



Institute  
and Faculty  
of Actuaries

## Sessional Research Paper

“Long Term Care – A Review of Global  
Funding Models”

Sue Elliott, Sophie Golds, Ian Sissons, Hamish Wilson  
17<sup>th</sup> March 2014



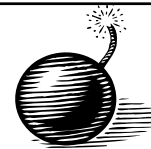
### Sessional Research Paper discussion

- Section 1 – Introduction – background on the global growing LTC crisis
- Section 2 – Geographic Overview – demographics, social changes and health care expenditure
- Section 3 – Country Specific - France, Germany, Netherlands, Japan and USA
- Section 4 – Overview of the UK (including devolved nations)
- Section 5 – Conclusions (including lessons learned)
- Questions or comments

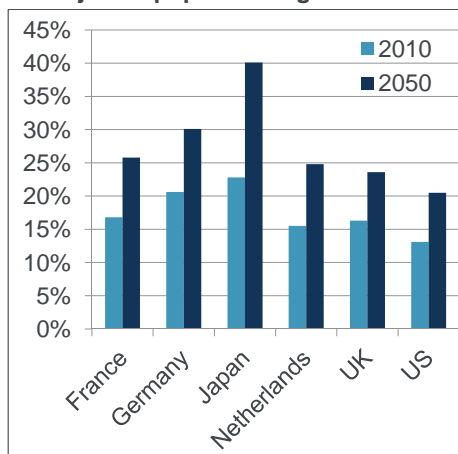
## Geographic overview - the increasing demand for LTC

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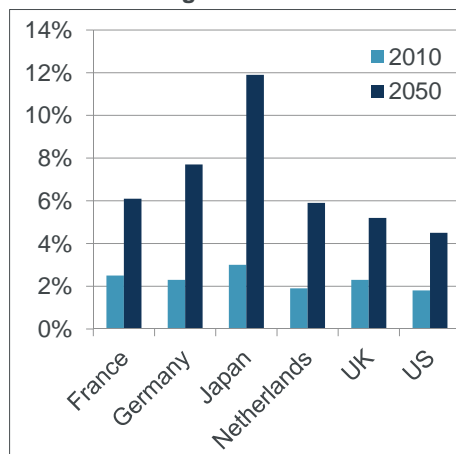
## Global demographic time bomb



Projected population aged 65+



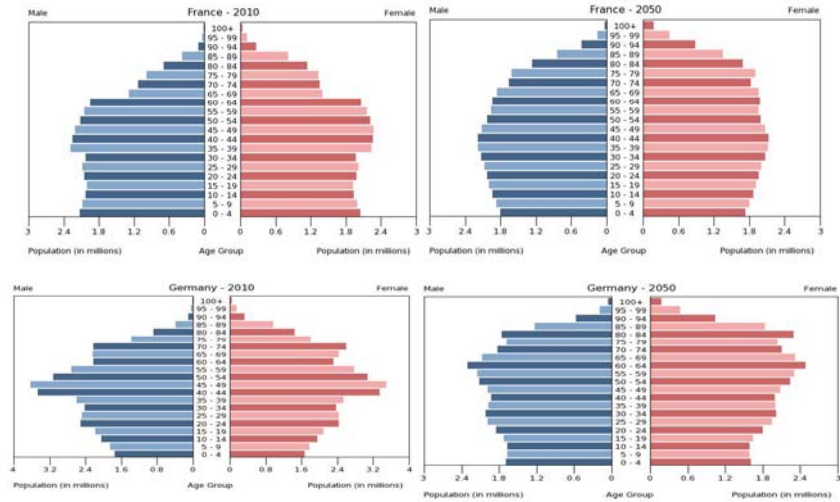
and aged 85+



Source: US Census Bureau, International Data Base

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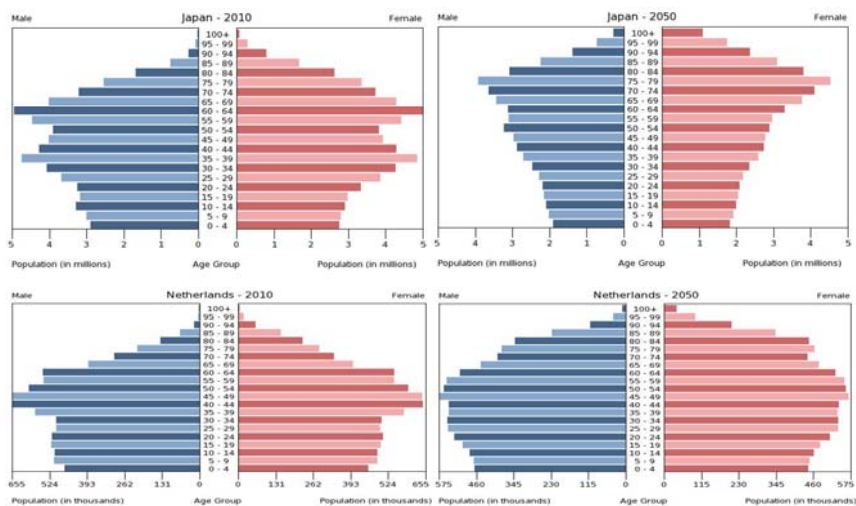
## Population pyramids (Germany & France)



Source: US Census Bureau, International Data Base

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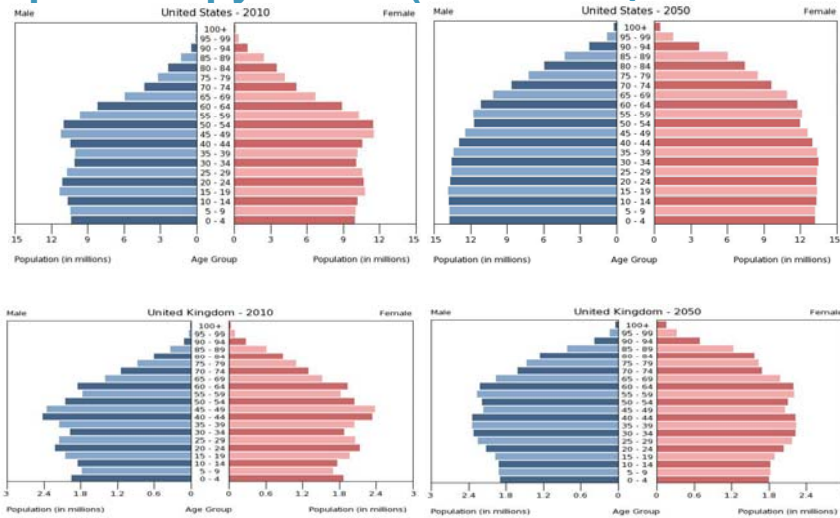
## Population pyramids (Japan & Netherlands)



Source: US Census Bureau, International Data Base

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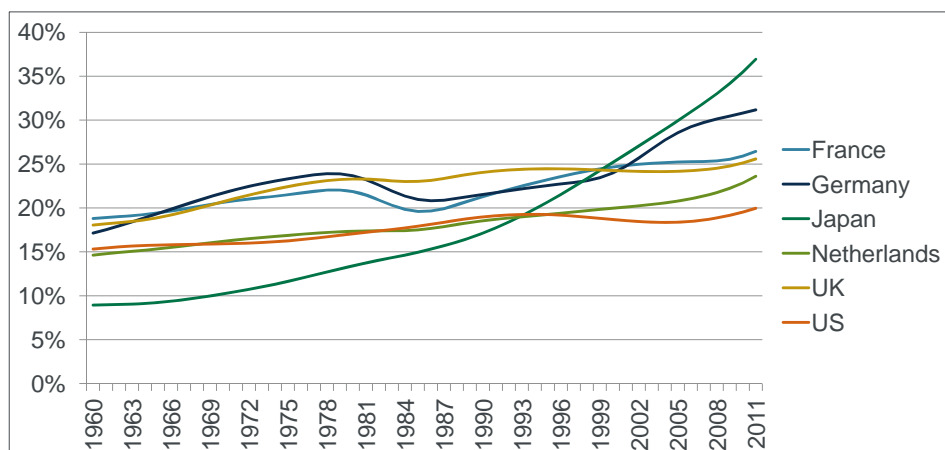
## Population pyramids (USA & UK)



Source: US Census Bureau, International Data Base

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## Dependency Ratios



Source: World Bank Group, WDI Online

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## Country specific

### - France, Germany, Japan, Netherlands, US and UK

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## Global LTC public financing

Country	Funding Source	Eligibility & coverage	Benefit types
France	Local & central tax & social insurance	Universal, reduced for high incomes	Cash and in-kind, home & institution
Germany	Social insurance with private opt out	Universal	Cash and in-kind, home & institution
Netherlands	Social insurance	Universal	Cash and in-kind, home & institution
Japan	Social Insurance	Universal	In-kind home & institution
USA	Income tax, medicare premiums & congress funds	means tested and minimum paying eligibilities	Post acute care in nursing homes
UK	Income tax and local tax	Minimum safety net, income and assets based test	Cash and in-kind, home & institution

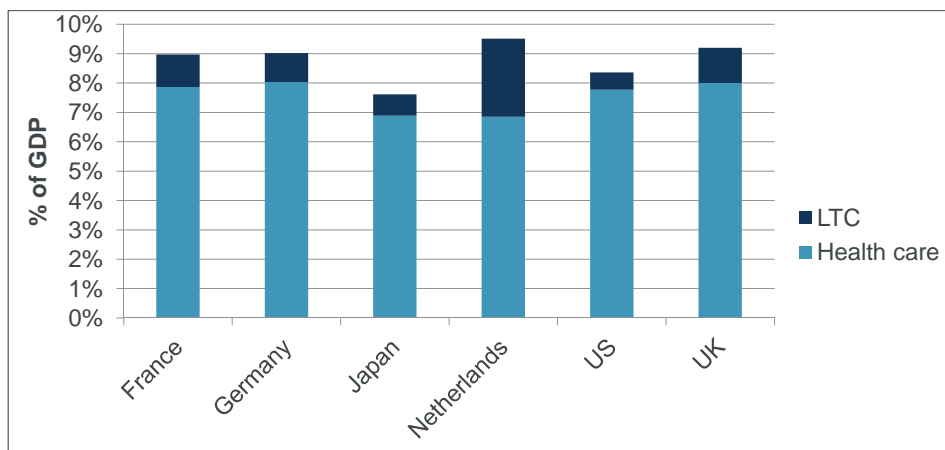
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## Public versus private expenditure on LTC (2009)



Source: UK: Dilnot Report Supporting Evidence (for 2009/10 & excludes Attendance allowance). Others: OECD Stat Extracts. 11

## Public expenditure – health care and LTC (2009)



Source: UK: Dilnot Report Supporting Evidence (for 2009/10 & excludes Attendance allowance). Others: OECD Stat Extracts. 12

## Universal insurance schemes in detail

Country	Insurers / Purchasers	Financing Source	Contributions
Germany	National LTC insurance funds	Payroll and income-related contributions (100%)	1.95% payroll tax (additional premium of 0.25% for those with no children)
Netherlands	Regional Care offices	Payroll and income-related contributions Means-tested co-payments	% payroll tax, max Euro 330 per month
Japan	Pay as you go municipality run	General tax 45%, income related contributions 45%, co-payment 10%	Ages 40-64 ~ 1% payroll tax. Age 65+ ~ 30 USD per month

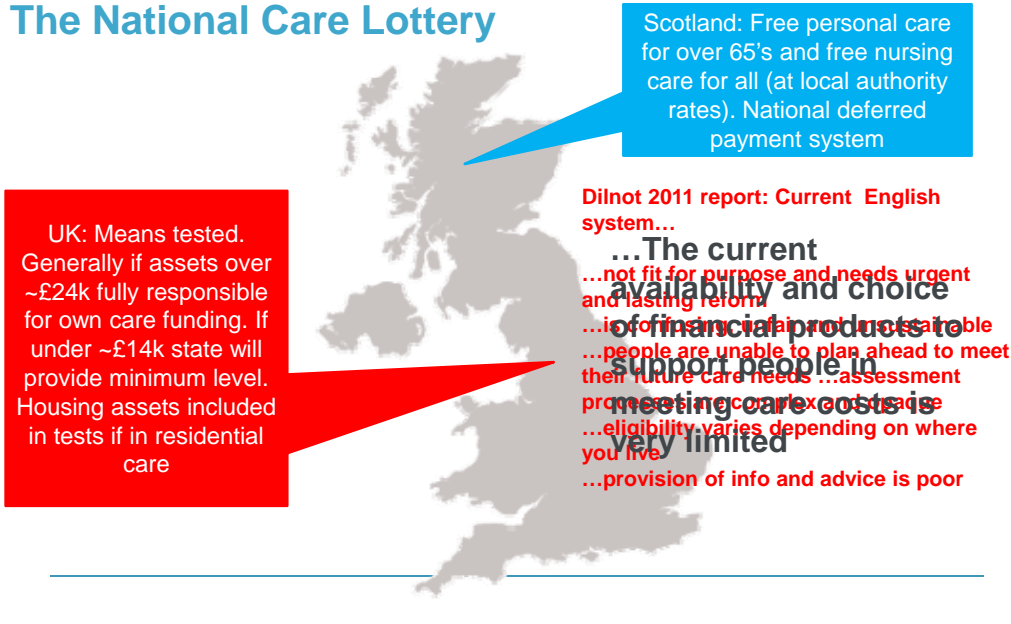
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## Overview of the UK and potential overseas applications

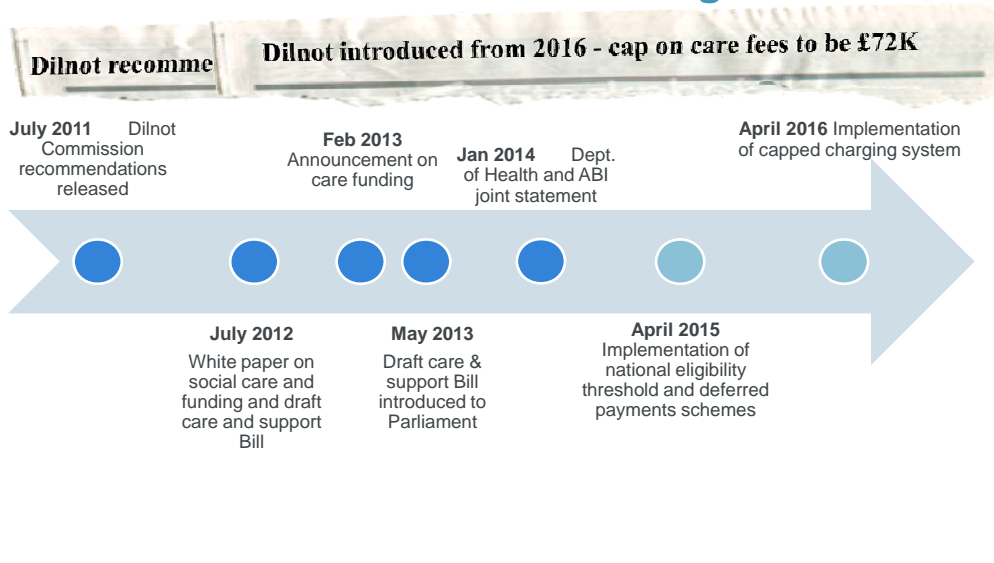
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## Current regimes across the UK

### The National Care Lottery

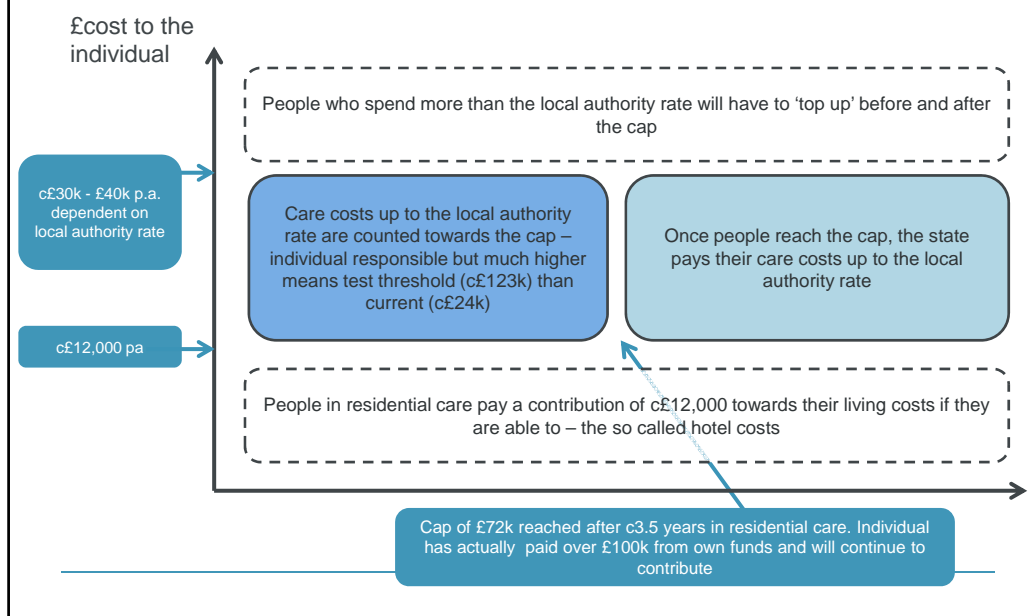


## Social Care Debate Timeline - England





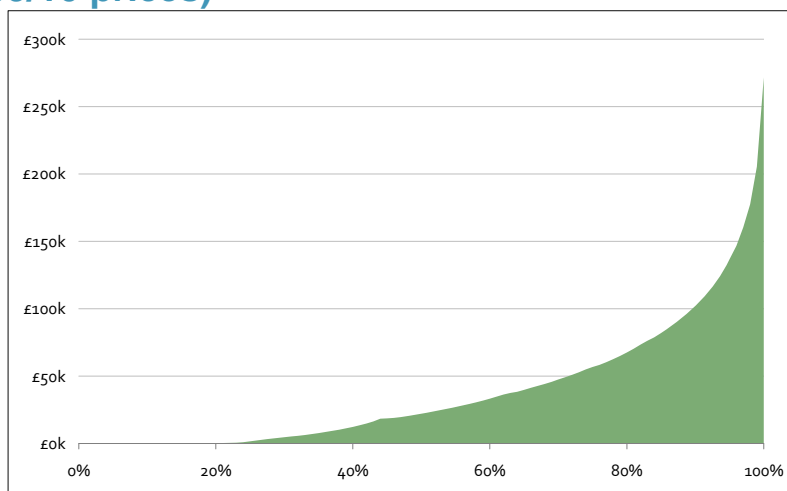
## The 2016 Changes - England



## Other Key Changes - England

- Universal Deferred Payment Scheme
  - People will not have to pay for care using their home until after death
  - Many councils currently offer a deferred payment scheme, but could the structure change when this is rolled out nationally?
- National Eligibility Threshold
  - Will ensure a level playing field for entitlement to care
  - Will this tie in with claims assessments used by insurers?
- Care Bill will compel Local Authorities to establish an information service
  - Information on what people might need to pay for care and what financial support might be available
  - Provide an overview of the financial options and how financial advice can be accessed
- Introduction of Cap will mean 'all' care claimants will contact local authority

## England – expected future lifetime cost of care funding for people aged 65 in 2009/10 by percentile (2009/10 prices)



Source: "Fairer care funding" report, page 13

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## Devolved Nations

- NI and Wales yet to announce changes to funding, but have introduced integrated care development plans
  - NI: Strategic Implementation Plan (SIP) – sets out a planned approach for the delivery of the 99 TYC recommendations over the next few years
  - Wales: "Full filled Lives, Supportive Communities" – 10 year strategy (2008-2018) Outlines local authority responsibilities, e.g. strategic planning, arranging provision of services, undertaking assessments and care management of vulnerable adults and children
- Scotland. Reshaping Care for Older People – A Programme for Change 2011 – 2021". Aim – to provide a long term and strategic approach to achieve the Government's vision for future care for older people in Scotland



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## Scotland in Detail

- 28<sup>th</sup> May 2013 – Scottish Care Bill
  - A new Bill designed to ensure that health and social care systems work together to improve the provision of care
- September 2013 – “Reshaping Care for Older People – Getting On”
  - Government stated the programme was a success and reiterated their full commitment to free personal care and nursing care
  - Want more control shifted to the individual
  - Shift more to community-based support
  - Restated their “two-step” solution:
    - 1) to optimise care arrangements through closer integration of health and social care services
    - 2) identify the financial impact of increasing levels of need and in time lay the path towards a sustainable funding model

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## Sustainability of Scottish Model

- In 2003/4 overall Free Personal Care and Free Nursing Care paid to care home residents and individuals in own home was £219m. In 2011/12 this figure was £458m.
- Recent Audit Scotland report:
  - Questioned the long term sustainability of the system
  - Health and social care for those over 65 is projected to increase from £4.5 billion to £8 billion by 2031
  - Overall progress has been slow and does not appear to be moving forward from emergency and residential care to local initiatives
- Scottish Government remain committed to providing FPC & FNC.

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## Conclusions

### - lessons learned from countries studied

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## Lessons Learned (1)

- France: public awareness has raised insurance sales
- France: payment to individual gives more empowerment and can be used to control future costs
- Germany: insurance compulsion on opt-out of state scheme grows the insurance market
- Netherlands: gradual expansion of care coverage beyond that which could cause financial hardship has proven unsupportable
- Netherlands: Offering full indemnity has reduced efficiencies
- Japan: Maintaining contributions has led to cuts in levels of provision
- USA: The CLASS Act voluntary scheme was cancelled due to being “actuarially unworkable”. Too few healthy young people were expected to sign up

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## Lessons Learned (2)

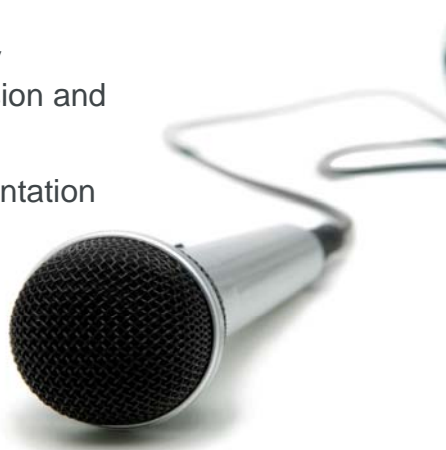
- USA: The introduction of an asset protection insurance has worked in some states. Could this reduce some of the costs of Dilnot?
- UK: Uncertainty in provision deters private insurance market
- All: No matter the model, costs have continued to spiral and so either has reduced benefits (and therefore increased co-payments) or increased costs to fund. Any model should be sustainable and look at the demographic picture well into the future. A sustainable model will also encourage an insurance market to grow.

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## Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



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