Is Long-Term Care Social Insurance Affordable in Developed Countries

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Abstract

Most developed countries are facing financial pressures as their social support systems attempt to meet the needs for retirement income and health care for an aging population. But as the population ages, increasing needs for personal non-financial assistance and non-acute health care support are being identified. These needs are placed in a large, non-homogeneous category of long-term care (LTC) and frequently are not covered by national social insurance programs.

After identifying the breadth of definitions of LTC needs, it is argued that LTC is an insurable risk. Certain aspects of this risk are borne better collectively through social insurance programs, than privately by self-insurance or through the insurance markets. But is LTC social insurance affordable in developed countries?

After a Royal Commission on Long Term Care in 1999 in the United Kingdom recommended that nursing care and personal care be provided free at point of delivery, Scotland implemented these recommendations. England has decided that such an approach is unaffordable and is continuing to consider the matter. Canada, Germany, Japan, the United Kingdom and the United States are developed nations that have taken different approaches to the financing of LTC. The paper focuses on these countries, with occasional references to Scotland.

The costs of LTC are projected to increase substantially. It is argued that when costs are expressed as a percentage of gross domestic product, the future burden of financing LTC would not lead to unbearable tax levels and is not particularly large in comparison to the projected costs for pensions and health care.

The paper identifies other considerations where changes may occur, such as demographic, pattern of care, quality of care and equity release mechanisms, that may affect how LTC is delivered and the cost of its delivery. It concludes that LTC social insurance is affordable in developed countries.