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--On March 12, the State Development and Reform Commission held a conference in respect to how to utilize the funds from international financial organizations in supporting China's senior care industry. The World Bank has endorsed around ***USD 500 million*** to support the construction of senior care system in China. At the conference, participants introduced the planning of such project.

--On March 26, the Bureau's Chief of Beijing Ministry of Civil Affairs disclosed there will be ***10,000*** new senior care beds to be built this year in the city. In the meantime, standard for construction allowance to not-for-profit senior care facilities founded by private capital is expected to be released and implemented on a basis of ***RMB 20,000 to 25,000*** per bed from the municipal level and of the same amount from the district level, which means there will be ***RMB 40,000 to 50,000*** per newly established bed. Subsidies during the operational period to the facilities will also be increased from the current RMB 200 to 300 per month per individual to the amount of ***RMB 300 to 500***.

--Qingdao is the first city in China to implement pilot scheme on long-term care insurance. Since September 2012, the municipal government has raised RMB ***300 million*** to subsidize the pilot scheme. It is expected around ***2.9 million*** participants will benefit from the scheme. Participants can reimburse ***90 to 96 percentage*** of their medical care expense spent in qualified senior care institutions, hospital, or being provided at home.

--On April 8, the Beijing's Land Resource Bureau released its provision plan for state-owned constructive land in 2013. According to the construction target of senior care facilities in Beijing and the city's plan to put in place the land use right provision pipeline for senior care facilities, there will be ***100 hectares*** (one hectare is equal to 15 mu) of senior housing land use right being separately listed in Beijing's land provision plan.

--Cascade Healthcare, a China-based affiliate of Columbia Pacific, and Sino-Ocean Land, the Chinese developer, have formed a Sino-Foreign Joint Venture to develop and operate their first project together: a senior care facility in southeast Beijing. The ***60,000***-square-foot facility, Senior Living L'Amore – Kaijian, is being constructed in Sino-Ocean's Ocean Palace luxury residential housing community in the Yizhuang area of Beijing. When it opens this summer, the ***110***-bed facility will provide residential senior care services to Chinese seniors, adapting the best international standards of management and care to local Chinese cultural norms. Sino-Ocean Land and Cascade Healthcare will each put up ***50 percent*** of the registered capital of the new facility and jointly oversee project operations. ■

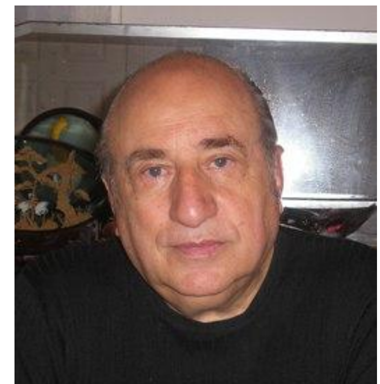
Industrial Analysis

SENIOR LIVING COMMUNITIES: THE "NEXT GENERATION" OF CARE FOR SENIORS IN CHINA

By Peter A. Magaro PhD

Director of Memory Training Centers of America

Memory Training Centers of America is the largest provider of professional memory/cognitive training services in the U.S., providing cognitive evaluation and treatment services to seniors with mild cognitive impairment throughout the Northeast, Midwest, Florida, California, and other States/regions. More details on the website of www.memorytrainingcenters.com



While there is a need and a place for the options of older adults living with younger generation family members, or living on their own with in-home support, the U.S. has seen a powerful trend toward "aging into" Senior Living communities during the past decade. This trend is now developing and building momentum in China. In this article, we'll take a glance at what the U.S. has done in designing a Senior Living community.

WHAT WOULD AN IDEAL ASSISTED LIVING COMMUNITY LOOK LIKE?

While a popular model for Senior Living is the CCRC (Continuous Care Retirement Community), U.S. experience shows that it is the physically and cognitively frail individuals who are struggling to maintain independence in IL or AL sections of the community who are in greatest need.

How would we build a CCRC which would be the ideal situation for an elderly person who can and wants to maintain independence?

The goal of any Senior Living community is to prolong independent functioning and delay the need for more restrictive levels of care such as Skilled Nursing. It is an ongoing challenge of high quality Senior Living communities to serve the needs of the physically and cognitively frail senior through: creative and practical architectural design; comprehensive and targeted programming; and quantity/quality of professional staff.

Physical Appearance-Design. Let us consider what would be needed if we were to design a senior care facility today. China has the advantage of using the experience of the West to step ahead of the curve. The facility would have to be designed to meet the needs of both the cognitively active and the cognitively frail individual. A physical environment that enables the full degree of independence and comfort for the healthier older adult is essential, as is the accommodations that need to be made to support the needs of the more cognitively frail individual; as one would expect to have a bed that a physically frail elder could

manipulate, there should be a room that a cognitively frail individual could manipulate.

The main function of a room would be its central relationship to the rest of the community and this could be done by an in-service TV system. Individuals would be able to not only use their TV for entertainment but also as a means to communicate with staff and other residents. Equally important, the entertainment center would be a cognitive learning center to provide residents with a tool to exercise cognitive skills.

Beside the connectedness of the rooms to a central communication center, the facility itself should promote communication and a sense of community. Halls and social nooks should be created to facilitate interactions, and possibly, communication should even be 'required ' to move through the building. In other words, the building cannot be a place to hide. Ideally, the physical and philosophical architecture would work together to foster a sense of community and connectedness. Unfortunately most buildings being designed by older architects focus on the physically frail person and completely ignore the cognitively frail elder person. In China there is the opportunity in new buildings to create space that facilitates an increase in well-being of the person. Incidentally, this trend is only beginning in the US, but in China can be a requirement for adequate construction. As we have said, China has the opportunity to jump the line in quality of facilities.

Equipment-Furniture. What would the actual furniture look like in an assisted living facility that is built to serve and treat the cognitively impaired individual? Let us go back to the bed. There could be a TV attached to the bed that requires many manipulations for the frail person to use in their spare time to improve their cognitive functioning. For example there could be programmed exercise shows or Tai Chi exercises to follow when in bed. There may be word exercises. While the person may be physically impaired, the assisted living facility does not want to contribute to cognitive impairment by not taking full advantage of opportunities to provide stimulation. Equipment and furniture can enable or disable such stimulation, depending on how it is structured and utilized. As suggested above, rather than just watching TV, room furnishings and systems can be constructed to utilize the TV as a tool for interaction. Furnishings and their layout can be similarly used to promote or discourage communication and stimulation.

Design-Layout. Common areas should be designed to promote not only safe mobility for the physically frail, but encourage social engagement and cognitive stimulation for all individuals living in Senior Living Communities (whether IL or AL). For example: more small lounges within traditional large common areas with creatively arranged sitting areas to promote interaction; hallways that are optimally sized both to accommodate walkers, food carts, etc., but small enough to promote communication; more horizontally laid out space as opposed to vertical promotes visibility and connection, etc.

Programming. On-site Healthcare Services, Recreational/Activities and Educational Programs, Physical Fitness Centers, well-developed nutritional services, and overall thoughtful and creative programming should be provided in every well-developed and well-run Senior Living Community. In a successful facility, the medical/physical, social, emotional, and cognitive health needs of each individual will be well-planned and cared for. In our effort to 'brainstorm' regarding the possibilities for the optimal Senior Living Community, it should be noted that not all facilities are created equal, and observing the range is how we can learn.

Healthcare. CCRC's as well as Assisted Living communities always have a Nursing or "Wellness" department and staff to care for the medical needs of its residents. However, while medical needs are cared for through the medical team, programs are not always developed to assist residents in strengthening their own abilities to take care of their medical needs. For instance, sometimes a Nursing Department may be quicker to take over the administration of a resident's medications, as opposed to providing cognitive supports to enable the resident's maintenance of independence by continuing to take medications on their own.

The optimal Senior Living Community provides

cognitive training, emotional support, and the development of compensatory skills to enable the individual to maintain successful independent management of their medical conditions.

Recreation/Activities. Some communities, for example, may provide just the minimal basics- a recreation room, with paints and other arts and crafts supplies, as opposed to another facility that may have a room for wood-working, or an outdoor garden in which residents can participate in planting and landscaping. Some facilities have a monthly lecture series on a topic that may be of interest, while others have weekly lectures, seminars, foreign language classes, music classes, and more.

Physical Fitness. Some facilities may have a Physical Fitness Center with an exercise class 3x/per week, while an optimal community may have activities to build physical strength and confidence throughout the day, every day- offering all levels of physical-strengthening classes and activities, including chair exercises, Yoga, Tai Chi, exercises that are interactive with computer programs such as the Wii system, etc.,etc.

Nutrition. Again, some communities provide for the basics, while the optimal community will provide the best in nutrition available for its residents- and the special needs of the Senior population. Every Senior Living Community should have a gerontologic nutritionist consultant, and a 'heart-healthy/brain-healthy' diet provided as a minimal standard. Some U.S. AL corporations even place the emblem of a brain next to certain food choices to signify a 'brain-healthy' food choice, just as one often finds the emblem of a heart in restaurants promoting 'heart healthy' choices.

Furthermore, the dining room becomes another opportunity to promote social interaction and cognitive stimulation. This involves encouraging communication coming and going to the dining room, and creating an architecturally-designed dining space that provides a sense of comfort and encourages socialization.

Cognitive Health. It can be argued that this is the most important area to focus on in developing the optimal Senior Living environment, and yet, in most communities, it receives the least targeted attention. While of course most activities can be referred to as cognitively stimulating, that is very different than developing a program to specifically address the ongoing cognitive health needs of Assisted Living residents. With at least 60% of all U.S. AL residents experiencing cognitive impairment, and with the ability of targeted cognitive training to delay progression of cognitive impairment into dementia (and thus promote the maintenance of independent functioning in the community) by 5 years, this must become a primary concern in every newly developed Senior Living community. China can learn to start where the U.S. has lagged.

There are "Memory Rooms" on the market providing interactive exercises that can be performed throughout the day. For the healthier residents who can navigate their way through the computer and the computer-generated exercises, this is an important offering in many Senior Living communities. However, for the majority of residents, they are too impaired to take advantage of these 'do-it-yourself/one-size fits all' programs. Thus, to properly serve the cognitive health needs of residents in Assisted Living communities, a professionally developed and administered cognitive training program must be provided.

Why Every Senior Living Community Must Provide Professional Memory Training Services?

The primary goal of a Senior Living community could be said to enhance the quality of life of its residents. This is accomplished by providing programming that is cognitively and physically stimulating, as well as promoting of recreational activities and social engagement, as noted. Ultimately the goal is maintenance of independence so that individuals can enjoy a sense of autonomy and confidence for as long as possible, and thus reduce the need for more intensive levels of supervision/nursing care. Maintaining cognitive health and decreasing the risk of cognitive impairment is essential to the maintenance of independent functioning.

The prevalence of cognitive impairment in the older adult population and the need for proper psychological/medical evaluation and clinical treatment is striking. In a Mayo Clinic study of nearly 2000 subjects randomly tested in the 70-79 age group, 10% met criteria for a Mild Cognitive Impairment diagnosis; of the 80-89 year old group, the prevalence nearly doubled to just under 20%. Additionally, as previously noted, the results of a Journal of the American Geriatric Society study reported that 60% of Assisted Living residents suffer from cognitive impairment, with the vast majority not receiving any treatment. They also found that the staff surveyed estimated that only 34% had a cognitive impairment that would interfere with completing tasks necessary for daily living – an assessment that clearly underestimates the objective reports by more than half. The 20% population of older adults, in general, and 60% of those living in Assisted Living communities, in particular, is the population in greatest need of clinical evaluation and treatment program, and the very population who rarely receives it.

It should be a top priority of any Assisted Living community to provide their 60% population suffering from Mild Cognitive Impairment, as well as all cognitively frail residents with treatment to halt or slow progression of impairment in order to delay or stop progression to dementia and the loss of independent functioning. The general goals of memory training sessions are to stabilize memory loss, improve memory functioning, and assist the resident in transferring over these internalized gains of improved cognitive health to tasks of daily living. This also includes special interventions that target the individual's ability to manage their medical problems independently, along with all other daily life tasks that may be compromised by cognitive impairment. A resident who can manage their medical conditions independently results in need for less professional nursing staff and lower costs to the Senior Living community, not to mention the enhanced confidence and independence enjoyed by the resident.

Interestingly, the areas of function that are goals for strengthening and maintenance through quality Senior Living communities are also those that were found to be most important by the 2010 U.S. National Institute of Health (NIH) "State of the Science Report: Preventing Alzheimer's Disease and Cognitive Decline". In this report, the NIH reviewed all research of the past decade to determine factors that might increase or decrease risk of cognitive decline. Social engagement, physical exercise, a Mediterranean style ("heart-healthy") diet, and cognitive stimulation were all associated with a decreased risk of cognitive decline and overall maintenance of cognitive health. However, the one factor that was most strongly associated with reduced risk of cognitive decline and overall cognitive health was found to be memory/cognitive training. A reminder, again, that this is an essential component of any newly developed Senior Living facility that strives for optimal quality.

Is China Achieving the Goal of Providing High Quality Senior Care?

China is experiencing a dramatic change in its aging population, regarding exponentially increasing numbers, and cultural/economic changes that require new and creative solutions to taking optimal care of its senior population. For many individuals, 'optimal care' means support so that individuals can take care of themselves- support by family, or by outside caretakers. And for many individuals, 'optimal care' means an Independent, Assisted or Continuous Care community to provide the necessary supports required to maintain independence and dignity. Given the challenges of the changing culture and demographics taking place in China, the need for high quality Senior Living Communities must be the highest priority in order to adequately care for the ten's of millions and ever-increasing cognitively and physically challenged older adults who are no longer being cared for at home or by family as in the past.

Senior Living communities have evolved and improved their quality of care in the U.S. over the past decade, including the more recent addition of Cognitive Health or Memory Centers. It is expected that as the U.S. Senior Living corporations have recognized this need, this will become standard practice in China as well, utilizing the experience

and research that has informed this practice in the U.S.

Currently, China is working to achieve the goal of providing high quality Senior Living care. But just as it took decades to improve quality to current standards in the U.S., it is expected that China will require some time to also reach the goal of providing optimal quality of care. While China has the advantage of learning from the U.S. and modifying its programs to the specific needs of its individuals and culture, time is not on China's side when it comes to achieving these goals.

Notably, one of the greatest challenges facing the Chinese marketplace, is the need for well-qualified and experienced Assisted Living Executives, as well as nursing and general health care professionals to provide the level of care necessary to achieve the goal of optimal care. In fact, the number of professionally trained caretakers needed in China is almost as large as the population in-need itself. The residential communities that are showing signs of success in China, are those where this need is acknowledged, and where professional experience transfers into a caring staff, who provide a sense of community and concern for their residents- a place where elders are pleased to 'call home', and where family members are assured that their loved ones are well-cared for. This challenge, and many others, will no doubt be met in the not-so-distant future, simply due to the pressing needs of approximately 15 million Chinese older adults in need of immediate and quality care. ■

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- Gao Xiang, Managing Director, Cascade Healthcare, China
- Andrew Oksher, Chief Executive Officer, GSL Properties, China
- Bromme Cole, Managing Partner, Hampton Hoerter China, China
- Randy Kirton, Chairman, Avalon, USA

Michael Qu will join the panel discussion of Re-thinking the Chinese regulatory landscape and how it has impacted the industry.

For more information, contact Natasha Jiandani on *Natasha.jiandani@imapac.com* or call +65-6493-1871.

Guest Column

The Continuing Care Retirement Community: What is it anyway?

By Paul Goldenberg

Paul Goldenberg

MSW, MBA, LNHA

Paul has been involved in carious aspects of human service management in for profit, government and non-profit agencies and organizations since 1974. He has graduate degrees from Philadelphia University and the University of Pennsylvania. His work in the long-term care industry began in 1989 when he joined Manor Care as a program director, which lead to a promotion as an administrator. Subsequently he has opened new facilitates, managed facilities as large as 300 beds, and pioneered the conversation and manage of post acute high acuity units. He also managed post-acute care and business development in a large metropolitan hospital environment. Paul currently consults for a long-term care management firm called Tobin Associates. In that roles he has opened a post acute unit for a large non-profit organization and he currently manageress nursing home that require a transitional processes into quality facilities. For the past eight years he has been an adjunction professor in the graduate program at Holy Family University in Philadelphia.

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This story is very difficult to tell when examining only one couple, or one of senior individual. The story is about investors, savings, actuaries sitting up at night trying to figure out what to charge and real estate developers who have no idea how to provide care, but are looking for returns on their investment.

My story takes place in the United States, since these communities have been around for over 30 years. What is a community? It is a place of comfort, shared values and a common culture. Somehow it envisions a place where the birds sing in the morning, where trees bloom all year long and couples always smile as they hold hands walking around the grounds, wherever that might be. It could be countryside; it could be in a suburban area or even could be a high-rise in a large metropolitan community. There is no anxiety depicted in the marketing of one of these communities. We are searching for a stress-free environment that will keep us happy for years to come at a fixed expense. The dream is we will never outlive our resources.

This picture has many variables that create the whole. Failure of the dream coming true for any of these people might be more of a likely scenario than what the initial dream is selling. The initial CCRC story promises a lifetime of access to an independent living apartment, an assisted living facility which provides the nursing care and support that one might need while still trying to maintain their independence and a higher level of care, which could be a nursing home on the same campus for a monthly fee that you are promised to be maintained at the same level of care, at the same monthly fee you had at the beginning (with a small increase tied to inflation). The developer of this property will build a proportionate number of independent living apartments that meets the needs of the people that are just starting on this journey and a smaller number of assisted living units built that provide 24-hour care and ends up with a small nursing home, usually around 60 beds, which can accommodate health needs, such Alzheimer's disease, rehabilitation services, and a residence for those folks that need 24 hour medically related nursing care. How this is paid for is the larger question, and how much can the client afford is how this question is answered.

Initial investors in the CCR C environment are looking for real estate that will provide a return that is substantial to match its risk. In the past each one of these units has been billed separately with a different regulatory environment to respond to. In general these communities are built on large tracts of land where each one of these entities is close enough to provide a sense of safety, but far enough away that your current living situation does not remind you of

where you might be going in the future.

The cost to build the typical CCR C that might house somewhat between 250 and 300 residents in a combination of independent living apartments to nursing home care would be about $100,000 per resident. This Odyssey depends on the location and the cost of land but the investment group will be looking to spend about $30 million-$40 million. The annual operating expenses would be about $10 million, which would not include the debt service on the investment. One would need an average daily rate of about $120 with the census combined in all areas of service for 300 people.

The model is for a CCRC is constructed for an affluent population who is able to afford the fees. The typical "A" contract for a one-bedroom apartment would require an initial fee of about $300,000. If the resident stays in the community for 10 years, in general, this initial fee is not refundable. This is analogous to running the residence like an insurance company, where the management can address the initial fee like insurance. These funds can be seen as a protected investment that would then generate revenue to cover part of the expenses. This contract allows the resident to maintain the same monthly fee/rent regardless of the level of care they will require. Most of these contracts also require some type of additional fees, such as medication; staffs care over a certain minimum number of hours and the purchase of a long list of amenities that would not be covered under the insurance contract.

There are approximately 2000 CCRC's in the United States with a total of 50,000 residents. A moderate state, such as Pennsylvania, would have about 40,000 nursing home residents within their boundaries, so you can see that the CCRC concept covers a relatively small portion of the elderly.

This concept sounds wonderful. The beautiful facility with the resident population that seems to always be happy and well cared for with no worries, since all of their care needs will be taken care of for as long as they live. The real problem is the lack of money for the initial investment especially as the real estate market falters and the ability to provide these fees upfront by the residents also is in decline. So, what does the investor do as it tries to meet the needs of a new type of population that does not have the resources or the desire to live in this type of restrictive community? The answer is contract modifications and fee-for-service contracts that charge extra when the resident reaches a certain level of care and needs additional services.

The contract modification model requires that a smaller monthly fee be paid in exchange for reduced cost for each area of care. The fee-for-service contract requires the resident to pay the market rate for each one of these services if you need them. There might be a small discount, but the idea is that you will not need the services, but will still live in a supportive community. In essence, the resident is sharing the a large portion of the risk.

The model presented here might not be an attractive one to either the investor or the resident. The resident has to give up living in their home community and move into the CCRC that is often similar to a small village of old people. Is this the place where people want to age? Do you not want to be around the laughter of a small child, close to the community store that you can walk to, or home near the town center where one is used to seeing a movie or meeting their friends for a cup of tea. The investor is actually looking to operate a multi-regulated differentiated environment for each part of the senior's life, generates income. The second question would be whether it is better for each individual senior to get the services that they need at the moment they need them rather than paying for what they might require in the future.

Each one of the individualized services that are offered in CCRC might not actually rise to the quality of a freestanding facility. The specialization of a high acuity nursing home could not be offered in a CCRC, nor could an extensive assisted-living environment. One could build an apartment complex with a restaurant or stores within and close to available public transportation. This would make the resident feel part of their community at the same time residing in a safe environment.

As we go back to the people who are referred to at the beginning of this essay, it seems clear that their needs might be met with individual decisions to use separate products, and not reside in a new village which seems to offer them everything. One resident might not be able to afford the entrance fees and rely on local authorities to provide home care at a level they need to remain in their current housing. Another might be able to afford to move into one apartment that has services for seniors available, but not pay the fee that would guarantee them nursing home care which they will only use when the need arises. Lastly, one loved one might need intensive nursing home care which is funded by a combination of government contributions and individual fees. The investor might do better by building the apartment complex or building a nursing home and relying on government support and not having to manage a larger complex of varying services.

What seems to be happening in the United States at this point is the scenario of a fee-for-service product or individual facilities that specialize in one type of care. The CCRC model is changing more into the fee-for-service or modified contract situation. Government-funded situations in nursing homes and in some assisted living models are a combination of available income of the senior combined with government contributions. Quality care can be given in these models, but in a more affordable cost to the resident and family. This does require the community to see the value in supporting these institutions with their tax dollars.

There is a new model that is beginning to grow that looks at the concept of “aging in place". This is a development that requires a partnership of government, nonprofit organizations and for-profit companies that provide services in the community that allows the senior to stay in their home, in place, with support, for as long as they can.

A further discussion of the “aging in place“ model is best-left for a time when there is more space to fully discuss it. This includes home services, nursing homes without walls, and medical support that focuses on the senior citizen at home. This might seem like the beginning of making a case for this model, before I even write about it. In my soul, and where I want to be when I retire, is near my grandchild, near my friends and be able to look at the tree that I planted and when my son was born, which has grown to five times his height and reminds you of the joy I had and can look forward to, as I plant another tree in honor of my granddaughter. ■

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Having represented international companies in their investment in the Chinese market, our clients can benefit from our deep industry knowledge and experience, and from our creative, solution-oriented and responsive approach. Especially we can assist senior care investors and developers with the following issues:

- Advice on structuring business models
- Conduct legal due diligence on project acquisition
- Business incorporation and licensing and negotiate with joint venture partner
- Draft and standardize documents on (i) construction, operation and business transaction; (ii) third-party agreements and vendor’s contracts; (iii) policies and procedure for residency
- Advice on finance, tax and government relation
- Deal with issues on intellectual property, licensing, general liabilities and employment.