IFC International Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

Senior Care: A global challenge

IFC Perspectives

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Setting the scene - An aging world

DEMOGRAPHICS

- Life expectancy around the world is improving
- In 2010, there were 524 million people over 65 globally. By 2050, there will be 1.5bn
- In EM countries today, there are +/- 10 people aged 15-64 for every person over 65. By 2035 there will be only six

MARKET

- Elderly care is becoming a concern in developing countries
- Many Governments are ill-prepared to shift responsibility for the elderly to families and the private sector
- Traditional family-based care is declining as the cost and burden of caring for the elderly over many decades grows
- Urban middle classes, which are able and willing to support their elderly, are growing in nearly all major developing countries, creating an opportunity for private providers with the RIGHT market aligned business model

Setting the scene - An aging world

CONSTRAINTS

- Few countries have developed sound regulation governing elder care
- Costs are likely to climb as life expectancy increases, further driving up the cost of medication and care
- Staffing costs for scarce professionals, specialized nurses and physicians, is likely to grow as availability of professionals is not increasing fast enough

STRATEGY

- Middle and higher-income groups demand local variants of elder-care programs developed in advanced economies
- Providers need to offer value through cost-effective service by maximizing experience, efficiency, and economies of scale, cultural awareness and branding
- Risks in entering a new market to create a sensitive new service can be mitigated by partnering with local and international players

IFC research

Having made a limited number of investments in Senior Living and recognizing the pending and surging demand-to-supply gap, IFC commissioned Deloitte to complete a comprehensive assessment in 2021.

This presentation combines IFC investment experience with the study findings.

- **Identification of models in elderly care**
- **Overarching trends**
- **Models of care and analysis**
- **Investment considerations**

Deloitte.

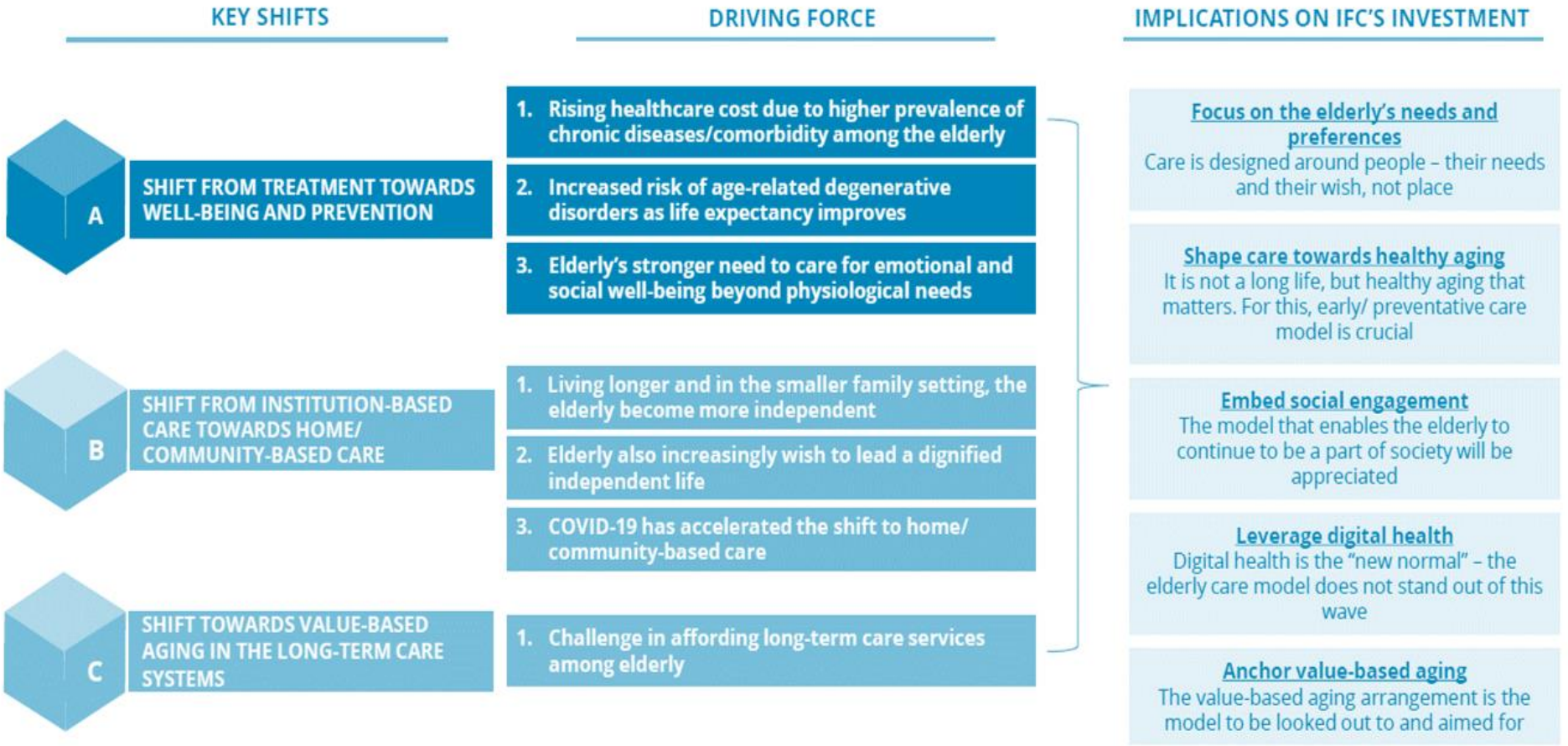
IFC

Global Elderly Care Seed Study

Phase 1 Findings:
Identification of Models in Elderly Care

Over-arching trends in senior care

There are three profound shifts shaping the elderly care market



Source: 2021 Deloitte Study for IFC

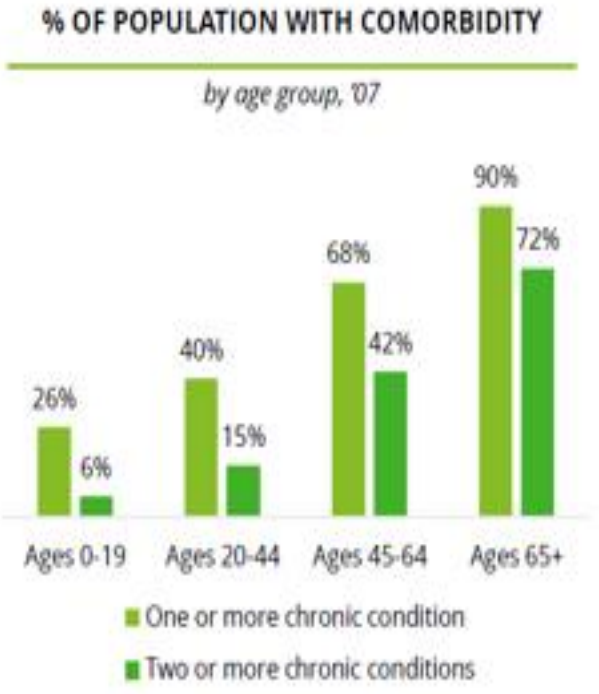
Over-arching trends in senior care

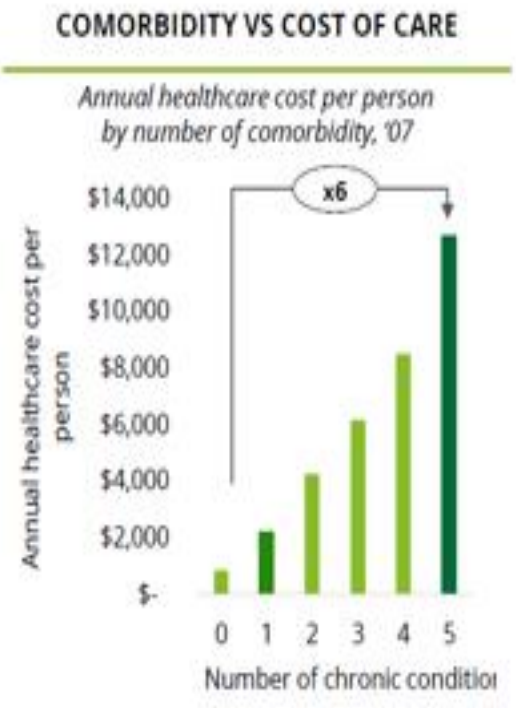
Traditional Care → **Well-being**

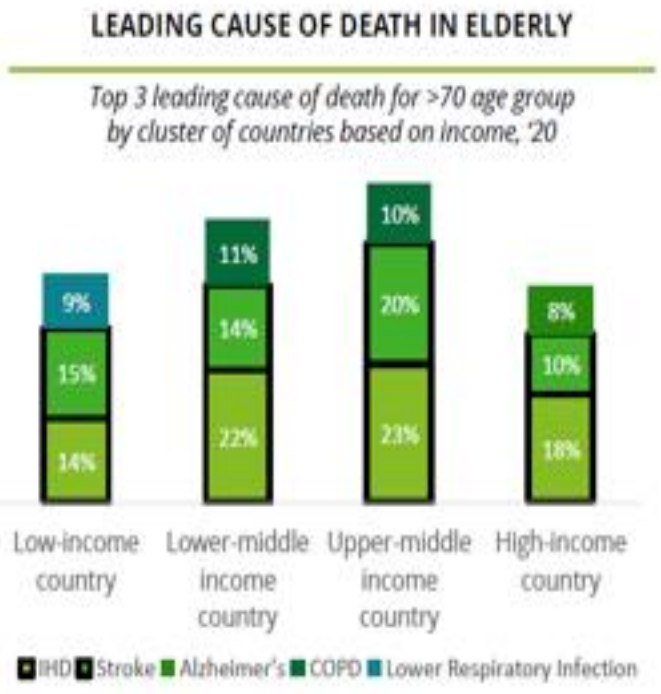
Now → *Future*

- The rising cost of healthcare driven by rise in chronic disease
- Increase in age-related degenerative disease with life expectancy growth
- The elderly requiring increased social and emotional well-being care

Comorbidity increases in the elderly and complicates care provision and cost







Source: 2021 Deloitte Study for IFC

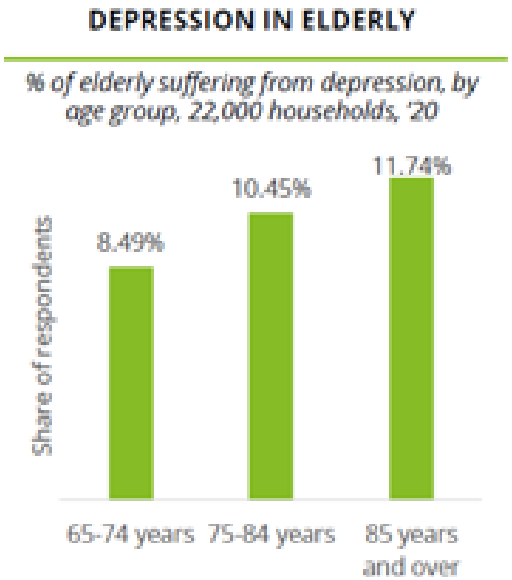
Over-arching trends in senior care

Social Isolation and loneliness pose a risk for the elderly

Families are getting smaller, elderly live longer, leading to independent living

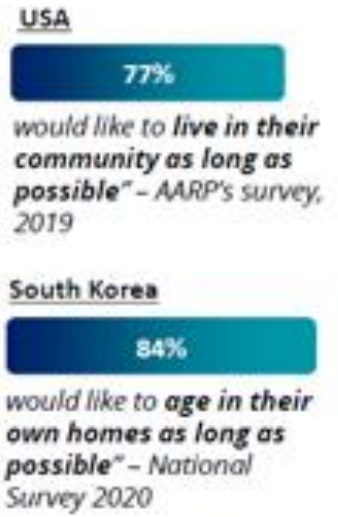
The elderly want to maintain an active social life and to be part of the community

COVID created a shift to home-based living and community care



- Close to 10% of the elderly population suffer from depression
- Share of the population that suffers from mental health and depression increase with age

- Despite living in an extended family is still common in Asia, the size of families with 65+ individuals is decreasing
- In many Asian countries where kids used to live with their parents until getting marries, young adults have started to live independently earlier – A family of only 2 seniors has become very popular.
- Social sentiment towards multigeneration households has faded and seniors choose to lead an independent life



Sentiment towards "aging in place" span across various cultural setting and the government is geared to respond to the elderly's demand

Source: 2021 Deloitte Study for IFC

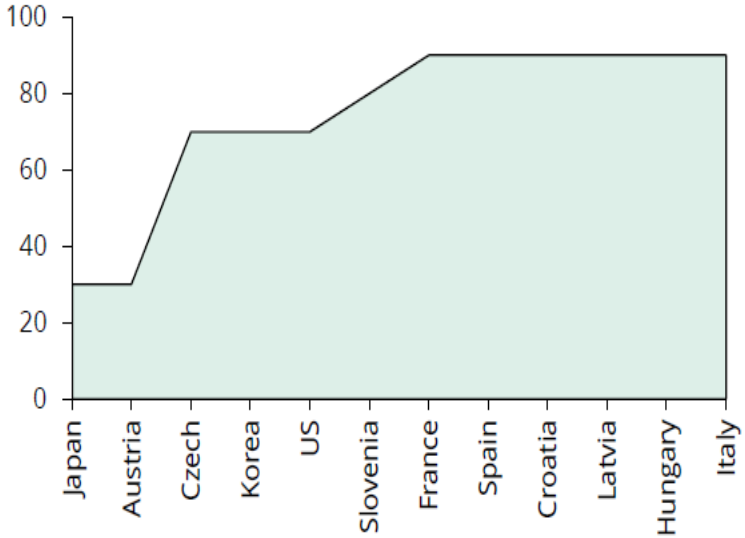
Over-arching trends in senior care

Value-based aging is taking shape – awareness is in place, taking time for realization

Even in many developed countries, OOP payment for home care services is a threat. The concept of value-based aging is no longer new to governments as a resolution, but the implementation has been much on a trial/ case-by-case basis

POVERTY THREATS OF OOP - AFFORDABILITY OF CARE FOR ELDERLY IS CHALLENGING

Proportion of the old age population that would be in relative income poverty after paying for the OOP costs of home care for severe needs in OCED and EU countries



- Even with **social protection**, 90% of the elderly in many OECD and EU countries face poverty threats due to out-of-pocket home care costs

THE CONCEPT OF VALUE-BASED AGING – A RESOLUTION FOR LESS COSTLY LONG-TERM CARE

Principles: Focus on services that are valued by people with care needs and their informal caregivers. From a policy perspective, long-term care systems should pay for care services that maximize older persons' utility at the lowest cost possible

- recognizes **informal (unpaid) care** provided by family and/or friends
- acknowledges the **indirect costs borne by the informal caregiver** and the benefits that the caregiver may derive from providing care

Benefit measurement: The incremental **cost-effectiveness (cost-utility) ratio**:

"An innovation or a service provides **value to the patient** if it provides **more health benefits (quality of life)** at a **lower cost** than a comparator or the standard of care"

Approach:

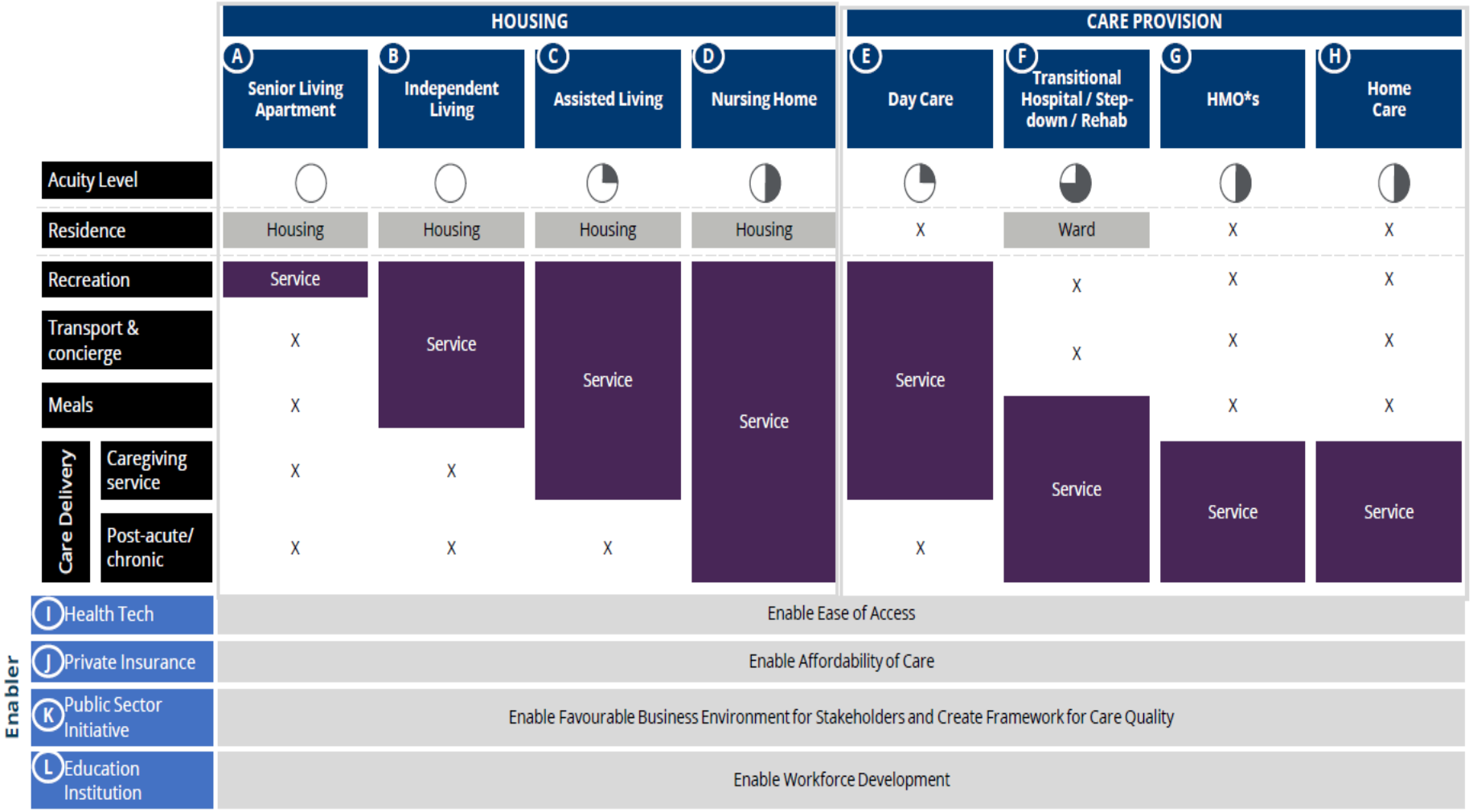
(1) Use of patient-reported outcomes measures
(2) Valuation of care resources used
(3) Use of new technologies in different care options

Canada, Australia, Norway, The Netherlands – Launching of **"re-enablement" policies,** providing services designed to assist frail older people's needs rather than provide in-kind services. E.g., Use physiotherapist services to help older people learn how to cook again by themselves instead of providing "meals-on-wheels

Source: 2021 Deloitte Study for IFC

Models in senior care

Elderly care models can be categorized under two main categories of housing and care provision, driven by the various levels of acuity care



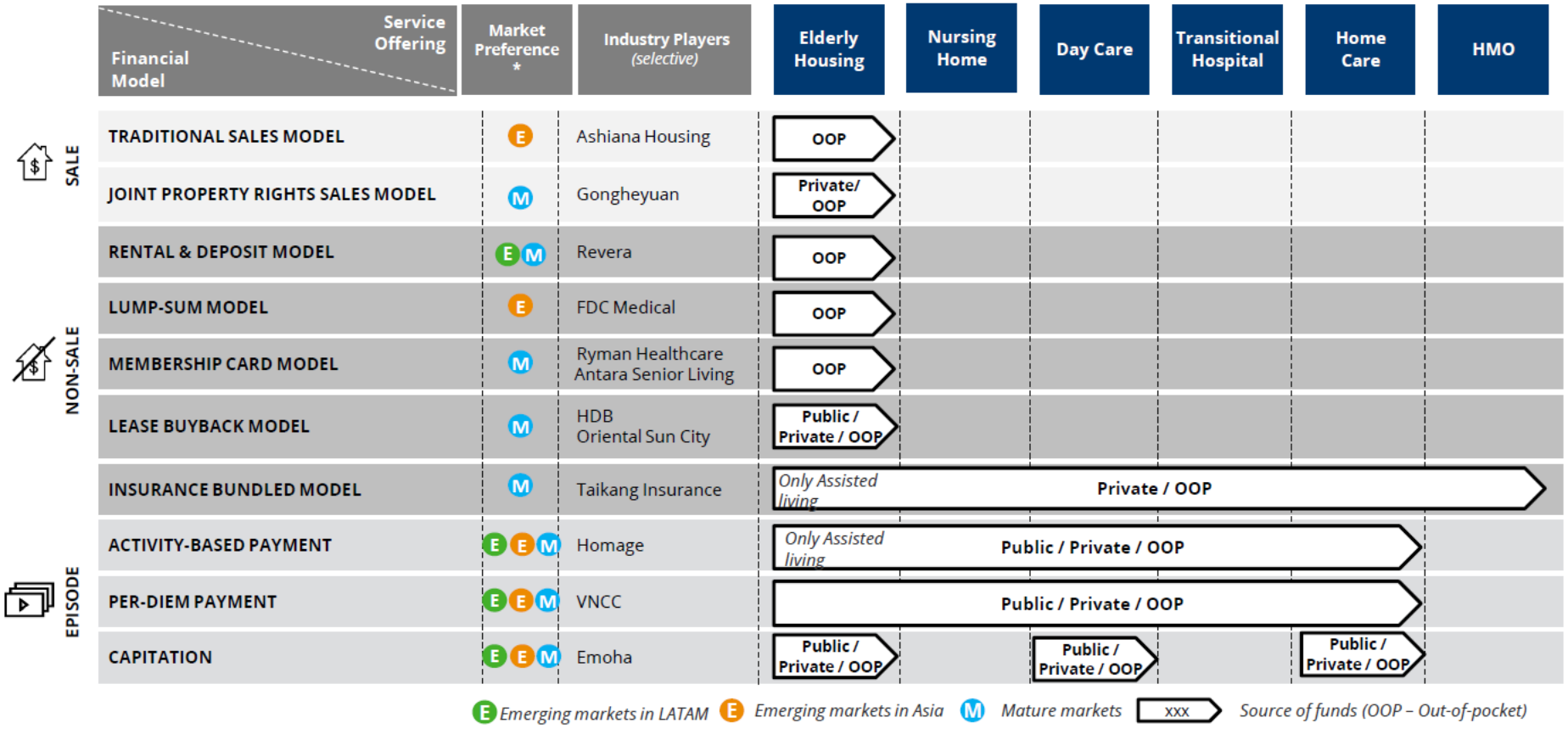
Disclaimer: It may vary accordingly to specific institutions; (*) Health Management Organisation
Source: IFC Elderly Care Market LAC Study

Legend: Model, Enablers, Low, High

Source: 2021 Deloitte Study for IFC

Models in senior care

There are a variety of financial models applied to the elderly care sector. In emerging markets, the traditional sales model and lump-sum model are currently favoured



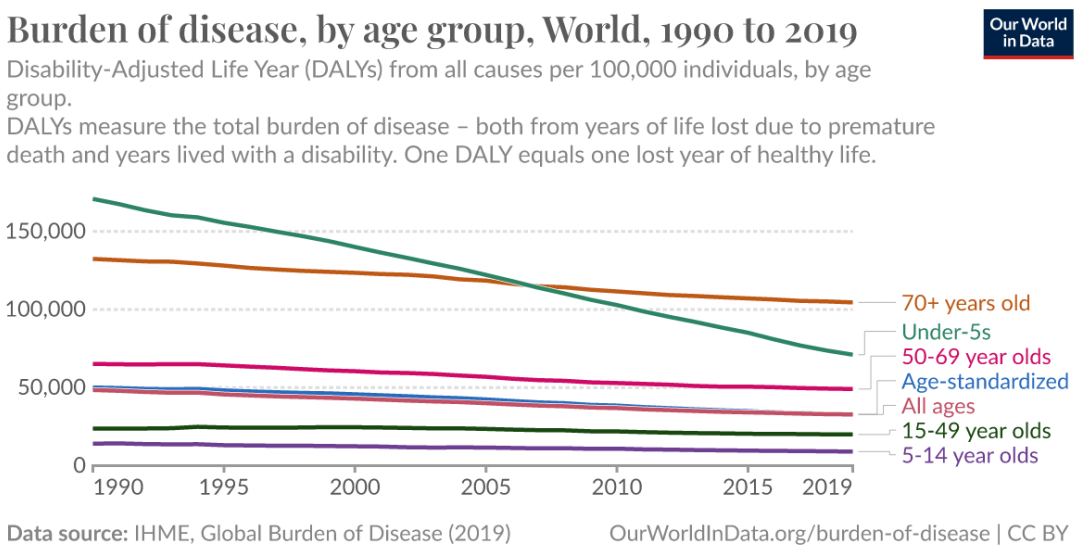
Source: 2021 Deloitte Study for IFC

Investment perspectives

THERE IS DEMAND

The proportion of elderly individuals is growing. This demographic shift places additional strain on healthcare systems, requiring more resources for elderly care. Chronic conditions such as diabetes, heart disease, and cancer are becoming more prevalent among the elderly.

But in addition to senior care, Governments must address multiple equitable access to medical care issues.



But Who pays?

- Increased sustainable funding is required.
- Lack of Universal Insurance Coverage: Many emerging markets lack comprehensive health insurance coverage for the elderly. Without adequate insurance, seniors may struggle to access necessary medical services.
- Financial Protection**: Elderly individuals often face out-of-pocket expenses for healthcare. Protecting them from catastrophic financial burdens due to medical costs is essential.

Investment perspectives

There is a significant role to play for the Private Sector, however, addressing these challenges requires innovative financing models, collaboration between public and private sectors, and a commitment to providing quality care for the elderly population.

Considerations for the Private Sector

Balancing Act

Balancing public and private sector involvement in elderly care financing is critical.

Quality Considerations

Finding the right mix ensures sustainable funding without compromising quality.

Luxury vs. Basic Services

Some markets focus too much on luxury services for the affluent elderly, neglecting basic care for the middle-class and economically disadvantaged seniors.

BUSINESS MODELS NEED TO INTEGRATE MEDICAL AND SOCIAL CARE

Shift from Medical to Care Services

Elderly care should emphasize not only medical treatments but also holistic care, including emotional support, social engagement, and assistance with daily living activities.

Case Studies

From case studies, there are fundamental attributes for success to be assessed and tailored to accommodate the unique operating environments of the in-scope countries

KEY COMPONENTS	ELDERLY CENTRICITY ADDRESSING NEEDS, PREFERENCE, **AFFORDABILITY**	REGULATORY ALIGNMENT ADDRESSING GOVERNMENT IMPERATIVES	SUPPORTIVE ECOSYSTEM LEVEL OF INFRASTRUCTURE DEVELOPMENT & **FUNDING**	EXTENDED HEALTH SYSTEM QUALIFIED WORKFORCE AND CARE NETWORK	TECHNOLOGY ENABLED SCALABILITY AND OUTREACH VIA INNOVATION
EMERGING MARKET CHARACTERISTICS & ACTIONS	Elderly care is heavily influenced by cultural and social sentiment of the local community, at the same time being cost conscious > **Design a distinctive value proposition, addressing the unique needs and preference of the elderly in the given market while taking into account elderly's and their family's affordability**	Each in-scope country is in a different stage of economic development. Regulatory priorities vary by country - sometime by state. > **Form alliance with the regulatory bodies by aligning the focus of the business with the immediate agenda of the government**	The value chain lags behind international best practices. Funding for elderly care is heavily led by OOP. > **Forge partnership with industry players to improve business environment, ideally to build a supportive ecosystem and sustainable financing mechanism**	Local consumers place trust in small number of top healthcare players as the healthcare provider space is still maturing. > **Hold hands with trusted healthcare players in the local market, to gain access to qualified clinicians and extend elderly care across the continuum of care**	Elderly care products lack up-to-date quality, performance and features. Shift the focus from cost advantage to thinking in terms of impact and innovation > **Introduce advanced technologies for greater service penetration and outreach, by riding the tide of rapid digital adoption**

Source: 2021 Deloitte Study for IFC

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THANK YOU