Long term care

Principles:
- Identification
- Insurable risk
- State (social) or private market?
References

• OECD
  - Conceptual framework and definition of LTC, Health Division, 2008
  - Consumer Direction and Choice in LTC, by J. Lundsgaard, WP 20, 2005
The dependency risk
Identification (1)

US case

Figure 3
Percentage of the Population Age 65 and Older, 2000-2050

<table>
<thead>
<tr>
<th>Year</th>
<th>Age 85 and older</th>
<th>Age 65-84</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>12.4%</td>
<td>10.9%</td>
</tr>
<tr>
<td>2010</td>
<td>13.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2020</td>
<td>16.3%</td>
<td>14.1%</td>
</tr>
<tr>
<td>2030</td>
<td>19.6%</td>
<td>17.0%</td>
</tr>
<tr>
<td>2040</td>
<td>20.4%</td>
<td>16.5%</td>
</tr>
<tr>
<td>2050</td>
<td>20.7%</td>
<td>15.7%</td>
</tr>
</tbody>
</table>

Identification (2)

Rate of recognized cases of LTC need according to the age group
Occurrence age distribution:
Mean age = 80,6
Estimated Years of Long-Term Care Need After Turning Age 65

Percent of People

- None: 31%
- 1 year or less: 17%
- 1-2 years: 12%
- 2-5 years: 20%
- More than 5 years: 20%

NOTE: Based on projections for people turning 65 in 2005.
The risk of needing LTC

• All of us are at risk. Most of us will need LTC. 20% will need assistance for 5 years or more.

• Future LTC needs depend on the interaction of medical, social and technological factors
Measure: Activities of Daily Living (ADL)

- ADLs are defined as "the things we normally do...such as feeding ourselves, bathing, dressing, homemaking, and leisure."
- A number of national surveys collect data on the ADL status of the population.
- Basic categories of ADLs have been suggested:
  - Katz scale (1963)
  - Lawton scale
  - AGGIR scale (France)
  - PLAISIR scale (Switzerland)
Katz ADL scale (1963)

Based on 6 criteria

- Bathing or shower
- Dressing
- Toilet use
- Transferring (in and out of bed or chair)
- Continence
- Eating

Each criteria is graded on level of dependence

- Performs independently
- Performs with assistance
- Unable to perform (assigned 1 point each)
Lawton IADLs (Instrumental activities of daily living)

Ability to use telephone
Shopping
Food preparation
Housekeeping
Laundry
Mode of transportation
Responsibility for own medications
Ability to handle finances
AGGIR, France

10 variables. For each variable, 3 possible answers:
• A: do alone with no problem
• B: do partially, needs help
• C: don’t do at all

6 groups:
• Gr1: completely dependent persons, end of life
• Gr2: older persons who need permanent surveillance
• Gr3: older persons who always need functional help
• Gr4: persons who need partial help for ADLs
• Gr5: persons who need some help for some IADLs
• Gr6: non-dependent persons
How LTC is financed?

- Informal care and out-of-pocket expenditure play an important role compared with acute health care.
- Number of countries with universal public schemes to cover LTC is growing (Austria, Germany, Japan, Luxembourg, Netherlands).
- Some countries provide universal coverage through public services (Norway, Sweden).
Some major public LTC programmes

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Residential care is mainly funded by the federal government out of general taxation. Community Aged Care Packages (CACP) is a federal government programme to provide in-kind benefit for home care. Home and Community Care (HACC) is a home care programme jointly funded by Commonwealth government and the State and Territory governments.</td>
</tr>
<tr>
<td>Austria</td>
<td>Cash allowance for care covers both home care and institutional care in the form of cash benefits, covering the whole population since 1993.</td>
</tr>
<tr>
<td>Canada</td>
<td>Both home care and institutional care are provided via provincial programmes. Support is means tested, but to a varying degree across provinces.</td>
</tr>
<tr>
<td>Germany</td>
<td>Social Long-Term Care Insurance covers home care (since 1995) and institutional care (since 1996) for over 90% of the population.</td>
</tr>
<tr>
<td>Ireland</td>
<td>Public funding exists for both home care and institutional care based on general taxation.</td>
</tr>
<tr>
<td>Japan</td>
<td>Long-Term Care Insurance is a social insurance scheme which provides both home and institutional care for the elderly as in-kind benefits.</td>
</tr>
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Some major public LTC programmes

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<tr>
<td>Luxembourg</td>
<td>Public support for long-term care is mostly based on the <strong>Dependency Insurance</strong>, where users have to pay the difference between the benefit and actual costs of care.</td>
</tr>
<tr>
<td>Netherlands</td>
<td><strong>Algemene Wet Bijzondere Ziektekosten</strong> (Exceptional Medical Expenses Act) is a social insurance which covers both home and institutional long-term care.</td>
</tr>
<tr>
<td>Norway</td>
<td>Local authorities have full responsibility over public long-term care according to the <strong>Municipal Service Act</strong> and the <strong>Social Services Act</strong>.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Municipalities are responsible and provide most of the home and institutional long-term care services based on the <strong>Social Services Act</strong>.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td><strong>Social services</strong> provide both home and residential care funded by municipalities with subsidies from the central government. <strong>National Health Service</strong> provides home and institutional health care and is funded and managed by the central government.</td>
</tr>
<tr>
<td>United States</td>
<td><strong>Medicare</strong> is a federal programme for persons aged 65 and over and for certain disabled groups. It covers care in nursing homes and home health services for a short period of time after an acute event, but it does not cover continuing long-term care. <strong>Medicaid</strong> is a joint federal and state programme, which covers both home and institutional care for persons with low income.</td>
</tr>
</tbody>
</table>
Formal care vs informal care

Considerable reliance on informal care (paid or unpaid)

(Korea) (Spain)

Austria
Luxembourg
Germany
Ireland
United Kingdom
Australia

Japan

Extent of public funding for long-term care

Considerable provision of formal care

Canada
United States
Netherlands
Norway
Sweden

Social and Private Insurance
Home care vs Institutionalization

% of GDP

Expenditure on home care (% of GDP)  Expenditure on institutions (% of GDP)

Poland 0.3  1.8
Portugal 0.1  1.7
Czech Republic 0.1  1.4
Korea 0.2  1.3
Hungary 0.2  1.3
Sweden 0.3  1.2
Slovenia 0.4  1.2
Spain 0.5  1.2
Austria 0.6  1.2
New Zealand 0.7  1.2
Denmark 0.8  1.2
Germany 0.9  1.2
Finland 0.9  1.2
France 0.9  1.2
Luxembourg 0.9  1.2
United States 1.0  1.2
Belgium 0.8  1.2
Japan 1.2  1.2
Canada 0.8  1.2
Norway 1.4  1.2
Iceland 1.7  1.2
Switzerland 1.8  1.2

Social and Private Insurance

17/J.F. Outreville
The demand for long term care

OECD: LTC expenditures projected to grow to 1.5% of GDP by 2050

US: LTC expenditures will grow by 2.6% annually between 2000 and 2040
How LTC is financed? (The US case)

US expenditures on nursing home and home health care by source of funds (1995)

- Out of pocket 32.5%
- Medicare 17.8%
- Medicaid 37.8%
- Private insurance 5.5%
- Other funds 6.4%
Financing LTC with private insurance

Two approaches:

– Indemnity product (annuity) (case of France)
– Reimbursement product (USA case)
Example: Indemnity product

**Definition:** reference to the AGGIR evaluation system (Class 1 to 3)

**Coverage:** Monthly indemnity, fixed capital amount for equipments, daily assistance

The policy-holder determines the amount of coverage

**Age limitation:** 75 years old

**Waiting period:** 3 years for neurodegeneration, 1 year for sickness, no in case of accident

**Franchise:** 3 months.

**Rating:** level-premium, risk classes
Example: Reimbursement product

**Definition:** ADL scale, loss of 2 ADLs for at least 3 consecutive months

**Coverage:** reimbursement of care treatments or expenditures within the limits defined in the contract (similarity with a health insurance contract)

The policy-holder determines the types of coverage and the limits

**Age limitation:** 89 years old

**Waiting period:** 6 months

**Franchise:** 0, 7, 30, 90 or 180 days (the policy-holder determines the period)

**Rating:** level-premium, risk classes, medical check-up