

Global long-term care financing: a review

The report describes the challenges of longterm care (LTC) financing in countries at different income levels. It discusses different models to fund LTC and country examples, trends in supply and demand, service delivery models, and policy interventions underway to increase access, quality and financial protection.

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Key findings

- **Unmet needs in LTC are rising.** Some countries have relied on informal caregivers and implemented initiatives such as mandated intergenerational caregiving within families. Reductions in fertility and improvements in labor market opportunities, however, have resulted in declines in the availability of informal care. This has resulted in unmet needs. These needs may be even greater in low- and middle-income countries (LMICs) facing rapid population ageing and an underdeveloped formal LTC sector.
- **Gender is a central dimension of LTC.** Women make up most LTC users because of longer female life expectancy. With increasing age, there are higher health and social needs. In addition, many caregivers are women. The reliance on informal caregivers can result in significant gender inequalities. It may also reduce female labor force participation, thus negatively impacting both the economy as well as household financial resources.
- **Without financial protection, older persons can become impoverished in accessing needed LTC and caregiver well-being can become compromised.** Available evidence for Europe shows that older persons across income levels with moderate or high health and social care needs could well exhaust their disposable income if they were required to fully pay the costs of their care. Government funded LTC in these settings can improve the prospects for employment and general well-being of informal caregivers.
- **Countries have invested in LTC to reduce the pressure on acute care hospitals.** Without formal LTC subsidies and support, older people with chronic health problems are more likely to resort to hospitals and other acute care health services. Several studies have shown that introducing public LTC social insurance or increasing the availability of public LTC services can reduce utilization of health care, particularly expensive inpatient or emergency care. However, funding of LTC remains deeply separated across health and social care, which can cause problems of coordination and reduce cost-effectiveness.
- **Older people face financial uncertainty even in publicly funded LTC systems.** Even in countries funding or providing formal LTC, needs-tested support, cost-sharing and family financial support or direct care are common. The extent of public funding is “implicit” - or not known beforehand – rather than ‘explicit’ - in which the amount paid out-of-pocket is known in advance (e.g. up to a limit or cap on annual or lifelong costs). Implicit funding increases uncertainty.
- **Private sector alternatives are limited.** Private insurance instruments alone have important limitations including lack of demand (e.g. individuals may underestimate their future need for care). Other purely private solutions, such as individual savings offer insufficient financial protection for needed care, particularly for older people with limited incomes.

Lessons for other settings

- **There is a strong justification for public funding to LTC to reduce unmet needs.** Government intervention in LTC is needed for several reasons beyond private insurance market failure. Older persons face catastrophe spending in accessing needed care. In addition, investments in public LTC can reduce gender inequalities resulting from the reliance on informal caregivers and promote female labor force participation. In addition, investments in LTC can reduce the pressure and expenditures in the acute health care system.
- **Countries have developed comprehensive and universal tax or social insurance-based schemes to address LTC needs, which can be relevant for low- and middle income country settings.** Such mandatory or quasi-mandatory scheme address concerns regarding affordability of care for low-income individuals and adverse selection to ensure that both healthy and those less healthy enroll. Once a public system is in place, voluntary private insurance can be used to cover the non-catastrophic share of costs instead of being paid by individuals out-of-pocket. Furthermore, cost-sharing can be adjusted to the means of the individual and family.
- **Better coordination and cost-effectiveness in LTC funding could be promoted through integrated care models** (e.g. *Gesundes Kinzigtal* in Germany, health insurance in Israel). In such models, integrated care funding from several sources provides incentives for prevention and health promotion based on performance-based pay for health and social care providers.
- **Supporting caregivers can be done through different means.** This can include publicly sponsored networks of home and community (day care) services and telecare to alleviate the health and financial impact of caregiving on informal caregivers. Existing grassroot health care initiatives for child and family care, such as the *Anganwadi* in India, can be a launching pad for care schemes targeting older people to be implemented at the local level in low and middle-income countries and thus address growing unmet needs in those settings. Public and private employers can offer flexible working times and employment care leave schemes. Although results are inconclusive, some countries offer “cash for care,” in which cash is provided to older persons to pay for needed informal and complementary care.