

# Mutual learning workshop on adequate social protection in long- term care

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Measuring social protection for long-term care

OECD Policy brief



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# Public social protection for long-term care reduces poverty risks, but gaps remain

## Key findings

While all countries in Europe provide some public benefits or services for people with long-term care needs, the costs tend to be remarkably high and public support is not always sufficient, especially for those most vulnerable having low income and severe needs:

- More than one in five older persons in Europe have long-term care (LTC) needs, that is, they need help with their daily activities.
- Older people with LTC needs are more likely to be 80+ years old, female, live in single households, and have lower incomes.
- The total cost of LTC can be extremely high compared to an older person's income, representing 1,5 to almost three times an older person's median income. In the absence of public support, most older people would not be able to afford LTC if they relied on their income alone.
- Across European countries, older people with more severe care needs and fewer means tend to receive higher public support in the form of benefits and services: for a person with severe needs, public social protection systems cover more than 50% of the costs in 20 countries and over 90% in nine of them.
- Out-of-pocket payments, that is the cost of care left to pay after receiving public benefits or services, for older people needing home care remain large: in ten countries, an older person with severe needs would have to devote more than half of that income to pay for home care, leaving less than half of their already lower income to cover basic living expenses.
- Public support reduces the poverty risks associated with LTC costs, but it varies greatly: in five countries, the share of people with poverty risks decreases by more than 40 percentage points (p.p.) while in eight countries the decrease is less than 10 p.p. The share of people estimated at risk of poverty after receiving public support is still close to 40 p.p. higher on average for older people with LTC needs.

## An estimated one in five older people in Europe needs long-term care

Demand for long-term care (see Box 1 for LTC definition) among older persons (65 years or older) for assistance with everyday activities is gradually increasing throughout the European Union (EU) as populations grow older and household structures change. At the same time, there are projected shortages of both formal and informal carers and rising expectations of quality, affordable, and widely available LTC services. This presents a significant challenge for social protection systems throughout the EU to ensure that LTC needs do not go unmet while balancing financial sustainability of government spending.

Among EU countries, one in five older persons have long-term care needs. On average, an estimated 13% of older people have low care needs, 9% moderate needs and 5% severe needs. The prevalence of LTC needs varies widely across the EU: in Portugal, Hungary, and Lithuania, more than 35% of older people

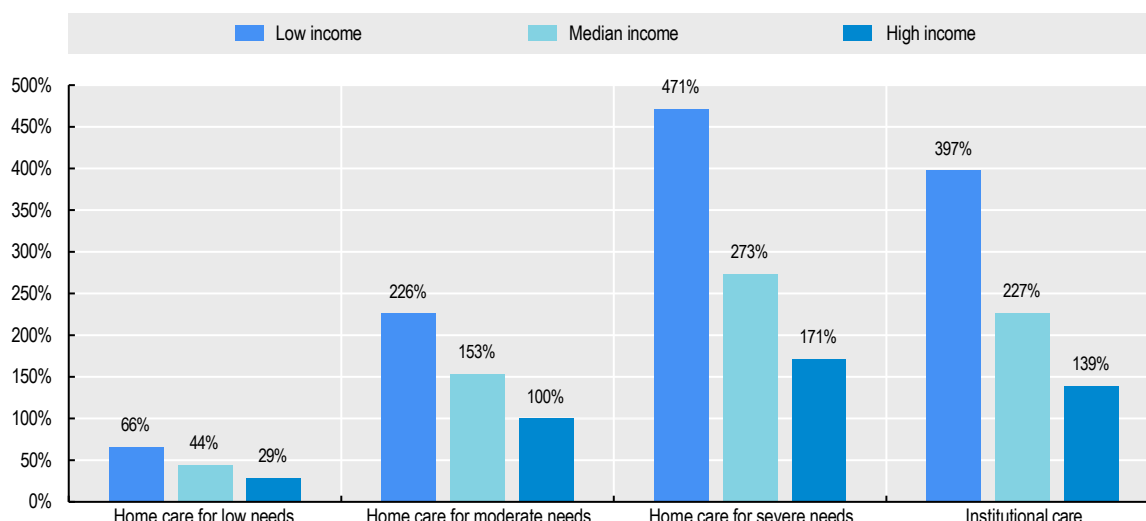
have LTC needs while less than 15% have needs in Malta and Ireland. Certain socio-demographic groups have a higher chance of experiencing long-term care needs. Women, low-income earners, people in single households, and 80-year-olds and older are more likely to have LTC needs.

### Older people care costs are higher than median incomes

The costs of LTC that older people would face if there were no public social protection would constitute a substantial financial challenge, often consuming a sizable portion of their disposable income. Across the EU countries, the total costs of LTC for older people represent 1.5 to almost 3 times median disposable incomes on average (see Figure 1). Even for an individual with low needs of 6.5 care hours per week, the total costs of care would represent two-thirds of the income of a person with low income. Conversely, an individual with severe needs and high income could not afford care costs from their income alone. Without social protection, the majority of the elderly would not be able to afford LTC unless they have savings to draw on.

**Figure 1. Total costs of care are high compared with incomes in old age**

Total costs of long-term care as a proportion of national median disposable income for older people, in different settings and for various levels of needs, averaged across 24 EU Member States (without social protection)



Note: Bars show unweighted averages for 20 EU Member States and 24 OECD countries and subnational areas. Low income refers to the upper boundary of the 20th percentile, and high income to the upper boundary of the 80th percentile. Low, moderate, and severe needs correspond to 6.5, 22.5 and 41.25 hours of care per week, respectively. The costs of institutional care include the provision of food and accommodation, so are overestimated relative to home care. Source: OECD analyses based on the OECD Long-Term Care Social Protection questionnaire and the *OECD Income Distribution Database*.

### Public benefits and services cover 70% of the costs of care for people with severe needs and low income compared with 54% for those with low needs and high income

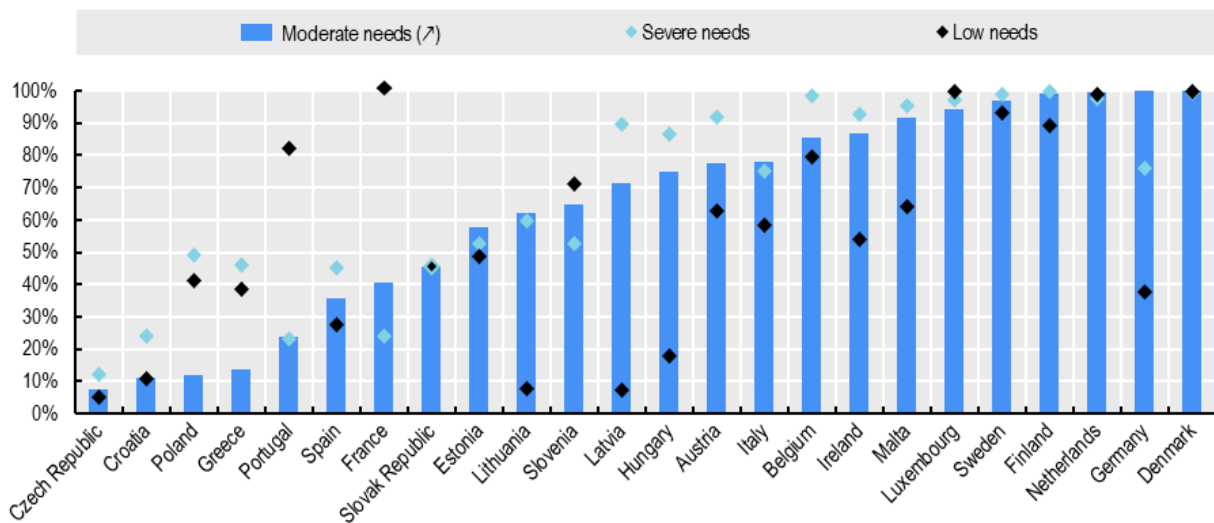
Estimated public support is greater for older people with more severe needs and fewer means, on average across countries, although the overall the generosity of public support tends to vary across the EU. For a

### 3 | MUTUAL LEARNING WORKSHOP ON ADEQUACY IN LONG-TERM CARE

person with severe needs, public social protection systems cover more than 50% of the costs in 20 countries and over 90% in nine of them (see Figure 2). For someone with moderate care needs, 15 countries cover at least 50% of the costs and seven countries more than 90%. On the other hand, for someone with low needs, 11 countries cover less than 50% of the costs while only 5 cover more than 90% of the costs.

**Figure 2. Share of home care costs covered by public long-term care systems**

Home care for older people estimated to have low, moderate, and severe needs. Share of long-term care costs at home covered by public social protection, averaged across respondents, by estimated severity of needs



Note: Estimates computed using the averages of three matching methods and using adjusted survey weights. Low, moderate, and severe needs correspond to around 6.5, 22.5 and 41.25 hours of care per week, respectively.

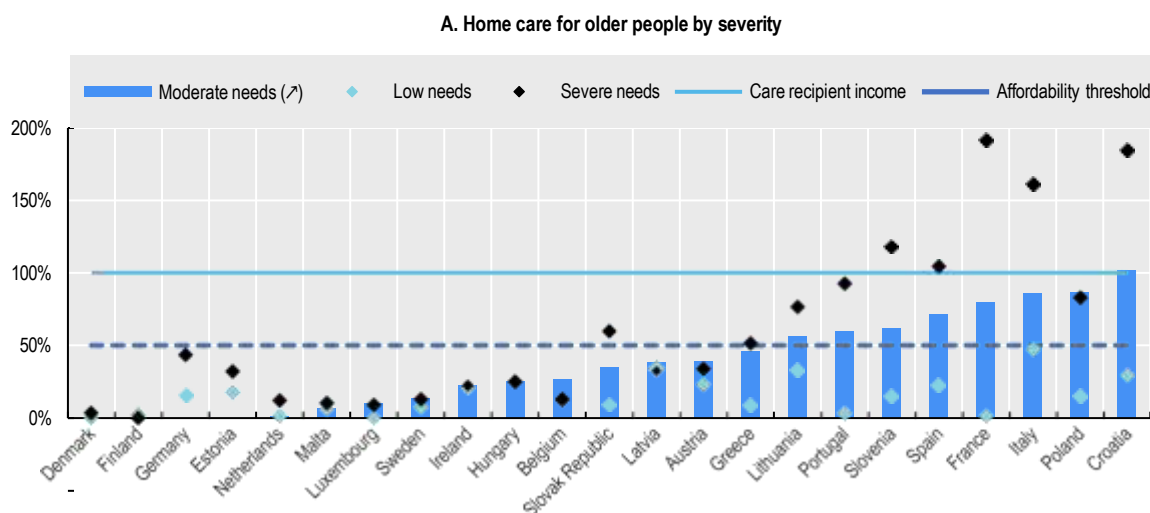
Source: OECD analysis based on the OECD Long-Term Care Social Protection questionnaire, the SHARE survey (Wave 8, 2019) and TILDA survey for Ireland (Wave 3, 2015).

### Even after receiving public support, the out-of-pocket costs in 40% of the countries represent more than half of the older person income.

High remaining out-pocket costs for individuals with moderate and severe needs leave little flexibility to pay for a range of other costs to be covered by their income, such as rent, food, clothing etc. Out-of-pocket costs are lowest in Denmark and Finland for all levels of LTC needs and least affordable in Croatia, Poland, Italy, and France. In general, the out-of-pocket costs increase with the severity of the needs and the hours of care needed. While only in Croatia and Czechia the out-of-pocket costs are actually higher than the individuals' income for moderate needs, in nine countries, an older person with moderate needs would have to devote more than half of their income to pay for home care, leaving less than half of their already lower income to cover basic living expenses (see Figure 3). For individuals with severe needs, in six countries out-of-pocket costs represent on average more than 100% of an older person's median income, and in 10 countries more than 50% of median income. In contrast, LTC for low needs is affordable in all countries.

**Figure 3. Individuals' out-of-pocket costs after having received public support**

Out-of-pocket costs of care as a share of disposable income, after receipt of public support, and averaged across respondents. Home care for older people by severity (see note below for Czechia)



Note: Low, moderate, and severe needs correspond to 6.5, 22.5 and 41.25 hours of care per week, respectively. For Czechia, an estimated out-of-pocket cost for home care for severe needs is 468%, which is exceedingly high compared to other estimates and thus suppressed to facilitate an overall interpretation of the other estimates. Estimates are averages of three matching methods and are computed using adjusted survey weights.

Source: OECD analysis based on the OECD Long-Term Care Social Protection questionnaire and the OECD Income Distribution Database.

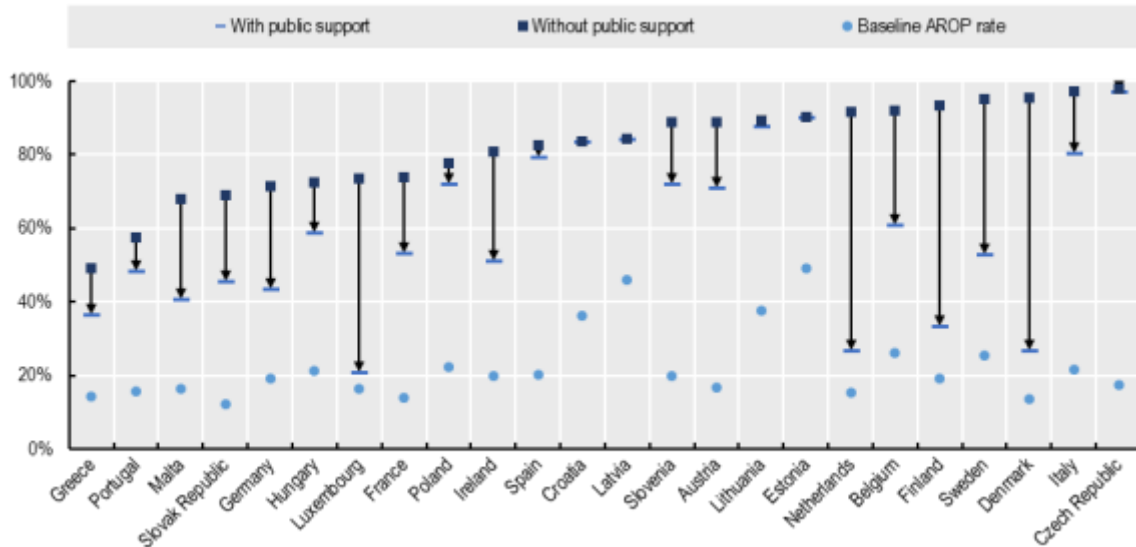
### Public support reduces poverty risks associated with out-of-pocket costs but not sufficiently.

Across countries, the share of older people with any needs that would be in relative income poverty after paying the out-of-pocket costs associated with receiving care is remarkably high, at an average of 82%, compared with 22% poverty risks for older people in general. Figure 4. compares the share of older people with LTC needs who receive benefits and are at risk of poverty to those who do not receive any benefits and have to pay for their care out-of-pocket and shows that the LTC systems, on average across the EU, reduce the share of people at risk of poverty by 23 percentage points on average but the share of people at risk of poverty after public support would remain 37 p.p. above the average share of poverty for older people .

Differences between countries are large with respect to the impact of benefits and services on reducing the poverty risks of long-term care. The impact of social protection on poverty risks when using home care services is largest in Denmark and the Netherlands, where public support decreases poverty risks by close to 70 p.p, followed by Finland and Luxembourg where the decline in poverty risks is above 50 p.p. Still, in these countries the share of older people with care needs at risk of poverty after receiving public support would still be slightly higher than older people without any LTC needs (ranging from 4p.p to 14p.p higher). In the majority of countries, the share of people at risk of poverty is reduced by between 15 and 30 p.p after receiving benefits and services, although the share of people at risk of poverty remains between 22p.p to 59 p.p. higher than for older people in general. In a number of countries including Estonia, Croatia, Czechia, and Lithuania, the share of people facing poverty risks before and after public support is almost the same, showing that the generosity of the systems is more limited.

**Figure 4. Proportion of older individuals with any LTC needs in poverty with and without public support.**

Share of older people with any level of LTC needs at risk of poverty with and without public support after paying for out-of-pocket costs of care, compared to the average share of poverty for all older people (65+).



Note: Estimates computed using the averages of three matching methods and using adjusted survey weights. For Member States with subnational models, these are applied to national-level survey data to produce the estimates shown. Low, moderate, and severe needs correspond to around 6.5, 22.5 and 41.25 hours of care per week, respectively.

Source: OECD analysis based on the OECD Long-Term Care Social Protection questionnaire, SHARE survey (Wave 8, 2019) and TILDA survey for Ireland (Wave 3, 2015).

### Box 1. Definitions and methodology

Long-term care, or LTC, services help people live as independently and safely as possible when they can no longer perform everyday activities on their own, categorized into three types of needs. First, ADLs, or activities of daily living, are a set of personal care tasks, such as bathing, dressing, and using the toilet. Second, IADLs, or instrumental activities of daily living, are tasks necessary for someone to be able to live independently in the community. They include shopping, housekeeping, and preparing food. Thirdly, in addition to ADL and IADL, some people are not able to maintain social activity independently (e.g., meeting with friends, going to the movies, etc.). This can lead to social isolation, which can lead to depression and deterioration in physical health.

#### Stylised Cases of Long-Term Care Needs

As there is no widely shared definition of what constitutes LTC needs, meaningful comparisons across countries and subnational areas are hard to make using administrative data on LTC recipients and out-of-pocket spending. To allow for cross-country comparisons, a set of eight stylised cases of LTC needs were developed by the OECD. These stylised cases are based on number of hours of need for help with ADLs, IADLs, and social activities, and span various levels of care severity (low, moderate, and severe) and diverse ways in which these needs can be met (professional home care, informal care, and institutional care). Low, moderate, and severe needs correspond to 6.5, 22.5 and 41.25 hours of care per week, respectively. The OECD collected information from member states on the total costs of meeting the needs described in the stylised cases, available LTC benefits and schemes, and rules that determine the level of support based on the recipient's income and wealth.

The OECD used then survey responses to estimate the prevalence of typical or stylised cases in countries. Surveys used include the Survey of Health, Ageing and Retirement in Europe (SHARE) and The Irish Longitudinal Study on Ageing (TILDA). The prevalence of stylised cases together with the rules of benefits and services for each stylised cases allows to generate population-level estimates of the generosity of social protection for long-term care. A key assumption of the approach that is used to produce the charts is that older people with LTC needs will seek formal LTC services and support from public social protection systems.

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