



FINANCING EFFECTIVE SOCIAL PROTECTION FOR LTC FOR THE ELDERLY IN THE OECD

Economics at the service of society

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Agenda

In this presentation, I will walk you through

1. Basic definitions of LTC and social protection
2. The *silver tsunami* and the challenges ahead
3. How we measure social protection for LTC at the OECD
4. How countries compare across the OECD
5. Potential actions to ensure future adequate protection



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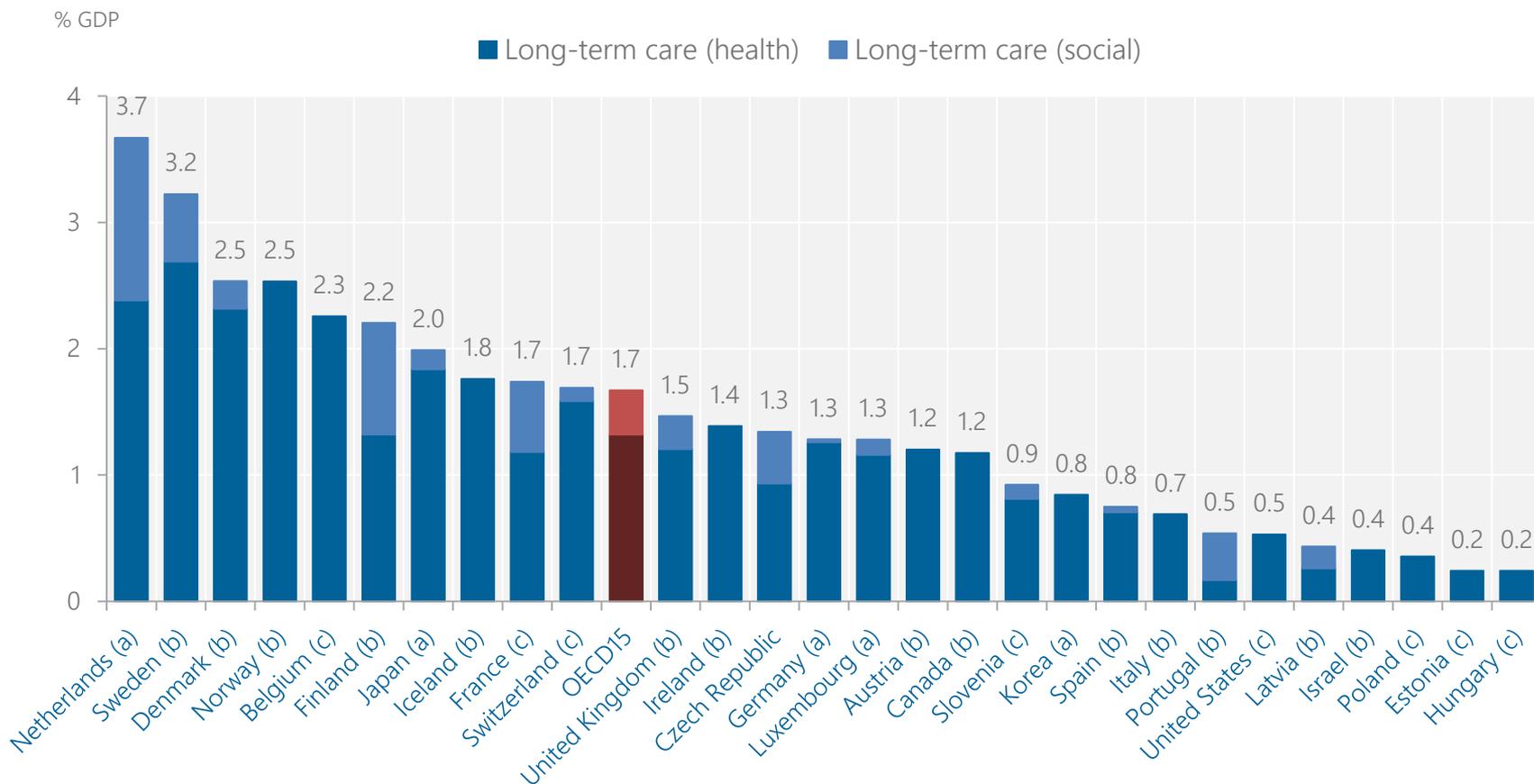
What is social protection for LTC?

Long-term care	Option A	No public action	Probable outcomes
<p>Activities of daily living Getting in and out of bed, getting dressed, bathing, eating.</p> <p>Instrumental activities of daily living Doing laundry, getting groceries, cooking, cleaning.</p> <p>Social activities Going out for a walk, meeting friends, going to the movies.</p> <p>More than 1/3 of over 65s report limitations in daily activities, and more than 10% currently receive LTC.</p>		Finding and paying for professional services or informal help a private responsibility .	Risk of catastrophic out-of-pocket spending and poverty, unmet needs , opportunity costs of unpaid informal care.
	Option B	Social protection	Probable outcomes
		Risk-pooling used to fund support through public services and benefits in-kind or in-cash, including for informal carers.	Reduced out-of-pocket spending and risk of poverty, compensation of informal care, fewer unplanned hospital admissions.

We focus mainly on monetisable or financial social protection



Public LTC spending and financing



Note: Letters next to country name indicate main source of LTC funding (a) – social insurance, (b) taxes, (c) mix of insurance and taxes. The OECD average includes 15 countries reporting health and social LTC.

Source: OECD Health Statistics 2017.



The challenges ahead in one slide

Increasing demand for LTC...

- Longer life expectancies but less progress in reducing disability in old age.
- The over 80 will double by 2050: most affected by disability and dementia.

... as financing and provision of LTC is coming under pressure.

- Fertility rate declining and old-age dependency ratio rising
- Changing social structures (childless couples, single-parents, divorce, etc.)
- Female participation in the labour market.
- Non-standard forms of employment (self-employed, temporary contracts) mean less access to social protection later on and fewer contributions.

Misunderstandings about who is eligible for LTC and how it's paid are widespread, and few financing solutions are politically accepted



Measuring social protection for LTC

Governments know much they spend on LTC as a whole but

- Is that spending protecting people who need LTC and face large costs?
- How can adequate protection and financial sustainability be balanced?
- How do public social protection systems compare across the OECD?

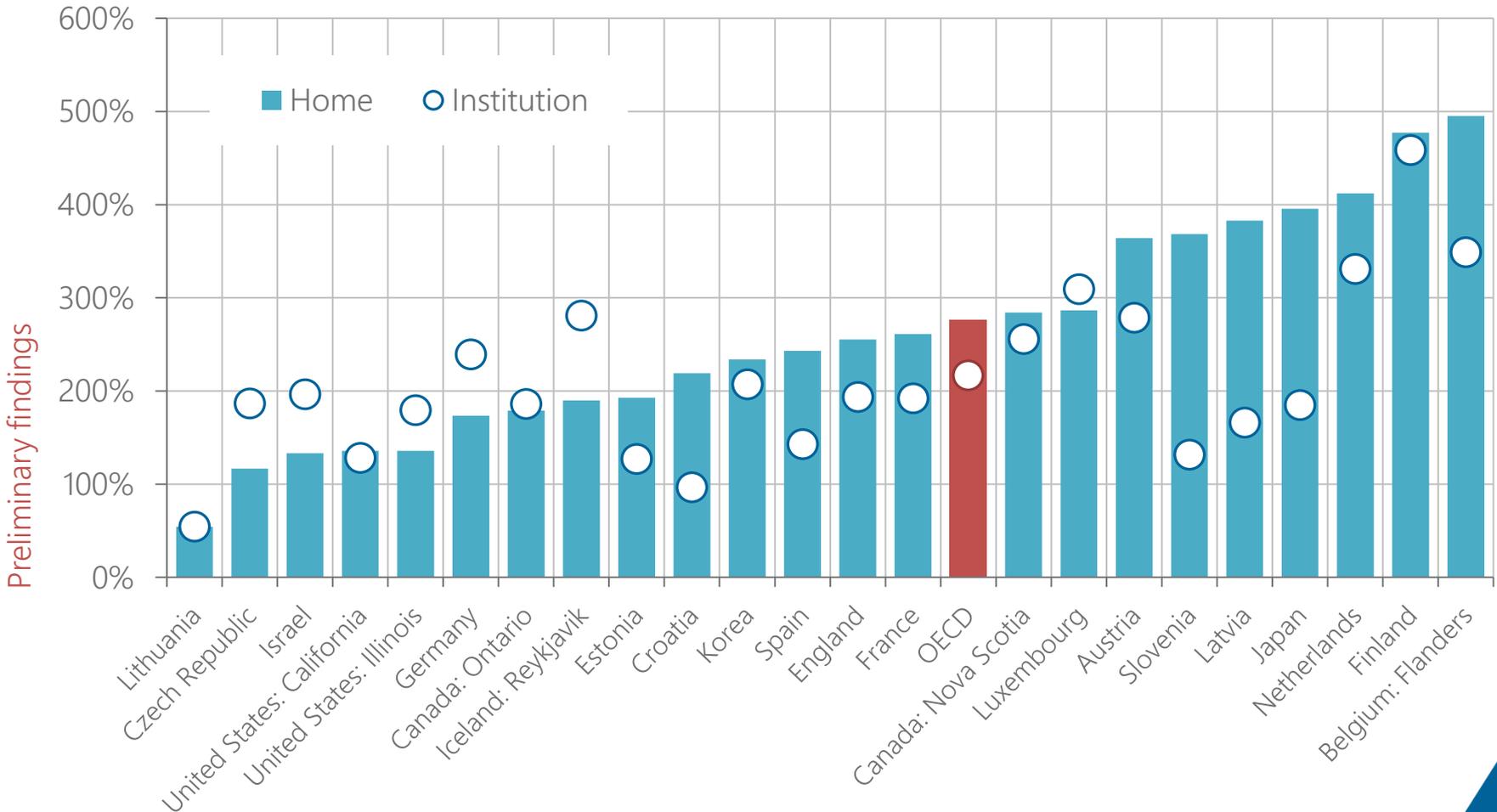
To answer these questions we

estimate the **costs** that people face and the **benefits and services** they receive, in different scenarios of LTC **needs**, and for any level of **income** and **wealth**



LTC is unaffordable without public support for median earners over 65

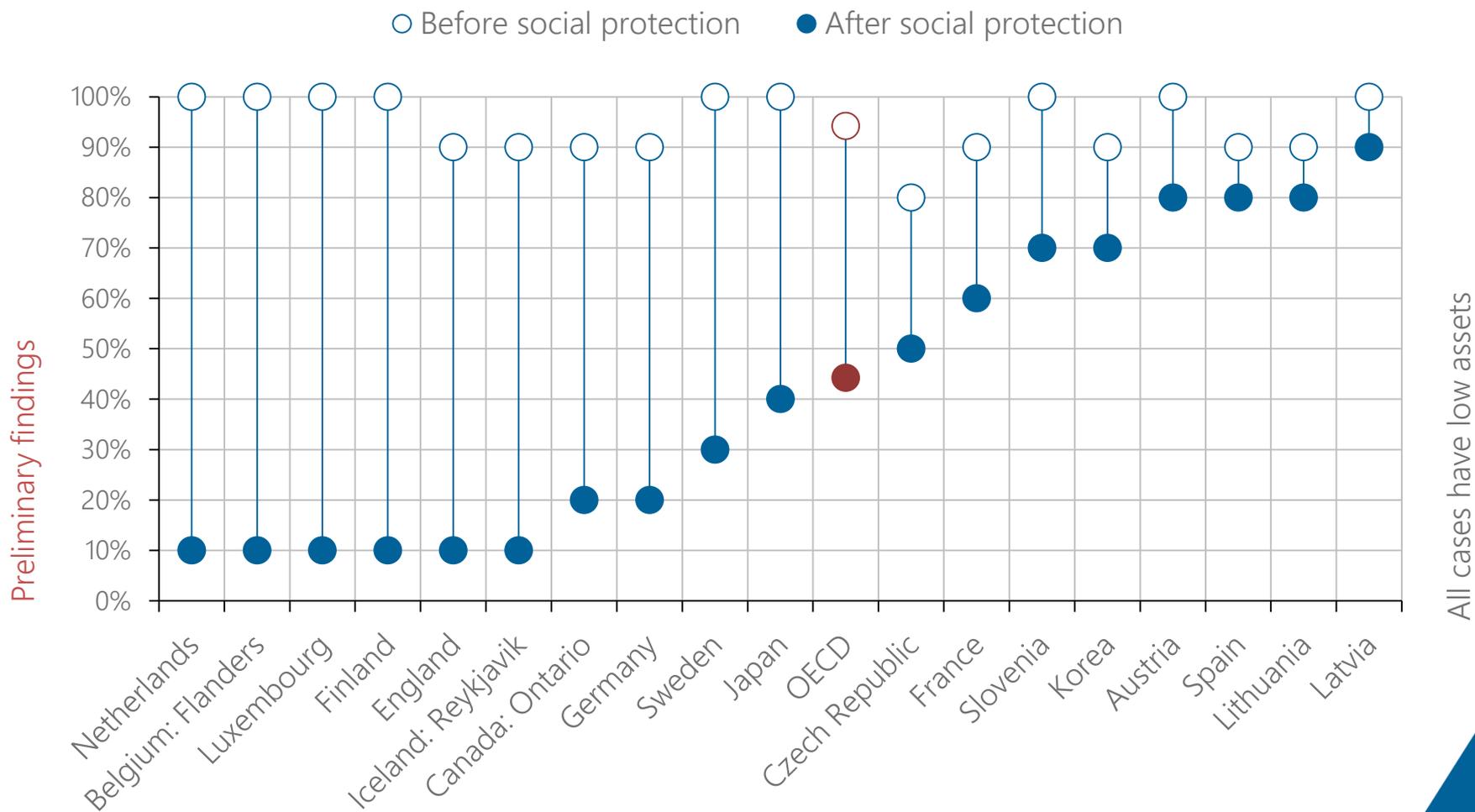
Cost of care for severe needs as a % of median income for people aged 65+





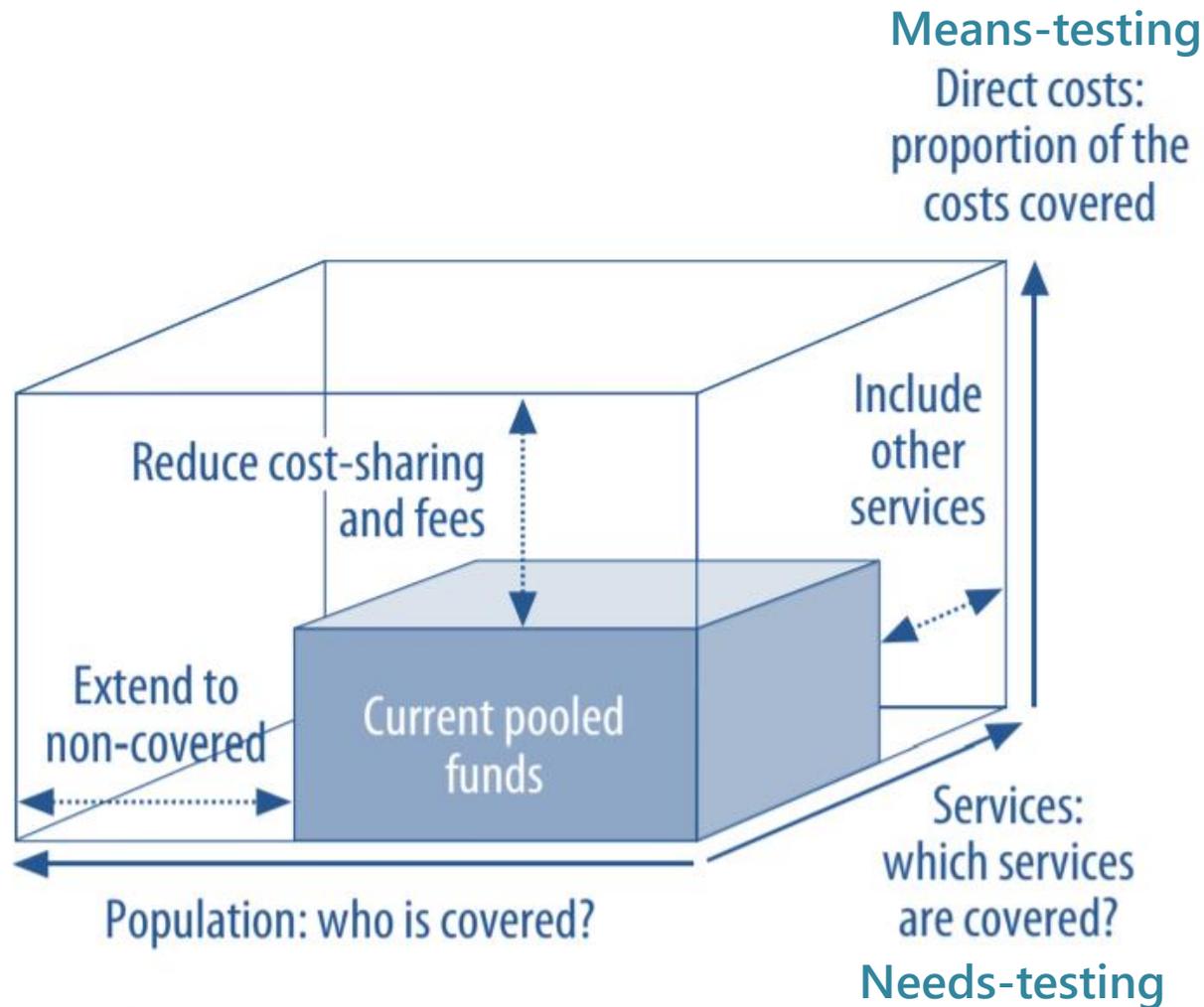
Social protection makes care more affordable but still gaps remain

Income percentiles below which home care for moderate needs is unaffordable





Three dimensions of social protection



Source: World Health Organization.



Overview of means-testing

Which countries means-test long-term care benefits?

	Assets-tested	Not assets-tested
Income-tested	Australia, Austria, Belgium (Flanders), Croatia, England, Estonia, France, Germany, Hungary, Ireland, Israel, Japan, Lithuania, Netherlands, New Zealand, Spain, Switzerland, US, Slovenia	Canada Denmark Iceland (Reykjavik) Sweden Latvia Korea
Not income-tested	Luxembourg	Czech Republic Finland Belgium (Flanders), England, Korea, France, Latvia, Slovenia, Croatia

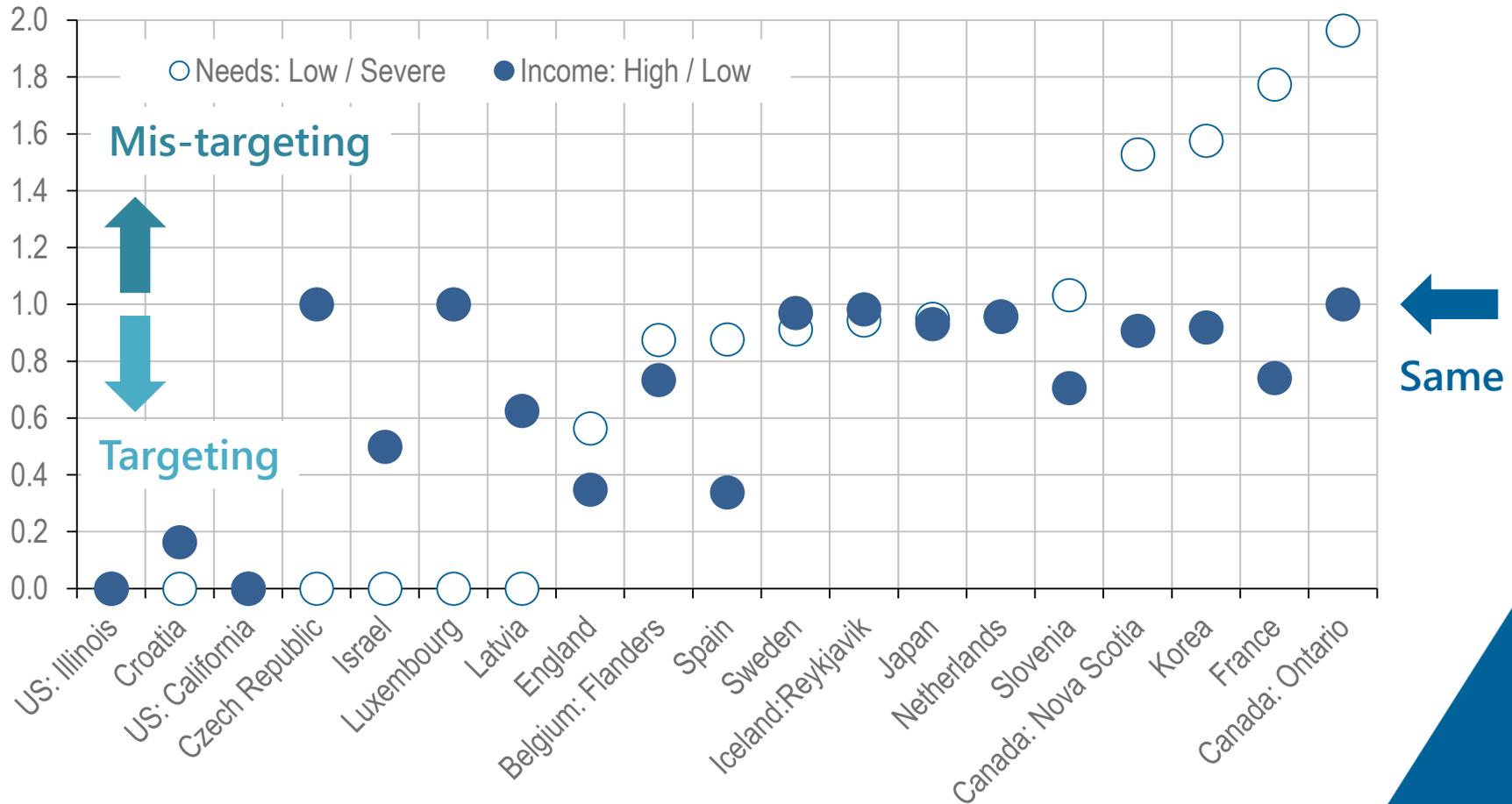
In the light green box are countries that have some universal benefits.



Is social protection targeting those with low incomes and severe needs?

Ratios of percentages of costs covered by public systems, low needs compared to severe needs and high income compared to low income

Preliminary findings All cases have low assets





Some might be able to afford care even before social protection @ institution

Cost of institutional care for severe needs, % of income deciles for 65+

	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10
Croatia	243%	.....	.....	.....	91%	79%	69%	59%	49%	35%
Slovenia	99%	89%	79%	69%	57%	41%
Korea	98%	86%	75%	63%	43%
Spain	97%	83%	68%	44%
Latvia	90%	70%	42%
Czech Republic	86%
France	60%
England	61%
Iceland: Reykjavik
Luxembourg
Sweden
Netherlands
Belgium: Flanders	609%	.....	.....	.....	.....	.....	.....	.....	.....	148%

Preliminary findings



Overview of informal care benefits

Countries that financially support informal care for moderate needs

No support	Provide support		
	Support the care recipient	Support the informal carer	Support spouse & child differently
Sweden Japan France (spouse) Belgium (spouse)	Belgium (Flanders), Netherlands, Czech Republic, England, Iceland, Korea, Latvia, Luxembourg, Spain, Slovenia, Israel, Croatia, United States, Germany	Belgium (Flanders) Netherlands Canada (Nova Scotia) Australia Ireland Finland Slovakia	Belgium (Flanders) France Both countries support adult children more than spouses
	Some countries expect the care recipient to pay the informal carer, but there is no obligation		

Also, many countries provide non-financial benefits (e.g. psychological support).



Potential policy actions for the future

Find more funds

Enlarge contributory base

Go beyond income tax.

Intergenerational fairness

Introduce contributions for those over a certain age.

Develop innovative schemes

Private insurance, deferred payment schemes.

Target better

Targeted universalism

Ensure that everyone who needs LTC is able to afford it.

Target more/better

Introduce steeper means-tests.

Assess impact on wealth

Higher income groups (middle class) likely hardest hit.

Spend better

Prevent and rehabilitate

Promote healthy ageing and reablement outside hospitals.

Innovate with technology

Explore telemonitoring, smart homes, artificial intelligence.

Integrate and coordinate

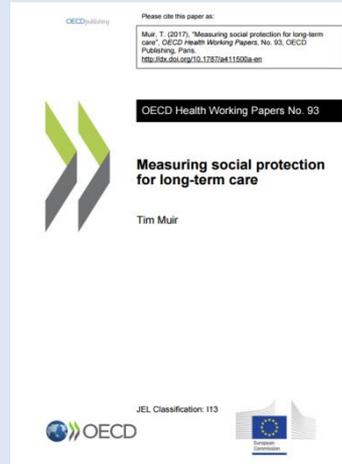
Information, financing, culture.

Start a societal debate as soon as possible on supply of care, cost of care, eligibility, how to raise funds, treatment of wealth (primary residence), intergenerational fairness, gender equality, etc.



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