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

Months wait

- 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 focused 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 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:

- Estimated capital cost
- Time overrun
- Running cost overrun
- Estimated running cost

PFI procurement
Payment profile for the public sector:

- No payments until facilities ready
- Payment based on usage
- Payment based on availability

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