annual conference, and organizes study visits to Dutch (and Belgian) elderly care facilities. Leaders from Beijing Municipality and District Health Bureaus participate in these visits. These activities are possible through sponsorship by Chinese and, to a lesser extent, Dutch companies. If the Chinese government restricts the possibilities of domestic sponsorship, these activities come to a virtual standstill.

VitalHealth Software, now part of Philips, has been providing self-management support for people with diabetes in Fujian province for some time. Perhaps the most successful

ventures are in home care and architecture. Buurtzorg introduced the model of self-managing teams in home care throughout Shanghai, Ningbo, Chengdu, Fuzhou, Haining, Anji and Guangzhou to come soon. Buurtzorg Asia CEO Dyckerhoff: “The conditions for cooperation in China however are difficult in our experience. Except from the Netherlands, Buurtzorg in China is the only country where we are self-operating. In all other countries we work with Joint Ventures or agreements with private local providers licensed to apply the Buurtzorg concept. In China we did not yet find a (reliable) partner (in spite of very many attempts). That means, for us the only road is to cooperate with local governments, and we hope that presence and fame will make this road easier to go. (...) The ‘90-7-3’ policy looks good, but the focus is completely on the 3% institutional care. The concept of home care is not really understood.”

CONTEXTUREARCHITECTS designs and supervises the construction of complexes for senior housing, rehabilitation centers, and facilities for people with dementia. Director Bolsius describes working in elderly care in China as difficult and not very profitable. He understands the doubts of others. It takes a lot of effort to find the right parties. “The execution of the construction does not automatically follow the design, and the financial settlement requires a lot of attention.”

4.2. Cooperation on government level

The Netherlands and China signed several memorandums of understanding (MoU). In 2016 a MoU was signed with MoCA. The first MoU between VWS and NHC, signed in 1988, was renewed several times afterwards with elderly care added as a subject of attention in 2019. No concrete action plans have been linked to these MoU. In 2019 a MoU has been signed between VWS and the NDRC with a specific focus on elderly care. Implementation of this MoU takes place through a project of three years to explore further cooperation in the field of elderly care. Policy development, scientific research and training are themes with special attention. In addition, the parties agree to support and facilitate other initiatives from institutes and companies in elderly care. This project, with the TFHC as the project manager on the Dutch side, started with an inventory of current themes and issues in the Netherlands to provide NDRC with a good overview of the possible cooperation areas.

4.3. Official missions in recent years

In 2016, 2017 and 2018, official missions to China took place specifically dedicated to elderly care. The group visited Beijing each year, Guangzhou twice, and Shenzhen, Shanghai, and Suzhou once. In addition to ministerial and diplomatic consultations, the missions usually consist of seminars or congress, matchmaking events, and visits to one or more selected elderly care institutions. Participants in these missions are generally positive about the program itself, but less about the outcomes. The number of participants has also been decreasing.

4.4. Conclusions

Different phases can be distinguished in the Sino-Dutch cooperation for elderly care. Table 3 shows, as an extension of table 1, that these phases are associated with the developments in China as formulated in the Five-Year Plans.

The training for government officials and managers in the late 1990s resembles a form of development aid. In the following period, we see initiatives to introduce successful Dutch concepts in China. Care organizations play a role in this, but committed professionals spend their own time, strongly interested in the different culture and impressed by the warm welcome in China. This time of pioneering and adventuring ends around 2015. This is followed by professionalization through trial and error, guided by the development of a more unambiguous policy environment in China. On the Dutch side, missions to China were organized with special focus on elderly care, resulting in MoUs with NHC, MoCA and NDRC. The expectations of the participants in the missions are high, the program is appreciated, but the outcome in terms of follow-

Elderly Care in Five Years Plans China			Dutch Involvement	
9 th	1996 – 2000	Poverty Alleviation	Development aid	
10 th	2001 – 2005	Experiments pension and health insurance plans	Development aid	Pioneering Adventuring
11 th	2006 – 2010	Implementation of pension and health insurance plans	Pioneering, Adventuring	
12 th	2011 – 2015	Coherent Vision “90 – 7 – 3”	Pioneering Adventuring	Professionalization
13 th	2016 – 2020	Financial Limitations Government Involvement private parties	Professionalization MoU	Trial and error
14 th	2021 – 2025	Guidelines Introduction Long Term Care Insurance	Project VWS + NDRC	To be determined

Table 3

up was on average less satisfying. The question is whether further professionalization in China offers the prospect of more opportunities for successful cooperation. The quest of this project is intended to find an answer to that. Buurtzorg and CONTEXTUREARCHITECTS are examples of opportunities, but they are reluctant in calling themselves successful. In the words of Dyckerhoff: “We decided not to give up.”

5. Identification of potential cooperation in elderly care in China

5.1. Framework of assessment

It is not difficult to find parties in China with an interest in international cooperation. The will to cooperate has been expressed in numerous MoUs between Dutch and Chinese parties, signed under the eye of (vice-)ministers, mayors and senior officials of both countries. It is less easy, however, to translate this intent into real cooperation.

Overview of Dutch expertise in elderly care available for Sino-Dutch cooperation

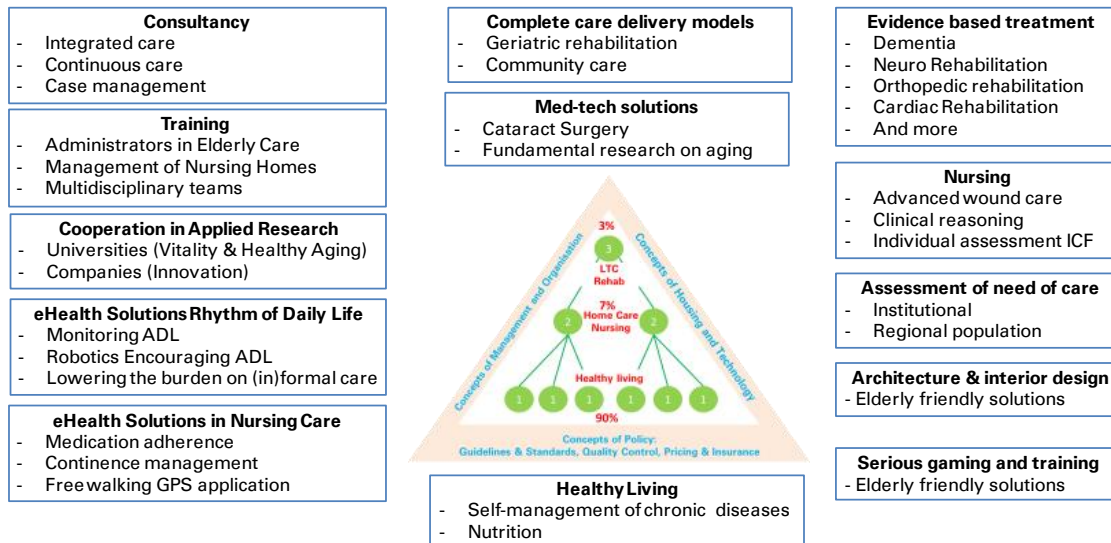


Figure 2

In consultation with the TFHC and the embassy in Beijing, the supply from the Netherlands to the elderly care market in China was mapped. Figure 2 shows the result with boxes describing the expertise. For each box companies and knowledge institutes are available to deliver this expertise. These companies and institutes are all looking for matches with demand in China, symbolized by the central triangle. This triangle stands for the "90-7-3" concept of elderly care that China wants to achieve which is rather comparable with the current state in the Netherlands. In the ideal situation, 90% of the elderly can live in their own home, aware of the principles of healthy living. If necessary, there is support from informal care, in case of chronic conditions supplemented with programs of self-management. Only 7% in this model would need professional care, delivered within the community. Finally, 3% of the elderly population would depend on a professional institutional for care. To make this idea expressed in the triangle into a stable and sustainable system, the baseline shows the required policies. The sidelines show organizational and management concepts and the requirements of housing and technology.

Having summarized the supply and demand side in Sino-Dutch cooperation, eight points of attention were identified, that could be useful to distinguish promising projects. When identifying projects, one should pay attention to:

- a. The extent to which projects are an expression of the goals of the Chinese government's elderly care policy, as found in the analyzed five-year plans.
- b. Difference in opportunities between first, second, third, and fourth tier cities.
- c. Difference in opportunities for public, private, or public-private parties.
- d. The relationships between different stakeholders involved in projects, especially where cooperation between hospitals and healthcare institutions is concerned.
- e. The role of robotics, virtual reality, and eHealth.
- f. The need for training of policy makers, management, and healthcare professionals.
- g. The question which universities and think tanks are leading in influencing policy.
- h. The availability of financial sources to realize international cooperation.

Based on these points, a questionnaire was created and used in interviews with 25 organizations¹³ in total, in search of opportunities for collaboration.

5.2. Results of the interviews

5.2.1. Expectations for the next 5 - 20 years

Almost all interviewees consider the rapid aging of the population as the most important development as well as the challenge for elderly care to tackle in the medium

“The traditional model of more generations under one roof is rapidly eroding”

Jan Albrecht, Chengdu

term. It is not only about the increase in the number of elderly people, but also about the shift in expectations between successive generations. For the current aging generation, born in the 1940s and 1950s, professional aged care is difficult to accept as an alternative to traditional informal family care. Moreover, this generation is forced to accept low quality of care due to lack of financial planning for such care.

The expectation is that next generations will not only develop a more positive image of elderly care with higher quality standards but will also be able to afford high quality care. Financial products are already on the market to invest in the conditions of a good lifestyle in old age.

The second, much-highlighted development is the growth of home care on the one hand and that of high-quality but expensive institutional facilities on the other, accompanied by a fast-growing “sunrise industry”. This trend is already visible, but still in its early stages. The expected gradual introduction of forms of long-term care insurance will provide an incentive for better quality home care providers than are currently on the market. However, this will be a slow process with regional differences,

¹³ The questionnaire, the selection process and the list of interviewees is shown in addendums I, II and III.

given the major challenges: shortages of qualified personnel, government policy that still provides insufficient direction, and the limited availability of financial resources. Despite these challenges, there is a consensus that China will be ripe with opportunity in years ahead.

“The first five years are mainly about nursing care and spiritual entertainment for the elderly, within ten years medical care and rehabilitation for the elderly will have developed better and within twenty years we must have a comprehensive industrial transformation which adapts to the needs of the elderly.”

Li Jin, Beijing

Other respondents mention the need for specific policies for a diversity of facilities in the setting (home, community and institution) and target groups (long-term and short-term care, dementia, many types of rehabilitation, etc.). All components of elderly care may require a different approach.

A third often mentioned development is digitization, which is further elaborated in point 5.2.5.

5.2.2. The state of homecare

Home care in this context does not include informal caregiving or the phenomenon known in China of the “ayi” (阿姨), which people hire for household support. Here it is about home care provided by the government or private companies. This kind of home care is seen in different forms wherever people have been interviewed. The differences are related to government subsidies, but there are many similarities. Predominantly unskilled employees clean, cook, or just babysit for their employing families.

Nursing care is extremely limited, but quality improvement is on the agenda everywhere. In most cases, private companies organize home care, often from community service centers, and are always unprofitable unless the local government

“My concerned father hired a guard for my grandfather, who lives alone, to ensure his safety”

Zhu Siyi, Chengdu

subsidizes their work. This perspective is not attractive for serious investors. In the meantime, the current demand for home care is not enough as most of the elderly with actual demand who are born in the 1940-1950s are not financially able to or willing to afford to home care service. There are experiments with general practitioner care, trying to reduce the number of hospital visits. This brings us to the next theme: the role of hospitals.

5.2.3. The role of hospitals

The government is encouraging the introduction of general practitioner care and is calling on hospitals to provide medical care outside of their own walls. General

practitioners are mostly unknown to average care seekers. In Beijing Shunyi District, Suzhou, and in some districts in Chengdu and Xian, we see good cooperation between community elderly care and hospitals. Doctors have consultation hours in community

"The local government must take a strong stand to bring the hospital and community center together"
Zhang Xia, Xi'an

clinics or people can quickly go to the hospital on referral from the community clinics. Most of the respondents, however, emphasize that this is not in line with the revenue model of hospitals. It is only possible if the local government takes control and compensates the hospital financially for their cooperation.

We also see that healthcare institutions are making use of the tests for self-diagnosis, rapidly appearing on the market. This makes cooperation with hospitals easier and the patient will visit the hospital only in cases where a test is critical.

"The government is now introducing the GP, but people do not know what to expect from him. People are used to going to hospital, even if it is a great distance to travel"
Wang Yifan

5.2.4. The contribution of private capital

"Our financial controller points out the losses to us, but as a state-owned company we also feel a social responsibility in resolving the issue of aging"
Li Minjie, Beijing

Both small and large (state) companies which were interviewed, report that investing in elderly care brings deficit or that the return on investment is low and the return period is lengthy. Support from the local government is indispensable. The government adopts some policies to encourage the participation of private capital. For instance, the 'Public constructed & Private operated' projects are frequently mentioned during our

"Price and quality remain difficult subjects"
Wouter Bolsius, Amsterdam

interviews, in which the elderly care facilities are constructed by the government but operated by the private enterprise. Some other encouragement measures such as

"We want to deliver the quality that can be expected from a private provider, but the costs are too high"

Wang Yifan, Beijing

granting low-cost land for elderly industry, fast approval procedures on elderly sector property rights, income tax exemption preferential policy, construction subsidies, operation subsidies, etc. are also common in China's elderly care sector. There are places where the government contributes per (occupied) bed in a community center or works with vouchers or reimbursements for elderly people with an indicated need of care. In the absence of this type of support, a high price for users is inevitable with the risk that the occupancy rate will remain low. Long-term care insurance, as well as all kinds of new financial products to save for old age that appear on the market will have a positive effect, depending on their nature and size. One respondent pointed out that there are insurers that cover deficits in their own healthcare institutions with surpluses on their financial products.

What would be needed is that government provides an attractive LTCL scheme (that also balances quality and cost and ideally focuses on outcome and not on input) to attract the private sector to build capacities.

Stephan Dyckerhoff, Shanghai

5.2.5. Applications of technology

Technological innovation is rapidly penetrating every aspect of elderly care. Increasing

"The application of remote diagnosis and treatment help in self-management by the chronically ill, but I would like to emphasize that providing care for the elderly is inextricably linked to people"

Li Jin, Beijing

the efficiency of hospitals through digital planning and sending reminders to patients is an important factor. There are companies that offer remote home monitoring with a camera and software that records deviations from the normal daily rhythm. Help can be sent when serious deviations are recorded. Beds are equipped with smart mats that take measurements. Big data and the exchange of information are the focus of this development. There are experiments with robots and wearables, but the reliability and interoperability remain under discussion. Technical solutions are not always based on medical or behavioral evidence. Elderly care is also primarily people work, but expectations for the new technology are positive.

"The human factor will still be dominant. Yet given that Chinese are technology-prone, and the general technological drive China will be at the forefront of such developments. We talk about "humanocracy+IT" to become the success formula."

Stephan Dyckerhoff, Shanghai

Besides medical evidence-based software, there is also interest in hardware, especially some independent hardware products which can be easily integrated to the elderly care solution in China.

"The future is in wearables"

Li Jian'an, Nanjing

5.2.6. The shortage of qualified personnel

"It is very important to increase social status, also in an economic sense"

Liu Jianbing, Beijing

Staff shortage is seen as one of the biggest challenges in expanding available care. The low social and economic status of caregivers is a barrier to entry into this sector. There is a qualitatively limited supply of vocational training courses, which in themselves are not extremely popular, because they do not have the designation of "university". The first courses are reluctantly introduced at university level. There is no system of certified training at different levels. There is a national curriculum for caregivers that can be implemented locally. Local authorities try to make vocational training more attractive

"In order to increase the participation in caregiver training, the central government has recently lowered the quality requirements"

Li Minjie, Beijing

with financial contributions if you are still working in elderly care for several years after graduation.

5.2.7. The leading universities and thinktanks

Elderly care still seems too young to have renowned knowledge institutions. MoCA and NHC are often cited as the main actors in the field of elderly care. That position is less attributed to the NDRC. References are also made to the main universities in Beijing, Shanghai and Guangzhou, which are considered likely to have specialist knowledge.

For instance, the Beijing Institute of Social Management, overseen by the Ministry of Civil Affairs, offers programs related to elderly care, but the enrollment is limited. In Guangzhou, Sun Yat-sen University has developed “the elderly care industry president class” to establish a communication platform for senior leaders in the industry. As many as five national geriatric medical centers have been designated, including the West China Hospital in Chengdu.

5.2.8. Opportunities for international cooperation

There is great interest in international cooperation, and it covers a wide area. Table 4 provides an overview.

Subject	Specification
Organizing care	Advice on policy, funding, financial products Management of institutions Casemanagement dementia Co-investment in care institutions
Education and training	Establishing certified education for nurses and carers Training basic care, dementia care, rehabilitation Training of management
eHealth	Programs for self-management of patients Reliable, medical evidence based software and wearables IT Hardware
Medical devices and equipment	Senior-friendly beds, wheelchairs, lifts etc. Senio-friendly rehabilitation equipment: excercising conditions, power, mobility
Applied scientific research	Exchange and joined research in: (Casemanagement) dementia Government policy elderly care Geriatric Rehabilitation Post-Covid rehabilitation

Table 4

5.2.9. Differences in opportunities in public, private and public-private areas

The answers to the question about the differences in the probability of success between public and private parties or combinations thereof show a nuanced picture. With private companies, excluding the largest and most influential, you can often do business quickly. Bureaucracy plays a greater role in government. Private companies, in turn, are often dependent on government contributions in view of the long payback period. The government is best suited to address the need for policy cooperation or training with a design for certification. Private companies show better entries for equipment. Public-private seems to offer the most opportunities, whereby it may differ per project who is the leading party.

“If you work with a private party, you should always investigate whether that party has a solid relationship with the (local) government”

Zhang Xia, Xi’an

5.2.10. Differences between first, second, third and fourth tier cities

“Connection comes first, the city is next”
Li Jan’an, Nanjing

First and second tier cities¹⁴ have more resources, a broader international experience, and therefore more people who can cope with cooperation with other countries. This

“Beijing, Shanghai and Guangzhou already work extensively with large countries. The Netherlands will be better off in second tier cities. with the note that within first tier cities, you can find second tier districts”
Zhang Shuquan, Beijing

also applies to the local authorities based in these cities. In addition, interviewees mention the importance of a good connection with someone who can also guide you to other areas. There are also differences in international orientation within cities.

5.2.11. Financing of cooperation

“Every government regularly publishes subsidy schemes on its website”
Zhang Xia, Xi’an

General statements can hardly be made about the financing of projects. There are several different approaches that emerged in the interviews. Some parties are willing to invest, but the return-on-investment period must be increased, and government money must be attracted to make this possible. A local healthcare provider would like his local government to help pay for training. The local government then creates conditions, but also has its own subsidy schemes. Universities also have financial resources. The chances of financing are estimated to be higher when it comes to concrete products rather than services. Finally, in the context of international cooperation, there are suggestions of two-way funding. This applies to joint investment in healthcare companies and mutual funding of scientific research. However, the Sino-international project funded by the Chinese stated-owned enterprise and supported and operated by the international player also exists.

¹⁴ Chinese cities can be classified in terms of commercial attractiveness, based on size, vitality and diversity of the population, GDP, administrative level etc. Several lists are published by financial magazines and leading newspapers. The Chinese government does not recognize these lists.

*“To be successful in China, you need the courage to invest:
to catch a tiger cub, one must first enter the tiger’s lair”*

Zhang Shuquan, Beijing

*“Chinese researchers are now sent abroad at our expense. This inequality must be
eliminated”*

Zhu Siyi, Chengdu

5.2.12. Regions favorable for cooperation

Many regions in China have experiences in international cooperation. As a rule, this is a good basis for elderly care as well. The more positive experience, the greater the willingness to continue this path. In the interviews Beijing, Shanghai, and Guangzhou are mentioned as favorable regions. But also, Jiangsu province has been the subject of much discussion in this study. Agreements could be made quickly with the contacts the interviewers came across in this province. In Nanjing, Suzhou, and Wuxi, efforts are being made to give shape to elderly care and there are good examples of cooperation abroad, including the Netherlands, in training, knowledge exchange, and purchasing of equipment. For example, Yunlin Life Apartments in Wuxi, led by a Dutch director, is a high-profile example of cooperation with the Netherlands. Dutch companies and institutions are therefore welcome, with a nod to the aging population of expats who may continue to live in China with their own wishes and expectations. Some interviewee also indicates that the regions and cities which developed long-term care insurance and medical insurance subsidies will be favorable for cooperation.

Collaboration at an academic level does not have to be limited to a region. Similar wishes for cooperation have been noted in Chengdu, Nanjing, Xian, and Xinjiang, whereby universities have mutual contacts. This also applies to state-owned companies with interest in expertise regarding executive and operational management at their locations throughout the country.

5.2.13. Involvement in cooperation

Many of the respondents are involved in or have experience with international cooperation. Most of them also noted that they see real opportunities for cooperation with Dutch parties. According to several interviewees, these opportunities increase exponentially if the financial barriers disappear. Others believe that money is not a problem, especially for Chinese companies, if the product or service is of the desired quality.

*“Unlike in the past, money is not a problem in China now. If you have a good
proposal, you will find the money”*

Li Jian’an, Nanjing

6. Conclusions: How to identify promising projects

The image that emerges from the interviews confirms the findings in the analysis of both the current central policy as well as local implementation. The centralized goals are showing the path forwards, but the journey is a process that includes lack of money, overarching goals and coordination. Clear alignment between relevant stakeholders is missing. However, a trend towards further professionalization is a requirement for success of local authorities, universities, small and large companies. They are engaged in taking initiatives to set up, or improve, facilities for elderly care. Elderly care has a high priority in China. Interest in cooperation with Dutch parties is found throughout China. The areas of cooperation that are currently known are shown in table 4. Various interviewed parties have formulated their demand. Fusing this demand with findings listed in previous chapters, figure 3 sums up how to identify partners for collaboration in 3 steps.

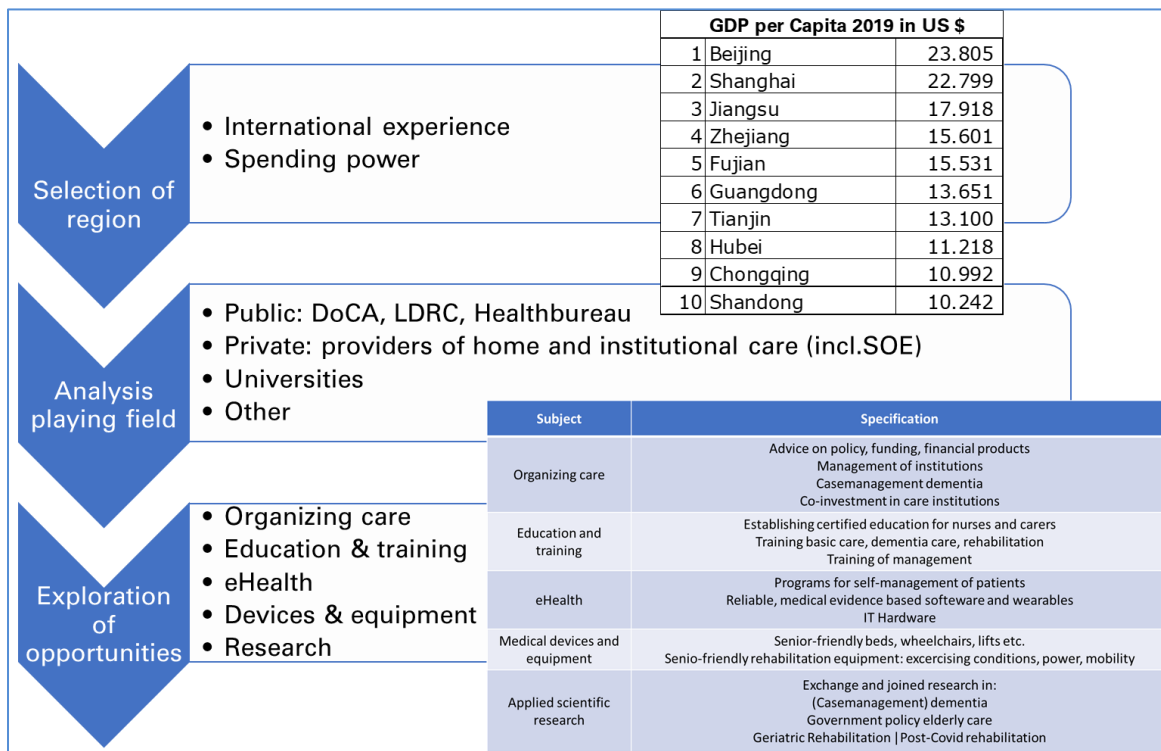


Figure 3

6.1. Selection of a region

The first step is selecting a region to focus on. This region must have both international experience and spending power. Figure 3 shows the top ten of provinces¹⁵ ranked according to their GDP per capita¹⁶. It must be noted that this is only a first indication for selection. Taking a city focus will produce a different list. Sichuan Province is ranked 14 with \$ 8.085, while the capital Chengdu has a GDP per capita of \$ 16.515. Dalian (\$

¹⁵ More accurate: Municipalities, Provinces and Special Administrative Zones

¹⁶ National Bureau of Statistics of China, presented on en.m.wikipedia.org.

10.632) is a city in Liaoning Province (\$ 8.290). Shenzhen in Guangdong Province is ranked first among Chinese cities with \$ 31.000 per capita GDP.

6.2. Analysis of the playing field

The second step is the analysis of the local playing field.

- a. It is important to understand the dynamics in the local environment. The local offices of Civil Affairs, Health and NDRC can take different positions. Developing good relationships with local authorities are a prerequisite for doing business with healthcare providers. It goes without saying for public and public-private providers, but private providers are also dependent on the local government.
- b. Financing is a complex matter. Resources are scarce, even in prosperous regions. It is important to have information about local subsidy regulations and investment plans by private parties.
- c. Insight in local projects and developments is required to match with contributions from the Netherlands. Regions that lead the way developing and implementing policy are closer to the centrally formulated objectives probably offer more opportunities for foreign parties.
- d. Some big (state-owned) enterprises with activities in heavy industry, energy and other industries launched activities in elderly care in several regions. Close contact with these enterprises are important for foreign players. They can also be a bridge to other regions.
- e. Academic cooperation can strengthen the Dutch position in the local environment. even more so if there are opportunities to link research with local projects. Furthermore, an academic network can, open opportunities to organize courses for management.
- f. It is hard to analyze the playing field without a voice in China, and as a result localization for both communication and products or services are required.

6.3. Exploration of opportunities

The third step is the exploration of opportunities. In this step, the search for a match between the previously listed Dutch expertise in Figure 3 and the Chinese demand in the triangle in Figure 2 needs to be made. This is a process that requires interviews, meetings, seminars, fieldtrips etc. Table 4, in which built on figure 3, shows the result of the interviews conducted for this report.

Jiangsu province

It is a coincidence that in this study interviews were conducted in Nanjing, Wuxi, Suzhou and (indirectly) Changzhou. These cities happen to be the four cities with the highest GDP per capita in Jiangsu province. Based on positive feedback in the interviews, it is obvious that Jiangsu Province is a good choice for starting a cooperation. Jiangsu is even more interesting since we interviewed staff from a university, a branch organization, a local DRC, two regional care providers and a SOE, with a location as part of their division elderly care.

6.4. Doing business in elderly care in China

For Dutch companies and institutes interested in doing business in China, there are several ways to enter the market. A company can choose for direct entry by selling

goods and services without intermediate in China. The second option is indirect entry through a local partner, which is preferable if training and after-sales are important issues. It is also possible to set up a Representative Office (RO), a Wholly Foreign-Owned Enterprise (WFOE) or a Joint Venture (JV). The characteristics of these different modes are explained in Addendum IV. For now, it is relevant to refer to the policy of the Chinese government regarding elderly care to encourage private investors, including those from abroad. This policy is materialized in several special regulations making "...the current regulatory framework for foreign investment in eldercare institutions (...) very permissive"¹⁷. It is relatively easy to get the required licenses for establishing and operating a for-profit institute for elderly care. There are several tax exemptions in operating the institute, reduction in certain administrative levies. The institute has the freedom to set the fee for the client. Private investors are also encouraged to participate in the privatization of the state-run institutes for elderly care.

6.5. In conclusion

Based on the interviews in this study, Jiangsu province is identified as a promising region. Governments, local companies, large companies with local activity and a university have been identified as parties with great interest in cooperation with the Netherlands. As a follow-up to the interviews, AMEHR received three proposals to start the exploration of concrete opportunities, which is step three in Figure 3.

- a. A private healthcare provider with activities at various locations in the province, with positive support from the local government, proposes to organize a seminar to elaborate on cooperation.
- b. Nanjing University likes to start talks with Dutch universities about joint research projects. The University proposes to start this together with Sichuan University in Chengdu. Xinjiang Medical University could possibly join.
- c. A SOE with a new location in Changzhou is interested in examining Dutch support in setting up locations specialized in the treatment of dementia.

Jiangsu will not be the only province or region where opportunities can be found. Information from interview in or reports from Guangdong, Dalian and Chongqing shows interesting entries there as well.

In the next chapter, the findings from this study are translated into recommendations for a roadmap for future missions in elderly care to China.

¹⁷ Harris, Greg, *Foreign Investment in Chinese Eldercare and Healthcare: Overview*. Winston & Strawn LLP, Shanghai 2018, p. 1. Other information in this paragraph is also based on this publication.

7. Roadmap to future missions specifically for elderly care China

7.1. Introduction

As discussed before, the focus of the missions in 2016, 2017, and 2019 was on the presentation of Dutch elderly care and a broad introduction to elderly care systems in China. In addition to visits to institutions and companies, missions also participated in road shows, trade fairs, seminars, and matchmaking events. The number of participants on the Dutch side has decreased over time and the clear results are limited. It is important to take a different path forward by organizing more targeted missions.

7.2. Travelling well prepared and goal-driven

Whereas previous missions were intended to become acquainted with elderly care in China, this knowledge is readily available now outside of China. Connections can be made between demand in China and supply from the Netherlands and vice versa. The investigation in this report could help to inspire these more targeted connections. Targets can be set in the search for potential partners in China by designing the trip alongside potential partners. Nowadays there are plenty of opportunities to prepare this properly online. Instead of a trip where three cities are visited for a brief period, it is better to choose one destination where the local government, being more important than the central one, is willing to facilitate cooperation. Based on our findings, Jiangsu province, with the cities of Nanjing, Wuxi, and Suzhou, would be a good choice to pilot this model. Over a visit of several days, cooperation with governments, companies, institutions, and universities can be explored by the group. Similar visits to other regions are also conceivable. The decisive factor must be the active involvement and willingness to cooperate locally. In summary, travel purposefully and knowledge based. Afterwards, we must be able to determine to what extent the goals have been achieved.

7.3. The role of the Dutch diplomatic and economic network

The embassy, consulates and NBSOs play an important role in supporting Dutch companies and institutions in their partner search in China. Also, for this report, the network made an important contribution by providing relevant contacts and facilitating these connections. For future missions, valuable contributions by these parties locally could serve a pivotal role in maximizing the impact of the trip. The embassy's involvement could ensure that valuable local contacts are made, therefore setting participants up for the best chance at success in China.

7.4. Political and diplomatic goals

The three previous missions were successively led by the Vice-Minister, the Director-General for Long-term Care, and the Minister of Health, Welfare and Sports. Their presence had a major influence on the appearance of the mission, which surely increased access for the participants and opened doors that would have otherwise remained close. The possibilities to exchange ideas informally with each other also has advantages for the minister and the participants. In this new model of exchange, it will be important to ensure that local officials who offer valuable insight are not wary to

meet with dignitaries that outrank them, as has been observed in some cases. It is therefore important to make a distinction between the political and diplomatic goals of a mission and the goals of companies and institutions. Through positive collaboration and clear communication to the local areas and officials being targeted, the Embassy can provide enormous support to the delegations and also gain insight into these smaller localities.

7.5. The role of the Task Force Health Care

The Task Force Health Care is a platform that has brought a lot to the world of Dutch healthcare. It is quite unique how the TFHC connects governments, companies, and institutions to many foreign countries, including China. TFHC also served as an organizer and coordinator for China's Elderly Care missions. Maintaining and enhancing the role of the TFHC will contribute to the success of future missions.

7.6. The role of the participants

It goes without saying that the participants play the most important role in the success of any mission. Participants may be expected to prepare well by taking note of any pre-trip information as offered by the network and TFHC. If their contribution to the mission is active and engaging, the benefit for themselves and for fellow participants will be the greatest.

7.7. Follow-up activities

The follow-up of a mission is the result of the investment before and during the trip. It is recommended to make agreements in advance about the way in which the follow-up can be organized between parties. This is a responsibility for all parties involved.

8. Final remarks

The original intention of this study was to approach the NDRC and NHC for information about promising projects. Following the advice of the embassy, we chose another route to reach our goals. Looking back on this research and based on AMEHR's experience in investigating the state of rehabilitation in China in 2012, it seems worthwhile to share the findings of the current report at a high level. It is interesting to discuss Sino-Dutch cooperation through the context of the World Bank Group and WHO reports that were created alongside Chinese government contributions. If there are further opportunities to encourage elderly care cooperation between the Netherlands and China, we should not let it pass.

Finally, it is good to return to the basis of this report. The cluster of companies and institutions must now draw their own conclusions from the findings of the study and choose their path forward. As mentioned before, there is the three-year project, developed under the umbrella of the MoU of VWS with the NDRC. Hopefully, this report will contribute to the realization of the core goal: improving and deepening exchange and cooperation between elderly care organizations in the Netherlands and China. According to the conclusions of this study, it is obvious that this project should also look closely at specific regions when targeting opportunity. After beginning with a regional focus, it would then be valuable to try to forge positive exchange at a macro level as well. Lastly, in addition to good contacts with NDRC, cooperation with the NHC and MoCA is important.

Acknowledgement

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Leiderdorp, June 2021

Addendum I Selection of interviewees

First list of potentially promising contacts

The list was prepared in collaboration with the Dutch Life Science and Health network in China. The network drew up a list of potentially promising contacts. This list is supplemented with contacts from the networks of AMEHR and Acclime China. This initially resulted in a first list of 31 contacts, spread across the country.

Final list of potentially promising contacts

This long list was discussed in consultation between AMEHR, the Embassy, TFHC and Acclime. The first impression was that all contacts on this list seemed worth approaching. This was not possible within the current scope of this study. The list of more than 31 has been halved into a “shortlist” of 16, to which eight more contacts from the AMEHR network were added at a later stage. During the selection, it was ensured that the shortlist consisted of a variety of contacts. Governments, universities, community care providers, nursing homes, opinion leaders, hospitals, industry associations and state-owned companies are represented. The majority of those selected were first contacted by telephone or WeChat, followed by an invitation with an explanation by e-mail. Out of the total of 24, 20 were found willing to participate in the study with an interview. In some interviews more organization took part. At last, 24 organizations were interviewed. Each interviewee was given the opportunity to choose a preferred language (Chinese or English) and setting (live or online) of the interview. 10 interviews were conducted on location, all in Chinese. The other were taken online. A report was made of each interview and submitted to the interviewee for approval. One more interview is scheduled in the first week of May, after the closing of the project.

The interviews

The bilingual questionnaire was sent to all interviewees in advance. Each of the interviews started with a brief introduction to elderly care in the Netherlands on the following three points: the decrease in living in a nursing or care home from 11.5% in 1975 to less than 4% in 2020; the increase in this percentage in the coming years under unchanged policy and the system of integrated and continuous care as depicted in the triangle in figure 2. The possible supply from the Netherlands was also explained.

The introduction to the questionnaire briefly summarizes the report of the World Bank Group and NDRC and points to problems of aging that, with all the differences that exist between the Netherlands and China, also show similarities.

Questions were asked about the most important developments and greatest challenges, the state of home care, the role of hospitals, the contribution of private capital, the use of technology, the shortage of qualified staff and the position of universities and think tanks. Finally, there was explicit discussion of opportunities for cooperation and its financial feasibility.

Addendum II Questionnaire

Introduction to the questionnaire

In 2018 the World Bank Group and the NDRC published a report on elderly care in China. The main conclusions in this report: China made great progress over the last few decades, but elderly care is still in its early stage. The report shows examples from other countries that could be helpful to accelerate China's development. On the other hand, specific Chinese solutions can be interesting for other countries. The Netherlands is an example of a country with a highly developed system of elderly care, but the Dutch are also facing challenges regarding the growing number of elderlies in the coming years. In this respect, Dutch government, universities and companies are interested in cooperation with China. This interview will help us to get a better understanding of elderly care in China. First questions are about key developments and challenges. Secondly, there are questions about important issues in elderly care such as development of home care, the role of hospitals, public and private investment, technology, professional workforce, and scientific research. Furthermore, we are curious to know your ideas and suggestions about topics, areas or even projects that are promising for Sino-Dutch cooperation. Finally, there is the question of funding.

1. General view on China's elderly care in the upcoming 5 / 10 / 20 years

- 1.1. What is your top three of key developments?
- 1.2. What is your top three in main challenges?

2. Specific issues in elderly care

- 2.1. The central government's policy is to encourage home care, supported at the community level. What is your opinion on the current status of home care?
- 2.2. Hospitals are expected to transfer forms of treatment to the community or even to people at home. This should especially be the case with chronic conditions, often found among elderly. Do you see examples of hospitals that are successful in this transfer?
- 2.3. The national policy is to encourage private and social capital to participate in elderly care. Do you know examples of the way private investment and involvement in the elderly care sector is stimulated? Is this centralized or decentralized?
- 2.4. The application of technology (robotics, virtual reality) and e-health becomes more and more important in health care. What opportunities do you see in elderly care?
- 2.5. The report of the World Bank and the NDRC underlines the lack of professional workforce in elderly care. Do you know initiatives to solve this problem?
- 2.6. What are the top universities and thinktanks regarding elderly care in China?

3. International cooperation

- 3.1. Where do you see opportunities for cooperation in elderly care between China and foreign countries?
- 3.2. Do you see differences in opportunities between the public sector, the private sector, or public/private combinations?
- 3.3. Do you see differences in opportunities between first tier and second-, third or four-tier cities?
- 3.4. What are the main resources in China for funding international cooperation?
- 3.5. Do you know of any current hotspots or development zones in which international solutions are encouraged?
- 3.6. Are you involved or familiar with projects that will welcome international cooperation?

Thank you very much for your kind cooperation!

Addendum III List of interviewees

Nr	Area	Organization	Name and position
1	Beijing	Cuncaochunhui Home for the Aged	Ms. LI Jin, Deputy General Manager & HR director
2	Beijing	eLife Beijing	WANG YiFan, General Manager ZHANG Shuquan, Consultant
3	Beijing	China International Senior Service Expo (CISSE) & China Association of Social Welfare and Senior Service	Ms. FENG Xiaoli, President
4	Beijing	Beijing Academy of Science and Technology (BJAST); Beijing Active Ageing and Smart Service Technology Co., Ltd	Mr. LIU Jianbing: Board Chairman; Professor of Beijing Research Center of Urban System Engineering; Director of Urban operation and management key Laboratory, Beijing Academy of Science and Technology
5	Beijing	District Health Commission	Deputy director
Guangdong			
6	Guangzhou	Poly Hexi Hui Care Center	Ms. LU Lisha, Principal
Jiangsu			
7	Nanjing	Jiangsu Silver Industry Association	Mr. ZHANG Jianping, President
8	Nanjing	Rehabilitation Medicine Center of the First Affiliated Hospital of Nanjing Medical University	Prof. LI Jian'an, Retired director. Member of the National Academy of Medicine (USA)
9	Suzhou	Suzhou City Development and Reform Commission & Municipal Office for Service Industry Development	Mr. XU Jianguo, Vice Director of Suzhou Municipal Office for Service Industry Development under Suzhou DRC
10	Suzhou	Suzhou Foreign Affairs Office	Representative
11	Suzhou	Jiangsu Ruiyi Elderly Caring Industry Development Co., Ltd	Mr. YUAN Fuyu, General Manager
12	Suzhou	Fuxing Nursing Home	Representative
13	Wuxi	Yunlin Elderly Care Development Co., Ltd	André Jager, Vice President
North of China			
14	City	Provincial Civil Affairs Bureau	Deputy Director of Department of Elderly Service and Elderly Welfare
15	City	Provincial Aging Industry Association	Chairman
Sichuan			
16	Chengdu	West China Hospital	Dr. ZHU SiYi, for: prof. HE Chengqi, Head of the Department of Rehabilitation Medicine
17	Chengdu	Sichuan University / Nanjing University	Prof. Jan Reinhardt, Director Research Rehabilitation
Xinjiang			
18	Urumqi	The First Affiliated Hospital of Xinjiang University	Prof. WANG Baolan, Head Department of Rehabilitation
Chongqing			
19	Chongqing	Dima Changqingshe	Mr. ZENG Jiguo, General Manager
Other			
20	China	SDIC	LI Minjie, for Prof. CHEN Zheng, Geriatric Expert
21	China	Universal Medical / West Electric Hospital Group Xi'an	Ms ZHANG Xia, Rehabilitation consultant
22	China	Buurtzorg Neighborhood Care Asia Ltd	Stephan Dyckerhoff, President & CEO
The Netherlands			
23	Amsterdam	CONTEXTUREARCHITECTS	Wouter Bolsius, Director/owner
24	Rotterdam	Laurens Ouderenzorg	Bert van der Lende, Independent Consultant

Addendum IV Entering the Chinese market

This chapter gives a brief overview of the most common modes for market entry in China. More detailed information on all aspects of doing business in China can be found on eusmecentre.org.cn, the website of the EU SME Center. In individual cases it is always advised to contact a local consultancy agency.

For a foreign entity, there are four options to enter the market in China:

- a. Direct entry
- b. Entry through a local partner or distributor
- c. Entry through a Representative Office or Wholly Foreign-Owned Enterprise
- d. Entry through a Joint Venture

These options are briefly discussed in the next sections. In either option a tailored business strategy is required for potential future success.

Direct entry

Selling products or services from overseas is possible without any local representative. This implies direct communication between the foreign company and the supplier or client. It is possible to pay suppliers in foreign currencies as it is the locally registered entity's responsibility to convert the foreign currency in renminbi. Paying foreign entities in foreign currencies is also possible for registered Chinese entities, but it requires additional paperwork at the bank as the currency needs to be converted.

In the healthcare industry companies exporting products, machine, and equipment are often among the first ones to export without establishing local entities. Other examples are companies that provide guidance and training during the construction phase while materials are locally sourced.

When doing business with companies registered in Mainland China, it is important to not only develop a relationship, as considered common in China. It is also important to make sure all requirements and agreements are communicated. This can include payment schedules, material specifications or sourcing requirements. It is crucial in China to check the legal validity of signed agreements and contracts. Using a local agency with relevant experience is a good first step towards a market entry or during negotiations.

Companies interested in the Chinese market should also consider registering their trademark locally. Registering trademarks follows a first-to-file system. International trademarks are not recognized if they have not been registered in Mainland China's jurisdiction. There have been cases in the past with trademarks of international brands by local Chinese companies. Companies risk infringement claims if they did not register their trademark, even if it is their own product. Such registration can be done without having a local entity although using an expert agency such as a law firm is recommended. It is important to note that the Chinese economy is transforming from copycat to high tech innovation. During the last decade, China jumped from no 29 to no 14 in the Global Innovation Index Rankings.

As a foreign company, without any locally registered entity in Mainland China, it is not possible to legally hire staff. This implies that foreign companies cannot pay salary or compensation from an overseas account.

Entry through a local partner or distributor

Companies who sell equipment that needs both training and after-sales could consider an indirect export mode of entry. This can be through agents, distributors, franchising or through a licensing and technology transfer. If companies pursue this strategy, they avoid the process of registering and the responsibility of managing their own entity in China. Rather, their local partner represents them or distributes the goods.

Given the size of the market in China, it is advised to consider an agreement with a partner for a specific region and a fixed timeframe. Then it is easier to make sure that the right partner is found. It is important to invest time in getting to know the partner or distributor and to get familiarized with their strategy and vision on product and service. Another question is if their staff is professionally trained. Developing stakeholder relationships is important.

Referring again to trademarks, it is recommended to foreign entities to register their trademarks themselves and leave it to partners and distributors on behalf of them. For technology transfers, most of the transactions do not have any active involvement or intervention by the government these days, nor have a requirement to enter a Joint Venture structure. This implies foreign companies can pursue a technology transaction without having a local entity if the (legal) paperwork is thoroughly checked by a local expert.

Entry through a Representative Office or Wholly Foreign-Owned Enterprise

A Representative Office (RO) represents the headquarters of a foreign company and is restricted to marketing activities only. A RO is not allowed to hire staff and to send invoices to clients. It used to be popular but is seen less in China due to these restrictions.

A Wholly Foreign-Owned Enterprise (WFOE) in China is a Limited Liability Company (LLC) which is established exclusively by the foreign investor's capital ("wholly foreign-owned"). This implies that the WFOE is 100% owned by its foreign shareholder. Once China officially became a part of World Trade Organization in November of 2001 market access was granted to foreign investments in many industries. Registering a WFOE has become the preferred mode of entry for many foreign investors seeking access to the Chinese market.

In general, there are three different types of WFOEs, which are the following:

- a. Standard/Consulting WFOE: licensed to operate as a consulting business within the service industry.
- b. Trading WFOE: licensed to conduct trading, wholesaling, retailing and franchising activities in China. These types of companies are required to make an additional registration at Customs to be able to import/export goods in/from China.
- c. Manufacturing WFOE: licensed to manufacture products.

A WFOE must have a business scope that is listed on the company's business license. The business scope defines which types of business a company can engage in and must be approved by the Bureau of Industry & Commerce. Defining the business scope is

done at the beginning of the registration process. It is a very delicate moment during the registration of one's entity. In China, there is a classification of business scope items. An item can be *common*, *encouraged*, *restricted* and *forbidden*. It is interesting to know that elderly care is an encouraged industry. Research is needed before registration to ensure that a WFOE is not engaging in a forbidden business scope item. Even restricted items can have consequences in several industries such as media, education and health care. Until recently foreign entities faced restrictions in delivering health services. Hospital care could only be operated in a Joint Venture with a Chinese partner, having the majority of the shares. In summary, setting up a WFOE is only possible as long as an industry is not on the negative list or there are no special requirements by ministerial departments.

What companies usually do not know – or tend to forget – is that they can only pursue the items listed on the business scope. Failing to be compliant to the business scope can imply a fine up to one year's revenue. Each type has different requirements to be set up. As a trading company is engaged into trading, it usually needs to apply for an import/export license and consequently will be registered at Customs. For a manufacturing WFOE, one needs to have a factory space in an approved zone. For example, it is impossible for a manufacturing WFOE to register in the center of (large) cities in China.

There are many different decisions to make before setting up a local entity. Factors that are included are geographic location, invested capital, additional licenses, and corporate structure. It is advised to use local experts during the registration process to optimize a market entry.

Entry through a Joint Venture

A Joint Venture (JV) is, like a WFOE, a Limited Liability Company and the company structure is subject to the same rules and regulations as a WFOE. A JV has multiple shareholders. These shareholders can be foreign individuals, foreign entities, or locally registered entities such as a WFOE or a Chinese-owned company. In 2020, a new Foreign Investment Law was implemented that abolished the previous two types of JV's, namely equity JV and cooperate JV. The main difference is the decision-making process for the company; before it was the board of directors that was the de facto decision maker, and this has currently changed to the shareholders.

Joint Venture means joint management, which can prove challenging for companies without significant prior international experience. Just like with local distributors or partners, it is crucial to find the right local partner to set up a JV with. A thorough due diligence and background research of the proposed JV partner is needed. Especially in restricted industries in which the foreign shareholder can only obtain a minority percentage of shares in the JV, investing time in building the relationship and trust needs to be the start of such a collaboration.

Addendum V List of abbreviations

DoCA	(Local) Department of Civil Affairs
GDP	Gross Domestic Product
LDRC	Local Development and Reform Commission
LLC	Limited Liability Company
MoCA	Ministry of Civil Affairs
MoF	Ministry of Finance
MoU	Memorandum of Understanding
NBSO	Netherlands Business Support Office
NDRC	National Development and Reform Commission
NHC	National Health Commission
PIB	Partners in Business
RVO	Rijksdienst voor Ondernemend Nederland
SOE	State Owned Enterprise
TFHC	Task Force Health Care
VWS	Ministerie van Volksgezondheid, Welzijn en Sport
WBG	World Bank Group
WFOE	Wholly Foreign-Owned Enterprise
WHO	World Health Organization