FOCUS ON

Affordability of long-term care services among older people in the OECD and the EU

SOCIAL PROTECTION FOR LONG-TERM CARE IN OLD AGE

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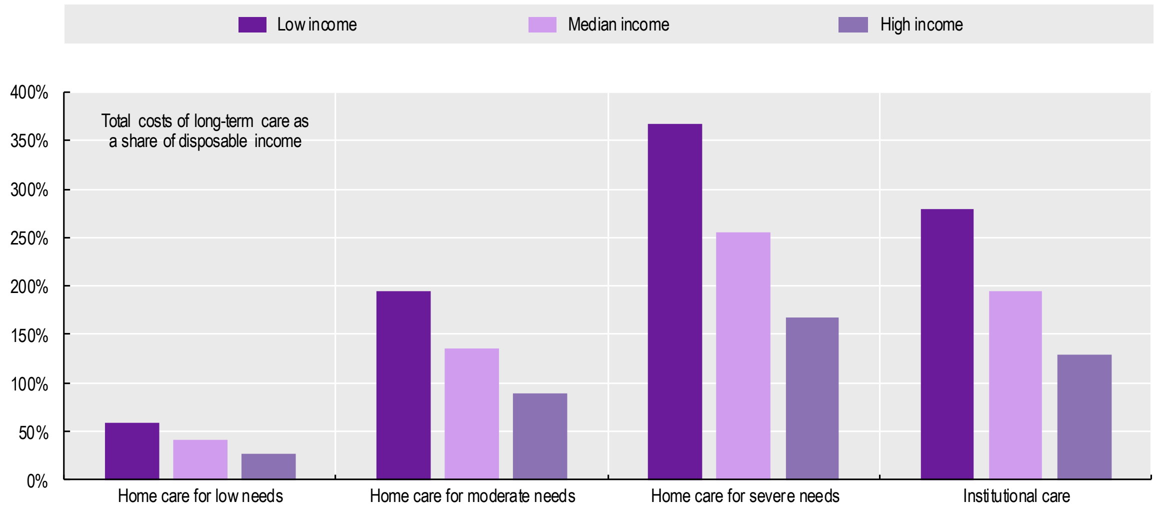
Without social protection, the total costs of long-term care are very high

With the proportion of the population over 80 years-old projected to double by 2050 in the Organisation for Economic Co-operation and Development (OECD), growing numbers of older people will struggle with everyday activities. Long-term care (LTC; see Box 1 for definition) will become increasingly important given population ageing. The elderly receive help for LTC from their family or other informal carers, as well as from formal professional care services. Where older people who struggle with everyday activities do not have access to, or cannot afford, formal care, and where their families and friends cannot or will not support them, LTC needs will go unmet.

Across 26 countries and subnational areas (henceforth jurisdictions) in the OECD and the European Union (EU), the reported total costs of LTC represent between one-half to as much as five times the median disposable income of individuals of retirement age or older (see Figure 1). Even for as little as 6.5 hours of care per week for people with low needs, the total costs of home LTC services would represent more than half of the disposable income of an older person with a low income. 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 LTC as a share of over-65s' disposable income, in different settings and for different levels of needs, averaged across 26 jurisdictions in the OECD and EU



Note: Bars show averages for 26 jurisdictions in the OECD and EU. 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. Years refer to 2016 except the 2019 in the Netherlands; 2018 for Canada, France, Italy, Japan, Latvia, Luxembourg, USA; 2017 for Austria, Belgium, Korea, Finland, Hungary, Lithuania, Slovenia.
Source: OECD analyses based on the Long-Term Care Social Protection questionnaire and the OECD Income Distribution Database.

Box 1. Long-term care definition and methodology

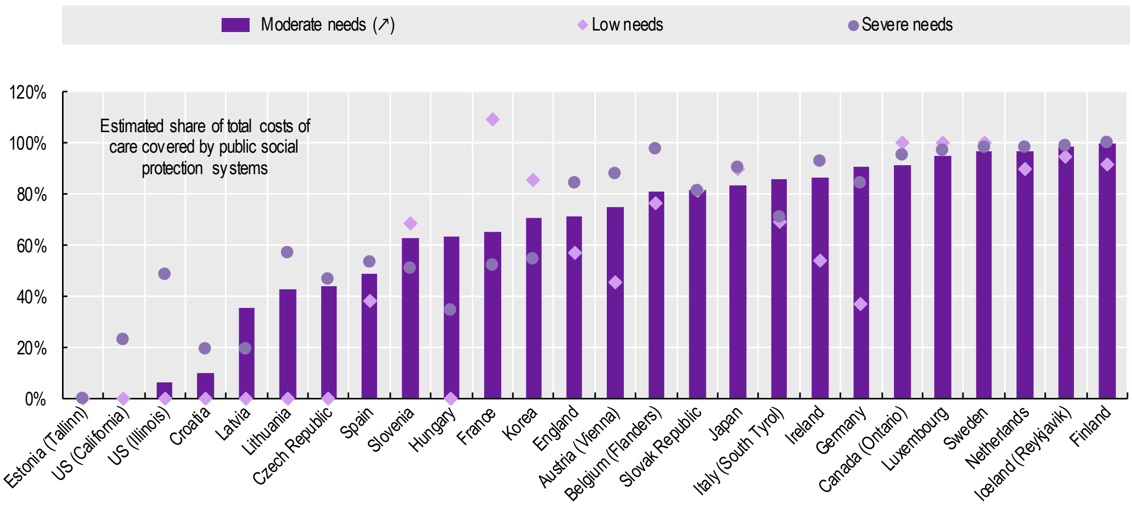
Long-term care (LTC) services help people live as independently and safely as possible when they can no longer perform everyday activities on their own. The focus is on the services that people require to meet three types of needs. First, ADLs, or activities of daily living, are a set of personal care 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.

As there is no single internationally accepted and standardised definition of what constitutes LTC needs, it is not possible to make meaningful comparisons across countries and subnational areas using administrative data on LTC recipients and out-of-pocket spending, as differences in eligibility, scope and depth will all be confounded. As such, a set of eight typical cases of LTC needs were developed to describe an older person in terms of the types and severity of LTC needs, and the professional services they would require. These typical cases are based on number of hours of need for help with ADLs, IADLs, and social activities, and span different levels of care severity (low, moderate and severe) and different 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. Information was collected from countries on what would be the total costs of meeting the needs described in the typical cases, available LTC benefits and schemes, and rules that determine the level of support depending on the older person's income and wealth. Low income refers to the upper boundary of the 20th percentile, and high income to the upper boundary of the 80th percentile.

Public support is greater for individuals with higher needs and lower income

In the majority of LTC systems across the OECD, public social protection systems would cover over 60% of the total costs of LTC services for people with moderate needs – requiring 22.5 hours of care per week (see Figure 2). The degree of public support would be above 90% of total LTC costs in six jurisdictions and below 50% in another six jurisdictions. In Northern Europe – Finland, Iceland (Reykjavik), Netherlands and Sweden – and in Luxembourg, public social protection systems would cover almost the full total costs of home care. The shares of total care costs that would be met by public social protection systems in the OECD/EU for recipients with severe care needs – requiring 41.25 hours of care per week – are higher for institutional care than for home care, in almost every jurisdiction analysed.

Figure 2. Shares of total LTC costs that would be covered by public social protection systems, for care recipients earning a median income and with no net wealth, by severity level



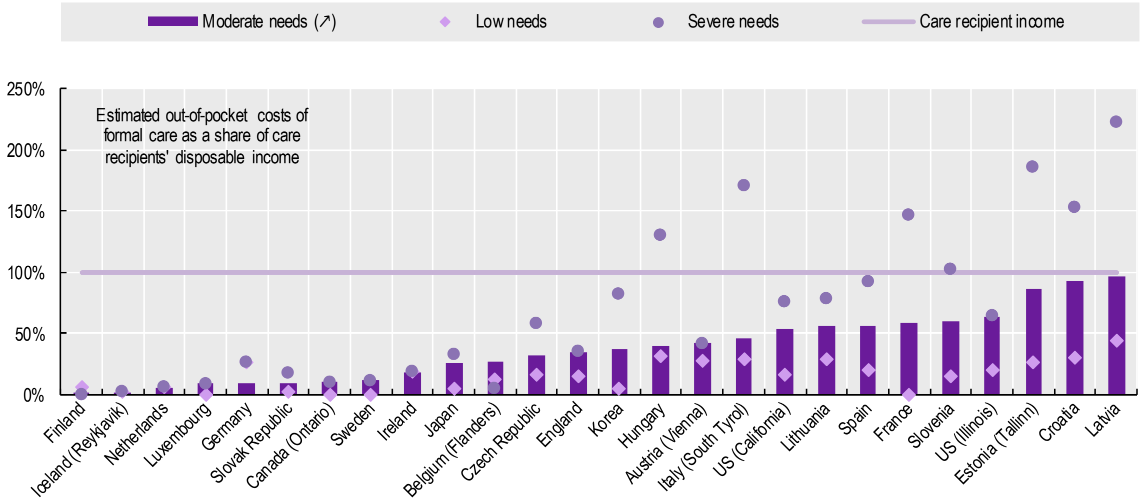
Note: Low, moderate and severe needs correspond to 6.5, 22.5 and 41.25 hours of care per week, respectively. Years refer to 2016 except the 2019 in the Netherlands; 2018 for Canada, France, Italy, Japan, Latvia, Luxembourg, USA; 2017 for Austria, Belgium, Korea, Finland, Hungary, Lithuania, Slovenia.
Source: OECD analyses based on the OECD Long-Term Care Social Protection questionnaire, the OECD Income Distribution Database and the OECD Wealth Distribution Database.

Public social protection systems across the OECD and the EU provide greater support for older people with more severe LTC needs and lower incomes, and less generous support for those with net wealth. In Tallinn (in Estonia) and Croatia, the share of home care costs met by public social protection would be almost zero for people with low needs and median income. In two-thirds of jurisdictions, the share of coverage of total care costs for older people on low incomes is between 10 and 75 percentage points higher than that received by older people with high incomes. Differences in the coverage of total home care costs between recipients with lowest and highest income are most significant in Estonia (Tallinn), Spain, England, and the states of Illinois and California in the United States. On the other hand, Finland, Iceland (Reykjavik), Netherlands, Sweden and Luxembourg have almost equal financial coverage for home care, irrespective of income, meeting total costs of care almost in full. In 11 jurisdictions, a lower share of home care costs would be covered by public support for older people with moderate needs and net wealth.

Even with public support, out-of-pocket costs may be high compared to incomes

Out-of-pocket costs (the share of the total LTC costs that is left for older people to pay, after taking into account public support) may be very high when compared to disposable incomes, especially for older people with severe needs receiving home care (see Figure 3). In seven jurisdictions, older people with severe needs receiving care at home would face out-of-pocket costs that are higher than the median income among elderly people. In the Czech Republic, Korea, Lithuania, Spain, and Illinois and California (United States) out-of-pocket costs would represent more than half the median income of an older person. In contrast, out-of-pocket costs for institutional care would be high only in the Czech Republic and Tallinn (Estonia). High out-of-pocket costs can put older people living at home at risk of poverty, as they still need to pay for basic costs of living like electricity. Conversely, out-of-pocket costs for institutional care would be high only in the Czech Republic, Tallinn (Estonia), Illinois and California (United States).

Figure 3. Out-of-pocket costs of home care as a share of old age income after public support, for care recipients earning a median income and with no net wealth, by severity level



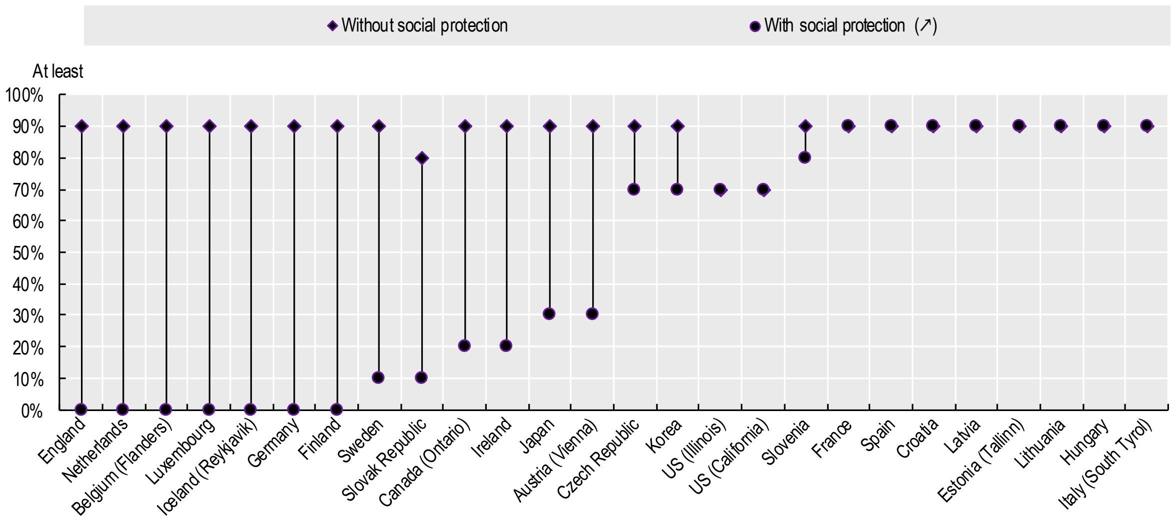
Note: Low, moderate and severe needs correspond to 6.5, 22.5 and 41.25 hours of care per week, respectively. Years refer to 2016 except the 2019 in the Netherlands; 2018 for Canada, France, Italy, Japan, Latvia, Luxembourg, USA; 2017 for Austria, Belgium, Korea, Finland, Hungary, Lithuania, Slovenia.
Source: OECD analyses based on the OECD Long-Term Care Social Protection questionnaire, the OECD Income Distribution Database and the OECD Wealth Distribution Database.

Older people with moderate needs on low incomes would also face high out-of-pocket costs. In two jurisdictions, older people on low incomes would face out-of-pocket costs for moderate needs that exceed their income, and in five other jurisdictions, out-of-pocket costs would represent more than half of their income. In ten jurisdictions, older people with high net wealth would face out-of-pocket costs of institutional care that are higher than their income, as they are expected to use their wealth to pay for care. While many jurisdictions have safety nets to protect elderly people from falling into poverty, these safety nets are not effective everywhere. Thirteen countries set income thresholds below which care recipients are eligible for greater public support, yet these thresholds are often set far below relative income poverty lines (50% of the national median equivalised disposable income, after social transfers) in 10 countries.

Public social protection reduces the risk of poverty associated with out-of-pocket costs of LTC but not always sufficiently

If it were not for public social protection for LTC, the majority of older people in the OECD and the EU jurisdictions analysed would not be able to pay the out-of-pocket costs of care from their incomes alone without being at risk of poverty. Figure 4 shows the proportions of older people that would be in relative income poverty after paying the out-of-pocket costs associated with receiving care for severe LTC needs at home, with and without public social protection. In all but the Slovak Republic, and Illinois and California (in the United States), over 90% of older people would be pushed into relative income poverty after paying for out-of-pocket costs of home care for severe needs, if it were not for social protection. The out-of-pocket costs are so significant that only the richest 10% of older people would be able to afford them without falling below being at risk of poverty thresholds.

Figure 4. Proportion of the old age population that would be in relative income poverty after paying for the out-of-pocket costs of home care for severe needs



Note: Care recipients have no net total wealth (the most favourable scenario in jurisdictions that apply assets-tests). Income deciles are derived from the incomes of all people of retirement age or older, whether or not they have LTC needs. Severe needs correspond to 41.25 hours of care per week. Individuals are identified as being in relative income poverty if their equivalised disposable income is less than 50% of the national median equivalised disposable income after social transfers have been taken into account. Years refer to 2016 except the 2019 in the Netherlands; 2018 for Canada, France, Italy, Japan, Latvia, Luxembourg, USA; 2017 for Austria, Belgium, Korea, Finland, Hungary, Lithuania, Slovenia.
Source: OECD analyses based on the OECD Long-Term Care Social Protection questionnaire, the OECD Income Distribution Database and the OECD Wealth Distribution Database.

Public social protection reduces poverty risks in 16 jurisdictions (very significantly in most cases) but not in 10 other jurisdictions where there is no change in poverty risks. While it is clear that social protection is essential to guarantee the affordability of home care for severe needs, in these 10 jurisdictions, public support would not reduce the risk of relative income poverty associated with the out-of-pocket costs of care. In 13 countries and subnational areas, at least 70% of older people would be in relative income poverty after paying for home care for severe needs, even after receiving public support.

Even with social protection, the risk of poverty in many jurisdictions is still higher for those with LTC needs than in the older population in general. In 19 jurisdictions, public support for home care for severe needs is not sufficient to reduce poverty risks to the levels of people who do not need LTC. In contrast, public support for institutional care completely reduces poverty risks associated with needing LTC in all but the Czech Republic. In OECD countries and EU Member States where overall total public LTC spending is higher, older people tend to be at an estimated lower risk of poverty after developing LTC needs and receiving public support.

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