

Sheltered Housing for the Elderly in Hong Kong

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Background

- Growing population in Hong Kong:
 - ◆ 2001-6.7m
 - ◆ 2006-7.1m
 - ◆ 2031-8.7m
- Significant ageing of population:
 - ◆ 2001-2031, percentage aged 65 & over to rise from 11% to 24% (0.7m rising to 2.1m)
 - ◆ Same period, percentage aged 14 or under to fall from 16% to 12% (1.1m falling to 1m)
- 15-64 population:
 - ◆ 2001-4.8m (72%)

Conclusion

- An increasing “working” (15-64) population (0.8m over a 30 year period)
- 1.4m increase in elderly: 1.75 new elderly for every 1 new “worker”
- Approximately unchanged youth population
- Economic impact significant
- Situation likely to be made worse by growing tendency to “independence” of children from elderly parents

Current Situation

- Care of elderly falls into a number of categories:
 - ◆ Self care: alone or within family
 - ◆ Community care facilities: split between Department of Health & Social Welfare Department
 - ◆ Hospital Authority residence

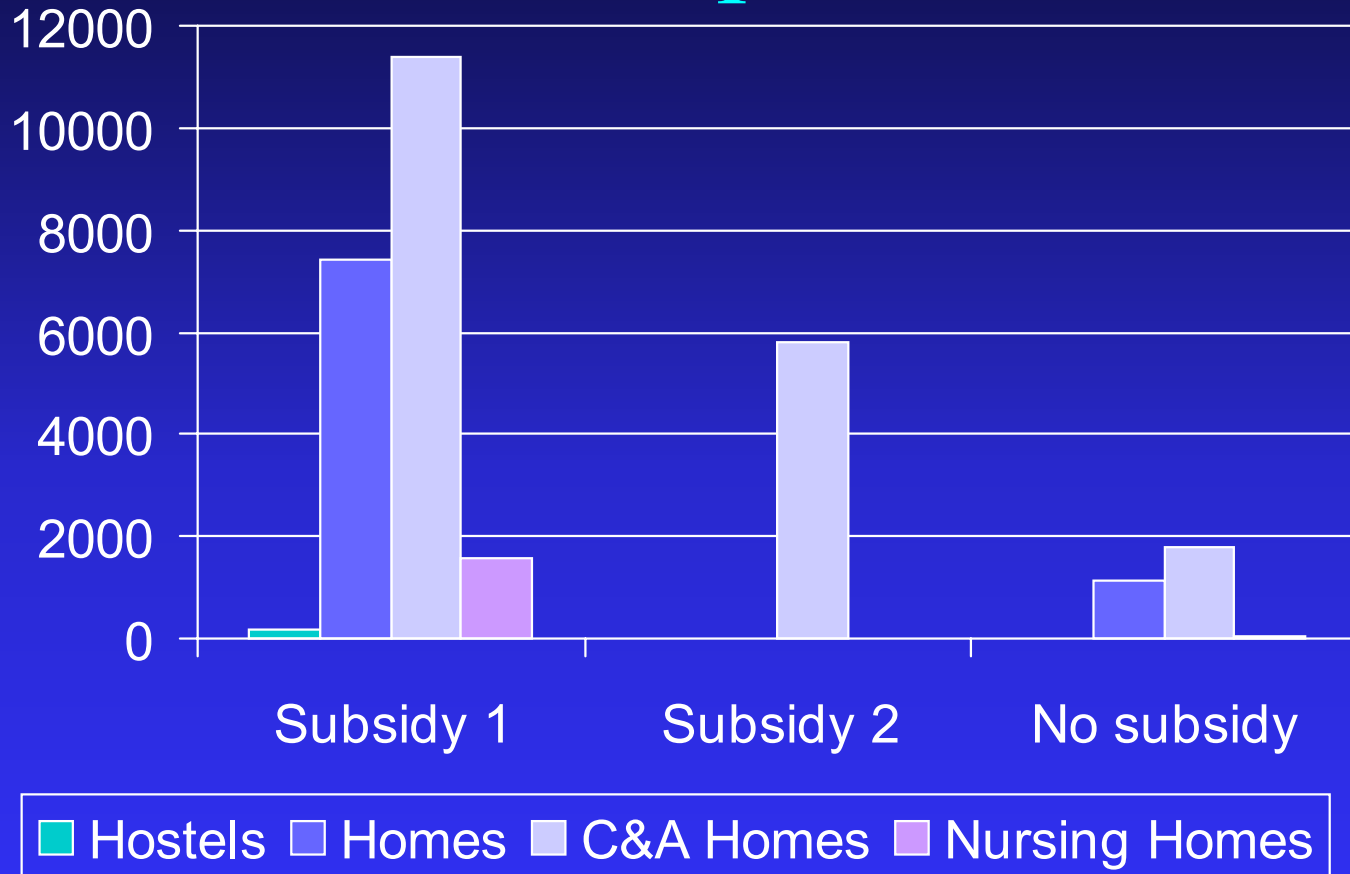
Current Situation (2)

- Self care:
 - ◆ Home self help
 - ◆ Family assistance
 - ◆ Day Centres
- Community care facilities
 - ◆ Private homes
 - ◆ “Public-Private” facilities (often subvented NGOs)
- Hospital Authority residence: acute & sub-acute costing in excess of HK\$30,000 per month

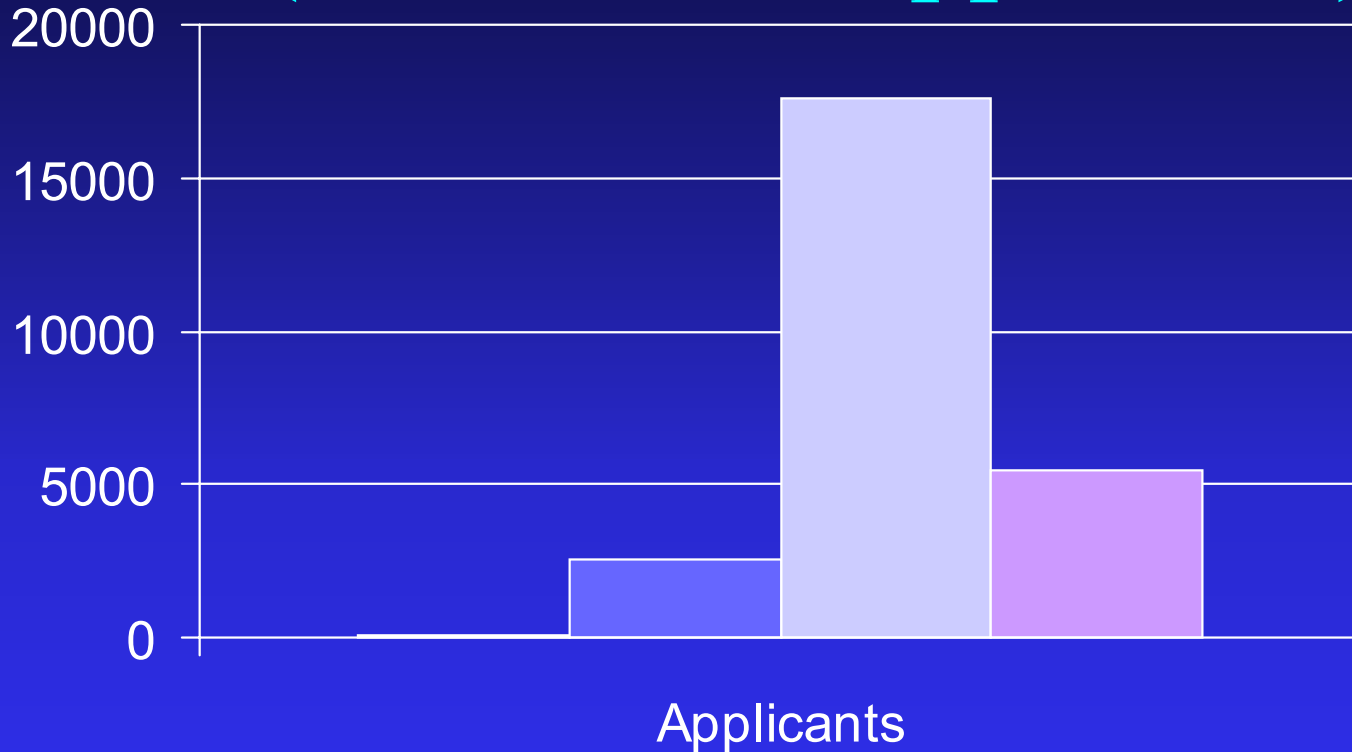
Community Residential Care

- Charge of HK\$502-HK\$1994 per month
- 65 years and over
- Provide:
 - ◆ Accomodation
 - ◆ Meals
 - ◆ Provision of medical care and other services

Number of places as at 30/06/03; Total = 29 325 places

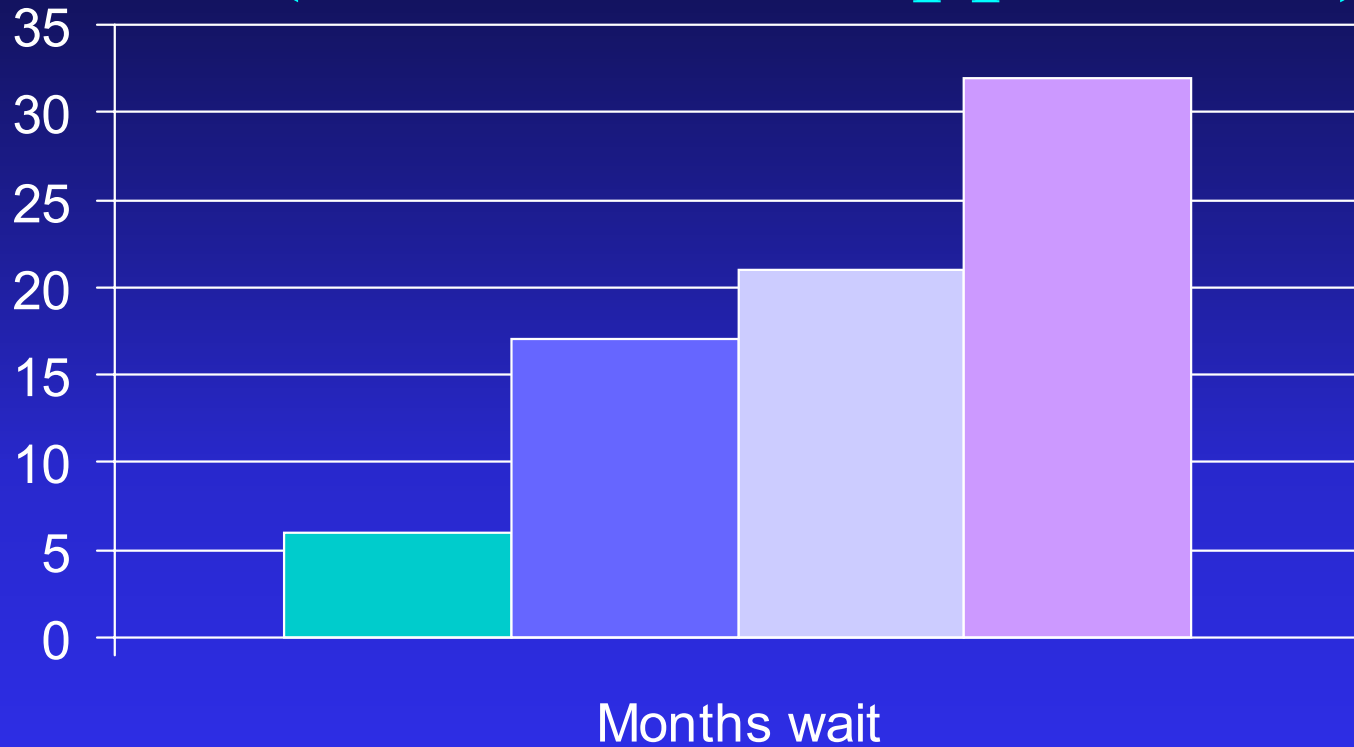


Waiting lists; as at 30 September 2003 (25603 total applicants)



■ Hostels ■ Homes ■ C&A Homes ■ Nursing Homes

Waiting time; as at 30 September 2003 (25603 total applicants)



■ Hostels ■ Homes ■ C&A Homes ■ Nursing Homes

Public Private Partnerships

- In many parts of the world, private sector expertise has been mobilised to support provision of public services
- These are “Public-Private Partnerships”
- Can be mobilised for many aspects of government services: defence to IT; education to healthcare
- Hong Kong government has committed itself to “PSI”: Private Sector Involvement in provision of public services
- Current use of NGOs, charities & subvented organisations to provide aspects of elderly care – a form of Public Private Partnerships

What are Public Private Partnerships ?

- Partnership with Private Sector Equity
- Long-term relationship: design, construct, operate, maintain & improve
- Leveraging Private Sector
 - Expertise
 - Management skill
 - Customer focus
 - Innovation
- Suits new or upgraded public service
- Defined output and performance measures

Structure & Benefits

- Effective and efficient means of delivering services to the public
- Converting traditional procurement of capital assets into the creation of a stand-alone special purpose concession company focussed on maximising lifecycle value
- Regulatory authority monitors private sector service delivery and rewards/penalises dependent upon performance

Structure & Benefits (2)

- Permits substantial reduction in expenditure/significant increases in value for money.
- In UK, on average, project savings of 17% have been achieved by the private sector compared with public sector offerings according to the National Audit Office.
- Additional value for money can also be realised through improved efficiency of service delivery and enhanced service standards to society.

Structure & Benefits (3)

- Whole life-time costing, encourages innovative quality design and construction. This reduces recurring expenditure
- According to NAO, most (81%) public bodies believe they are achieving satisfactorily or better value for money by using PPP as a procurement method
- Risk allocated to those best able to carry it
- Access to external funding possible

IFSL Report

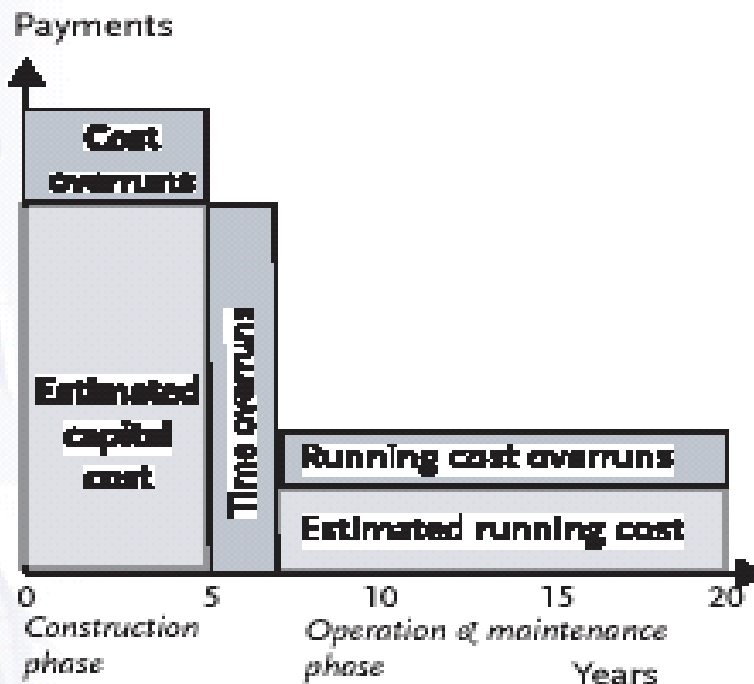
- IFSL – International Financial Services Limited
- Report dated December 2002
- Value for Money perceptions of public sector clients, 2001:
 - Excellent 6%
 - Good 46%
 - Satisfactory 29%
 - Marginal 15%
 - Poor 4%
- 96% rated “PFI” (PPP) as providing public service VfM at least as good as previous method !

Traditional Procurement versus Public Private Partnerships

Chart 1

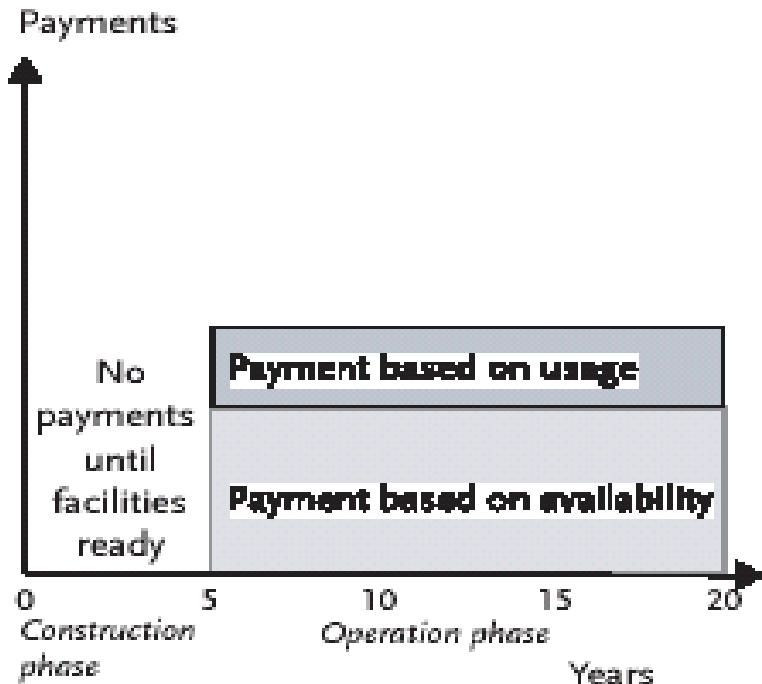
Conventional public procurement

Payment profile can be depicted as follows:



PFI procurement

Payment profile for the public sector:



Source: PricewaterhouseCoopers

Application to Hong Kong's Sheltered Housing Needs

- Current structure is a mixture of public & private
- Significant charitable funding and government funding
- Excess of demand over supply (factor of 2)
- Significant subsidy element
- By placing whole strategy on a sounder footing, can reap significant rewards for both social good & increased value for money

Proposed Solution

- Demand is predictable
- Present provision is very labour intensive (upto 1 staff for every 2 patients)
- By designing & building purpose-built facilities, to be run by a consortium formed to design-build-operate, can achieve significant whole life savings
- Capital recovery & operational expenditure achieved by use of “receivables financing”: securitise the “income” and use this to fund construction
- Repay capex & opex by payments from government, “charter” NGOs and direct charges to residents

Summary

- Hong Kong has stated a desire to move to PSI in public services
- There is an existing trend to this in the provision of care to the elderly
- There is a predictable & increasing demand
- Present policy is an ad hoc arrangement of charity & public sector with Hospital Authority acting as a partial balance
- Public Private Partnerships are structured solutions with proven VfM characteristics
- A possible solution to increased need for elderly care

Acknowledgements

- Hong Kong statistics from Hong Kong government
- References to non-Hong Kong practices are taken from public record documents published in United Kingdom