

Financing for Long-term Care in Asia and the Pacific

The 2030 Agenda for Sustainable Development is a clarion call to leave no one behind. Older persons are among the groups in society most at risk of facing such a fate. In this context, the 2002 Madrid International Plan of Action on Ageing provides a comprehensive framework for building inclusive societies, detailing how to ensure the participation, care, and dignity of older persons. To support this process in the Asia-Pacific region, the 2013 Asian and Pacific Ministerial Declaration on Population and Development calls on member States to “Strengthen health and social protection systems to prepare for and respond to the needs of older persons ... by providing an integrated continuum of care, including ... long-term care and end-of-life care, and palliative care” (para 159).

In Asia and the Pacific, the number of older persons aged 60 and above is projected to more than double from 572 million in 2017 to almost 1.3 billion in 2050. Rapid population ageing in the region, combined with changing family patterns and gender roles, has increased demand for long-term care (LTC)¹ for older persons.

This policy brief highlights financing options for LTC for older persons, with a focus on examples from the Asia-Pacific region. It builds on analytical studies conducted by ESCAP on LTC in China, India, Japan, Republic of Korea, Singapore and Sri Lanka (see references).

Provision of long-term care for older persons is changing

In traditional Asian-Pacific societies, most elder care is unpaid and provided by family members, particularly women. This paradigm

has already been disrupted by the demographic, social and economic changes affecting many countries in the region.

Firstly, family sizes have declined and household patterns have changed with young people migrating, often to urban areas in search work or education, leaving their parents behind. In China, for example, the average household size in 2010 was 3.1 persons, compared to 4.4 in 1982.² An increasing number of older persons, particularly older women, live alone.³

Secondly, gender roles are changing. The number of women in the labour force is increasing and fewer women are available to care for older persons. Also, when female family members have the caregiving responsibility, they often need to balance it with other family and work responsibilities, which can be a tremendous burden. In the 2030 Agenda for Sustainable Development, Member States committed to “[r]ecognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies ...” (target 5.4). Female caregivers should therefore be adequately valued and remunerated.

Thirdly, with an increasing gap between life expectancy and healthy life expectancy, the care needs of older persons have grown and become more complex. Although many of tomorrow's older persons, will be healthier, better-educated and wealthier, the number of older persons in need of LTC services will grow. It is estimated, for example, that the figure for people living with dementia in the region will triple by 2050.⁴ Thus, there is a need

for more professional care, whether by trained family members or professional caregivers.

When less wealthy families have to pay for caregivers, catastrophic costs can be imposed on households. Countries therefore need to arrange sustainable financing of LTC to reduce this risk.

Government provision and funding of institutional care

Governments may choose to provide LTC services directly to ensure availability to those who need it. In the Republic of Korea, for example, some local governments run their own care centres for older persons.⁵ In Fiji, the Government runs several care homes free of charge for older persons without families. Quality standards for care in these homes are being developed.⁶ The Government of India also operates nursing homes for poor older persons and older persons with dementia.

Subsidies and grants to care providers

Governments may also assist providers through subsidies and grants. In Singapore, for example, non-governmental organizations or private firms operate homes and day-care centres for older persons, and the Government funds them from its central budget.⁷ In India, the Government subsidizes maintenance of private or community-based homes and counselling centres for older persons.⁸

In addition to supporting the general operating costs of providers, public funding can target a specific need, such as infrastructure or capacity-building. The Government of China recently allocated an estimated CNY 1 billion for the construction of nursing homes in rural areas, which will be operated by community providers.⁹

The Government of China is also offering subsidies to institutions based on the number of beds and other professional facilities they offer. Community nursing homes in the city of Wuhan, for instance, receive CNY 4,000 for each bed, and CNY 80,000 for achieving

certain maintenance standards. In Sri Lanka, government funding is available for day-care centres to purchase items such as furniture and kitchen equipment.¹⁰

Some governments subsidize wages of caregivers in nursing homes, as seen in the Republic of Korea. There are also tax breaks that benefit LTC providers. For example, non-profit institutions for the care of older persons in China are exempt from income tax and nursing homes are further exempted from paying business tax.

Financial support to users of LTC services

Some governments provide direct subsidies to older persons who use LTC services. In Singapore, for example, individuals receive means-tested subsidies of up to 80 per cent of LTC costs. In addition, older persons born before 1950 receive lifetime annual top-ups to their individual medical savings accounts, which can be used to pay for LTC services and insurance premiums. In the Republic of Korea, local governments provide a cash subsidy to help with out-of-pocket payments for LTC. Tax breaks are also an important tool to support LTC users, as observed in India.

China provides broad, overall assistance to its ageing population. Since 2012, local governments at all levels, have to provide special subsidies to older persons to improve their living conditions. This law has led to the introduction of a range of measures across different provinces of China, including LTC insurance schemes in three provinces, and subsidy systems for older persons.

LTC insurance

Some countries, including Japan and the Republic of Korea, have established LTC insurance systems, one of the most comprehensive ways to help individuals manage LTC costs. In both countries, the LTC insurance includes financing of LTC and ensures the provision of services through a network of providers.

In Japan, LTC insurance is funded through insurance premiums, as well as subsidies from the Government, prefectural governments and municipality governments.¹¹

In the Republic of Korea, LTC insurance is managed by the National Health Insurance Corporation, but is kept separate from other health insurance. It covers both home-based and institutional care. Since the introduction of the insurance, availability of non-family LTC services increased as the number of beneficiaries rose. According to a survey, more than 90 per cent of respondents reported that the introduction of the LTC insurance relieved the financial burden of families.¹²

Support to families

Due to prevailing norms and policies, families, and in particular women, are expected to be the main caregivers for older persons in Asia and the Pacific. However, with increasingly demanding jobs, greater labour force participation of women and changing living arrangements, younger family members find it difficult to comply. Financial support to family caregivers is important to help alleviate some of these concerns and pressures, and reduce the risk of older persons receiving inadequate care or no care at all. To this end, cash subsidies are provided to family caregivers in the Republic of Korea living with persons aged 80 or older.

While caregiving family members can receive cash transfers through long-term insurance schemes in some European countries, this is still controversial in Japan and the Republic of Korea.

Sustainability in financing

Amidst the range of policy options, governments must recognize the specific circumstances of their populations and national and local contexts to ensure positive outcomes and systemwide and financial sustainability of LTC services.

A key decision concerns whether to set up a standalone LTC system or cover LTC within the existing public health-care system. While there are advantages to utilizing established processes and infrastructure, the concern is that scarce medical resources may be used for individuals who need care, but not necessarily costly medical facilities or treatment. In Japan, this led to spiraling costs when older persons were hospitalized (often for non-medically urgent purposes), prompting a restructuring of public care and the introduction of a standalone LTC insurance scheme.

In rapidly ageing societies, financial support may be afforded to private and community providers to expand their LTC services rather than setting up government-led services.

Another key decision concerns the source of funding and how it is obtained. The Republic of Korea, for example, was able to minimize public resistance against increased taxation when it implemented its LTC insurance system, by combining LTC insurance premiums with existing premiums for national health insurance. Such dedicated funding channels ensure stability and predictability in financing.

However, such funding may present potential rigidities in the allocation of expenditures, especially when it comes to coordinating and streamlining with other public services (for instance, health care and social care) in the continuum of care. Ultimately, the overall social care landscape of a country should be considered when implementing policies for LTC financing.

Policy recommendations

Countries should establish a system for financing LTC, be it by directly financing caregivers or subsidizing users of LTC facilities. Experience has shown that subsidizing users may be more cost-effective, while funding providers ensures the availability and quality of such services. Covering LTC services through health insurance can dramatically increase overall health-care costs.

Family caregivers should be supported, either through direct financial support. Supporting families that provide LTC services is particularly important in societies where older persons prefer to receive care from family members.

Ageing countries should consider introducing LTC insurance that is separated from health-care insurance. They should also establish a system of LTC providers that includes both community and private care services.

Overall, LTC is a multisectoral issue. It requires integrated policies, programmes and partnerships. Long-term planning, not ad-hoc responses to urgent care needs, and more sustainable financing are required if one of the major achievements of development, longer life, is to be experienced with dignity, meaning and purpose.

References

¹ Long-term care (LTC) is generally defined as a range of support services that help people live independently or with their families in good health and in dignity for many years to come.

² United Nations, Department of Economic and Social Affairs, Population Division (2017). Household Size and Composition 2017 (POP/DB/PD/HSCD/2017).

³ United Nations, Department of Economic and Social Affairs, Population Division (2017). United Nations Database on the Living Arrangements of Older Persons 2017. (POP/DB/PD/LAOP/2017)

⁴ Alzheimer's Disease International (2014). *Dementia in the Asia-Pacific Region*. London: Alzheimer Disease International.

⁵ United Nations Economic and Social Commission for Asia and the Pacific (2015). *Long-term Care of Older Persons in the Republic of Korea*. SDD-SPPS Project Working Papers Series: Long-term Care for Older Persons in Asia and the Pacific. Bangkok: ESCAP.

⁶The Fijian Government, <http://www.fiji.gov.fj/Media-Center/Press-Releases/MINISTRY-TO-ESTABLISH-MINIMUM-STANDARDS-PROCEDURES.aspx>.

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¹² _____ (2015). *Long-term Care of Older Persons in the Republic of Korea*. SDD-SPPS Project Working Papers Series: Long-term Care for Older Persons in Asia and the Pacific. Bangkok: ESCAP.