



The crisis and the private segment of the elderly care market. Trends in Moscow Region.

June 2017

Up to the crisis of 2014, the private segment of the elderly care market developed steadily (at least, in Moscow and St. Petersburg). As the idea of sending elderly relatives to care homes was gradually re-demonized, modern assisted living facilities and new formats of services flourished. However, the lingering economic recession had a negative impact on the segment.

What happened after the crisis? How did the demand for elderly care services change, and does it exceed the supply?

As of today, the commercial sector of the elderly care market provides services of three categories.

Home Care

Companies providing this kind of services offer nurses to care for elderly people. Nurses either stay at a client's place or make scheduled visits (e.g. in the morning and in the evening). These services are mainly provided by small companies that receive agency fees for placing nurses in a job. The services of a live-in nurse with no medical skills would cost up from RUB 20,000 per month.

The crisis of 2014 had a minimal impact on the demand for this category of services. It is accounted to low entry and exit barriers and the impossibility of scaling or differentiating companies. At present, the demand slightly exceeds the supply and totals 90,000–95,000 people per year. According to our estimates, this category of services will grow moderately in line with an increase in the number of elderly people.

Assisted living facilities

Companies in this category offer permanent accommodation in residences that are specially equipped to meet the needs and interests of elderly people. Prices vary from RUB 30,000 to 200,000 per month and depend mainly on activities offered, care level, location and amenities.

In 2014, market experts estimated the potential demand for the services of private assisted living facilities in Moscow and Moscow Region at 10,000 people. At the same time, by the end of 2014, the capacity of existing and planned facilities was already 11,000–12,000 people.





Meanwhile, in 2014 real personal income started decreasing. In 2015–2016, the occupancy of assisted living facilities (especially in the premium segment) fell considerably (according to some estimates, from 80–90 to less than 50%).

As the demand declined, players started reducing OPEX and looking for new sources of revenues by expanding the range of services provided on the existing sites (e.g. short-stay hotels for the elderly, day centers, rehabilitation after diseases).

Now there are two key trends in this category of services: 1) further consolidation of players (chains allow economies of scale), and 2) players begin providing services in other categories (rehabilitation, visiting home-nursing services). The demand in the category is expected to stabilize and begins to grow only when real personal income starts to increase tangibly (2–3% annually), i.e. not until 2020–2021.

The crisis and the private segment of the elderly care market. Trends in Moscow Region.

Picture 1.
Private segment of the elderly care market in Moscow Region

		Examples of companies and the cost of services per month		
Category	Description	Economy	Medium	Premium
Home care 	<ul style="list-style-type: none"> Visiting or live-in nurses Strong competition from the public sector No clear differentiation among service classes Target audience: 93,000 people Currently demand slightly exceed supply 	MosMedPatronage  20 thd RUB	RealMedService  30 thd RUB	Pervaya Patronazhnaya Sluzhba  >45 thd RUB
Assisted living facilities 	<ul style="list-style-type: none"> Long-stay residences where elderly people are provided with care and leisure services Alternative to public care homes ~50 facilities in Moscow and Moscow Region Target audience: 10,000 people The category is oversupplied after the crisis 	Zabota  30 thd RUB	Derevo Zhizni  45 thd RUB	Senior Group  >60 thd RUB
Rehabilitation centers 	<ul style="list-style-type: none"> Focus on medical and physiotherapy treatment to improve patients' state of health after diseases There is hardly any public alternative Less than 20 centers in Moscow and Moscow Region, many of them focus on young patients Target audience: 11,000 people Current supply is enough only to serve 7,500 people 	Ramenskoye  75 thd RUB	Molodilnoye Yabloko  225 thd RUB	Tri Sestry  >350 thd RUB

Sources: Rosstat, Expert Interviews

Rehabilitation centers

In this category companies focus on short-term rehabilitation (e.g. after injuries, strokes or heart attacks). Rehabilitation centers in this segment have an extensive pool of doctors and other specialists, and they offer services for patients of all ages, often at the premises of hospitals or sanatoriums. Prices vary from RUB 50,000 to 500,000 per month.

The number of rehabilitation centers continue to grow despite the crisis of 2014. New players continue to enter the market mainly due to the limited supply of public institutions (as healthcare costs are being reduced) and the awareness of people that quality timely rehabilitation after an injury or an attack can greatly enhance the prospects for living a full life. Current demand for this kind of services in Moscow and Moscow Region totals 11,000 people while the supply barely could serve 7,500 people.

We expect new private rehabilitation centers to emerge within the next 3–5 years. Perhaps, some centers will be established as public-private partnerships and, like private clinics, try to benefit from compulsory health insurance budgets.

About the authors



Dmitry Plotnikov

Partner at Moscow Consulting Group. More than 10 years of experience in management consulting. Implemented strategic and operational projects with a focus on financial services, FMCG, retail & e-commerce, construction & development in Russia and CIS. Received an MBA at Hult International Business School (USA).



Galina Kan

Partner at Moscow Consulting Group. More than 10 years of experience in management consulting and private equity. Implemented strategic and operational projects with a focus on healthcare, education, financial services, public sector and government organizations. Received an MBA at Vanderbilt University (USA).

About Moscow Consulting Group

Moscow Consulting Group was established by management consultants from McKinsey & Company to provide high quality consulting services for companies of different sizes in Russia and CIS. MCG offers its clients unique flexible business model by combining in-house consultants with carefully selected independent consultants with experience in top tier global firms. MCG works with more than 500 consultants and 1000 experts across different industries. MCG focuses on strategic and operational management consulting projects. For more information about Moscow Consulting Group please visit mcgroup.ru or contact us at info@mcgroup.ru.