

## *Original Paper*

# Research of Public-Private-Partnership (PPP) Model in Elderly Care Service in the Accelerated Rate of Aging in China

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### ***Abstract***

*China urgently needs to grow the senior care business and raise the standard of elderly care services in response to the major problem of population aging. Currently, the government provides universal old services and depends on financial support. However, with government revenue continuing to decline, it is not possible for the government to provide elderly care services on its own. The cutting-edge model of government-social capital cooperation (Public-Private Partnership (PPP) for short) was applied. The government started actively guiding social capital into the field of elderly care services in order to optimize the social financing mechanism and relieve the pressure on the government, and the cutting-edge model of government-social capital cooperation was applied.*

### ***Keywords***

*aging, elderly care service, PPP model, economics*

## **1. Introduction**

China urgently needs to grow the senior care business and raise the standard of elderly care services in response to the major problem of population aging. Currently, the government provides universal old services and depends on financial support. However, with government revenue continuing to decline, it is not possible for the government to provide elderly care services on its own. This essay first defines the terms “elderly care service” and “PPP model,” analyzes the current state of the PPP model’s application to the growth of elderly care services in China, focuses on the PPP project for the Futian District Welfare Center in Shenzhen, discusses the benefits and drawbacks of the PPP model’s application to the elderly care service sector in China, offers recommendations for sustainable development, and offers a conclusion.

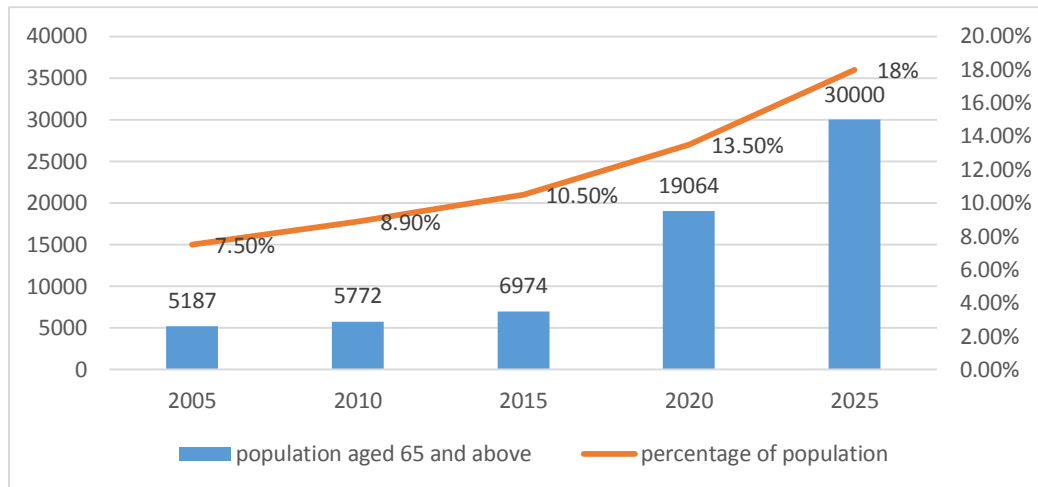
## 2. Definition of Elderly Care Service and Public-private Partnership

Elderly care service is the general term for all the policy support, auxiliary infrastructure, and medical services required by the state, society, and individuals for elderly care services, which refers to the provision of necessary living services for the elderly to meet their basic needs of material and spiritual life.

PPP is the abbreviation of “Public-Private-Partnership”, where “public” refers to the government public sector and “private” refers to the private sector. The PPP model originated in the 1980s and was proposed by the Blair government in the United Kingdom. The definition of PPP model varies from country to country and from region to region due to the different economic forms and the different degrees of economic and social development. For example, according to the definition of the United Nations Institute for Training and Research, “PPP model” is a partnership between government departments and the private sector for the provision of public utilities traditionally provided by government departments; according to the definition of the EU PPP Committee, “PPP model” is a partnership between government departments and the private sector in which both parties share risks and responsibilities based on their respective strengths and weaknesses to provide. According to the EU PPP Committee, “PPP” is a partnership between the government and the private sector in which both parties share the risks and responsibilities for the delivery of public projects or services that have traditionally been the responsibility of the government sector.

## 3. The Development Status of China’s PPP Model in Elderly Care Services and PPP Model Case Study in Shenzhen

The PPP model is a cooperative model that can effectively play the role of the market and form a pluralistic governance body to promote the improvement of public service quality. In 2015, the Chinese government issued a document to encourage private capital to participate in the development of elderly care services and senior care industry through PPP and other models. By the end of 2021, the number of people over 65 years old in China reached 200 million, accounting for 14.2% of the total population, and in the next 10 years, China’s aging population will grow rapidly. At present, there are 358,000 institutions and facilities of all kinds for the elderly, with a total of 8.159 million beds for the elderly. There is still a gap with the 50-70 beds in other developed countries. Since the 12th Five-Year Plan proposed a target of 30 beds per 1,000 elderly people, the number of beds has basically remained flat at about 30 in recent years, and the focus of elderly care services has tended to be on meeting the number of beds, while other basic elderly facilities have not been able to meet the daily needs of the elderly.



**Figure 1. China's Population Aged 65 and above and Its Share in 2000 to 2025**

According to the Center for Government and Social Capital Cooperation of the Ministry of Finance's project database as of December 31, 2021, there were 116 senior care PPP projects with a combined investment of 68.97581 billion yuan, which represented 11.3% and 5% of the total number and investment of all PPP projects in the database, respectively. Since the creation of the elderly PPP projects in 2012, the overall number of elderly care service projects has increased steadily. In 2016, there were a total of 45 projects. Senior care PPP projects have a more widely distributed investment amount, with the lowest investment amount being 9 million RMB.

Most senior care PPP projects with elderly citizens that are PPPs go through three stages: planning, purchasing, and implementation. Seven of the library's senior citizens PPP projects are in the planning stages, costing a combined 3.5 billion yuan; 28 projects are in the procurement stages, costing a combined 18.9 billion yuan; and 81 projects are in the implementation stages, costing a combined 46.6 billion yuan, with a 70% project landing rate. The majority of senior citizen PPP projects are located in the eastern coastal region, however there is a significant geographical gap in this area, and other provinces have yet to establish senior citizen PPP projects. The senior care industry PPP model covers a variety of business sectors, namely senior housing, senior care, medical care partnerships, and social welfare organizations.

**Table 1. Basic Information of China's Elderly Institutions in 2021**

	Public nursing homes	General Commercial	Senior Commercial Nursing
Monthly	under 3000 RMB	3000-8000 RMB	above 8000 RMB
Service Level	Few service personnel, not strong professionalism, imperfect institutional	Equipment and elderly care services are mainly based on economic comfort	Focus on the requirements of daily life, develop personalized needs, and advanced equipment for elderly care services
Occupancy rates	Almost full	High occupancy rate, generally 90% or more	Low occupancy rate, generally 60%

The first PPP project of public elderly institution in Shenzhen. After the introduction of Vanke's renovation, the space utilization rate of the project has been greatly improved, with 100 new beds, an increase of 31%. Nearly 1,600 m<sup>2</sup> of new elderly activity support area was added, and more than 40 age-appropriate renovations were implemented. The Futian District Welfare Center has introduced Vanke's high-quality senior care resources through public bidding to realize a series of transformations in the public senior care institutions, from the operation mode, supply mode and management system, the operation mode is market-oriented, realizing the purpose of risk sharing and win-win cooperation; in the supply mode, the development trend is from simplicity to diversification, realizing the transformation of socialization, specialization and standardization; meanwhile At the same time, the intelligent elderly cloud service platform is built to understand and update the information of the elderly through the "Internet+intelligent" platform with health terminal devices, and an electronic business system for the elderly is introduced.

**Table 2. Main Facilities Covered and Size of Welfare Center**

Floor space	5200 m <sup>2</sup>	Building Size	11900m <sup>2</sup>
Number of Beds	About 420	Fees	above 2150RMB/month
A Floor	Provides senior living, care and meals, with common spaces on each floor		
B Floor	Provide various recreational activities for the elderly, with chess and card rooms, handicraft workshops, table tennis rooms and other activities to meet the spiritual and cultural needs of the elderly		

Shenzhen Futian has introduced a professional organization to serve the elderly through the PPP model, in which the government provides about 60% of the site and the society provides 40%, all of which is delivered to Vanke for operation. The government has given certain funding funds to the elderly

institutions, and has also established an assessment and evaluation mechanism to strengthen the supervision of the private institutions, as well as to explore the integration of medical and health care to change the problem of difficult access to medical care in nursing homes. At the same time, the Futian government has strengthened the cooperation of social capital using the PPP model for the elderly, and promoted the alignment of elderly care services with the market economy. It has effectively improved the efficiency and quality of public services.

#### **4. Analysis of Advantages of PPP Mode in Elderly Care Services**

##### *4.1 Diversification of Funding Sources and Relief of Financial Pressure*

After adopting PPP mode, by introducing social capital financing construction, the government pays year by year according to the performance assessment results during the operation period, which is conducive to smoothing the financial pressure of fiscal expenditure and relieving the tight situation of financial capital. As the main supplier of public goods and services, the government needs to invest not only in the elderly, but also consider health services, compulsory education services, environmental protection and medical services, etc. The introduction of the PPP model applied to the elderly care services can effectively relieve the financial pressure of the government, take the lead in breaking through the financial difficulties in the supply of elderly care services, promote the supply efficiency of elderly care services and facilitate the transformation of government functions.

##### *4.2 Provide Professional Elderly Care Services for Market-oriented Operation*

The emergence of PPP model just solves the problem of lack of professionalism. Contracting elderly care services to private senior care institutions with more mature operation and management ideas, professional service personnel and professional equipment effectively improves the professionalism of elderly care services. On this basis, the governmental functionaries realize the transformation from the providers of infrastructure and public services to the supervisors of the projects for market-oriented operation and the implementation of the winners and losers. Driven by economic interests, each private institution cooperating with the government will increase capital investment and actively improve service level and quality to win the opportunity to cooperate with government departments, which will drive the transformation and leapfrog development of the whole senior care industry.

##### *4.3 Optimize Resource Allocation and Improve Scale Efficiency*

The elderly care service industry integrates with many social resources. While improving the service level, it also optimizes the resource allocation and improves the scale effect. The PPP model effectively revitalizes idle social resources, takes advantage of the market of social capital, and integrates funds to optimize allocation. Traditional elderly care services have internal and external structural risks borne by the government itself, and in terms of specific operations, private enterprises have more market experience and specialized operational capabilities. However, the PPP model can optimize the elderly care service, effectively avoid some of the market risks with the help of social capital, and the government can mitigate the structural risks and reduce some of the expenses, while effectively combining the policy

management advantages of the government and the market operation advantages of social capital, optimizing the resource allocation, revitalizing the idle resources, improving the scale efficiency and maintaining the sustainability of the senior care project.

## **5. Analysis of the Limitations of the PPP Model for Elderly Care Services**

The PPP model of elderly care services in China has the problem of insufficient construction of professional talents, and the government has not yet issued specific laws and regulations to protect and regulate the operation of the project.

On the one hand, talent training system is not perfect and legal regulation of PPP mode senior care project is incomplete. The lack of professional and young talents will restrict the development of the senior care industry for a long time. The mismatch between supply and demand affects the operation and operation of institutions, leading to many problems such as insufficient service funding, imperfect facilities and low-level operation in an aging society, resulting in a large shortage of practitioners and high mobility, making it difficult to guarantee the stability of practitioners in the process of elderly care service supply. At present, There is no clear positioning of the rights and responsibilities of each participating body, and there is no legal basis for the government and social capital bodies to provide elderly care services, and there is no strict definition of illegal and unlawful operation. On the other hand, there are some defective risk-bearing system in this system. The important feature of PPP model is risk sharing, the relationship between them is complicated, and the project itself has various characteristics, for example, the service content ranges from the service scope ranges from urban communities to rural communities, and the service personnel ranges from network technicians to grassroots caregivers. China's PPP projects are not yet rich in practical experience, and the risk-bearing system is not perfect, if the responsibilities and obligations of each participating body are not clearly defined.

## **6. Suggestions for Countermeasures**

### *6.1 Strengthen the Construction of Professional Talents*

Professional talents refer to the composite talents with professional knowledge of law and financial management, and have the literacy of integrated management of PPP projects. ppp pension projects are in the initial stage, the gap of professional management talents needs to be filled urgently, and the lack of talents increases the workload and reduces the utilization rate of human capital. Government departments should improve policies to support the treatment of elderly care service talents, encourage practitioners to learn nursing, physical therapy, rehabilitation and other technical-type abilities, and at the same time conduct rating division and performance assessment of work to stimulate healthy competition, improve employees' treatment of employment and motivate them. All departments should make joint efforts to improve the cultivation system, ensure the quality and safety of service technical talents and realize the standardized service-oriented talent management for social pensions.

### 6.2 Establish and Improve Laws and Regulations and Supervision System

The elderly care service industry is characterized by high investment, long return periodicity and risk uncertainty, etc. The industry needs the protection of relevant laws and regulations to attract social investors to join. However, China has not issued any policy documents and laws and regulations on social elderly care services. Government departments should introduce policies and regulations to guide the elderly care services, and laws and regulations bind the rights and obligations and social capital parties to ensure that both sides play to their advantage. A third-party supervision and management agency should be established, which can ensure the operation status of PPP elderly care service projects, ensure effective supervision of government departments and social capital, and also clarify the implementation of policy support, and also strengthen the operational efficiency of supervising the project company on the elderly care services.

### 6.3 Focus on Risk Control and Information Disclosure System

Based on the special characteristics of the elderly care service industry, the investment risk in this industry is large, and the macro environment risk, project construction risk, project operation risk and senior care industry risk will affect the decision of private capital investors, the government should do a good job of risk control and provide a good investment environment for investors. At the same time, the government should jointly review and supervise all processes of PPP mode senior citizen public service projects to ensure the standardization of the projects; it should also actively play the role of PPP mode information platform to ensure the openness and transparency of the projects.

## 7. Conclusion

The issue of supplying older resources will become more and more evident as China's population ages. The PPP model is crucial to the development of elderly care services. There are still issues with legal policy documents in China that are not perfect, the government's revenue barely covers pension expenses, and the lack of qualified professionals in the pension industry for PPP mode pension project investment. The government should play a leading role in the financing system of senior care projects, build a fair and effective investment return mechanism for senior care projects, encourage social capital parties to provide multi-level and diversified elderly care services, and talent training should be encouraged in order to further promote and improve the investment decision of China's PPP mode senior care projects.

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