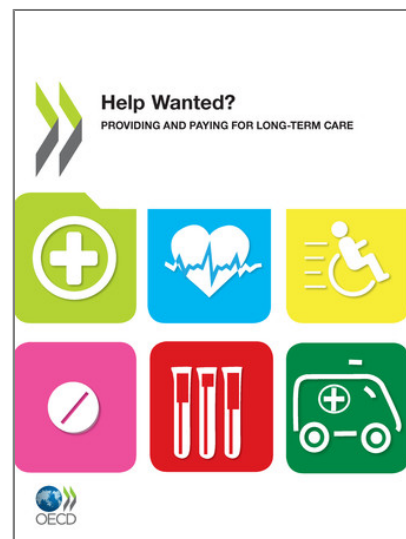


# OECD *Multilingual Summaries*

## Help Wanted?: Providing and Paying for Long-Term Care

*Summary in English*



- This book examines the challenges countries are facing with regard to providing and paying for long-term care.
- With populations ageing and the need for long-term care growing rapidly, this book looks at such issues as: future demographic trends, policies to support family carers, long-term care workers, financing arrangements, long-term care insurance, and getting better value for money in long-term care.

## What will be the effects of growing need for long-term care?

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*Chapter 1 and 2 examine the growing demand for long-term care in the context of ageing societies, discuss demographic projections and their implications for long term care labour markets and expenditure*

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In 1950, less than 1% of the global population was aged over 80 years old. By 2050, the share of those aged 80 years and over is expected to increase from 4% in 2010 to nearly 10% across OECD countries. This population ageing is being accompanied by family ties becoming looser. The need for community involvement in the care for frail and disabled seniors is growing and will do so ever more rapidly in OECD countries.

This will challenge long-term care (LTC) services and systems. The pool of potential family carers is likely to shrink because more women are working, and social policies no longer support early retirement. Currently, between 1 and 2% of the total workforce is employed in providing long-term care. For many countries, this share will more than double by 2050. Government and private market spending on LTC is as much as 1.5% of GDP on average across the OECD, and will double or even triple between now and 2050.

There is a history in many countries of LTC policies being developed in a piecemeal manner, responding to immediate political or financial problems, rather than being constructed in a sustainable, transparent manner. The future of LTC is more demand, more spending, more workers, and above all, higher expectations that the final few years of life must have as much meaning, purpose and personal well being as possible. Facing up to this challenge requires a comprehensive vision of long-term care. Muddling through is not good enough. This study examines not only policies for informal (family and friends) carers, but also policies on the formal provision of LTC services and its financing.

## Why should family carers be supported? And how?

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*Chapter 3 and 4 discuss the role of family carers, the impact of caring on carers' mental health, poverty and labour market participation, as well as policies to support family carers*

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Family carers are the backbone of any long-term care system. Across the OECD, more than one in ten adults aged over 50 years provides (usually unpaid) help with personal care to people with functional limitations. Close to two-thirds of such carers are women. Support for family carers is often tokenistic, provided as recognition that they perform a socially useful and difficult task. But supporting family carers effectively is a win-win solution. It is beneficial for carers. Without support, high-intensity care-giving is associated with a reduction in labour supply for paid work, a higher risk of poverty and a 20% higher prevalence of mental health problems among family carers than for non-carers. It is beneficial for care recipients, because they prefer to be looked after by family and friends. And it is beneficial for public finances, because it involves far less public expenditure for a given amount of care than the estimated economic value of family caring. Governments can support family carers by:

- *Providing cash*, although if badly designed, such policies can become counter-productive. Both carer's allowances and cash benefits paid to the care recipients increase the supply of family care, but the state will pay for some cases that would have been provided even in the absence of any financial incentive. Furthermore, carers risk being trapped into low-paid roles in a largely unregulated part of the economy, with few incentives for participating in the formal labour market.
- *Promoting a better work-life balance through more choice and flexibility*. A one percent increase in hours of care is associated with a reduction in the employment rate of carers by around 10%. Flexible work arrangements in the United Kingdom, Australia and the United States attenuate the risk of a reduction in working hours associated with caring.
- *Introducing support services*, such as respite care, training and counselling. These ensure quality of care at the same time as improving carers' wellbeing. Such services can be arranged for a relatively low cost, especially if leveraging upon the widespread and invaluable contribution of the voluntary sector, as is done already in some countries.

Recognition that both carers and the people they care for are heterogeneous groups with different needs calls for flexibility in designing support measures. Co-ordination between formal and informal care systems is desirable, too. Further evidence on the cost effectiveness of policies to support carers is badly needed.

## How to improve the supply and retention of long-term care workers?

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*Chapter 5 and 6 review employment and work conditions in formal long-term care labour markets, and consider strategies to attract and retain care workers to the sector*

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Over-reliance on family carers is not desirable. Many countries need to strengthen the formal LTC sector.

LTC is highly labour-intensive, but working conditions for care workers are poor, few workers remain in their jobs for long and turnover is high. The number of LTC workers per 100 people aged over 80 years varies from slightly over 0.5 in the Slovak Republic to over 3.5 in Norway, Sweden and the United States. Ninety percent of LTC workers are women and many are relatively old. Typically, the required qualifications are low – and lower in home care than in institutional settings. Between 16% (Japan) and 85% (Hungary) of all LTC workers are nurses, but in most countries fewer than half the LTC workers are nurses. Difficult working conditions and low pay often generate high turnover among workers, contributing to producing a negative image of LTC, and endangering both access to, and quality of, services.

While demand for more LTC workers is growing across the OECD, and many countries are already struggling to meet the challenge, an adequate supply of LTC workers is a manageable goal. Countries can use the following strategies:

- *Improving recruitment efforts* (e.g., expansion of recruitment pools; recruiting migrant LTC workers). Measures to expand existing recruitments pools and create new potential pools (e.g., young people, long-term unemployed) have however met with mixed success. The inflows of migrant LTC workers is growing in some countries, but the absence of specific reference in labour migration programmes to the labour needs of the LTC sector is conspicuous.
- *Increasing the retention of successfully recruited LTC workers*. High staff turnover is costly. In the United States, turnover costs have been calculated to be at least USD 2 500 per vacancy. Valuing the LTC workforce by improving the pay and working conditions will have some immediate positive spin offs if retention rates increase. There is evidence of good results from measures aimed at upgrading LTC work, for example in Germany, the Netherlands, Sweden and Norway.
- *Seeking options to increase the productivity of LTC workers*. The main avenue has been from reorganisation of work processes, the use of ICT to reduce indirect workload, and the delegation to nursing assistants of tasks that were previously the responsibility of nurses. However, evidence on productivity improvements in LTC labour markets remains sparse.

In the long-run, improving job quality – for current workers, new hires, domestic and migrant care workers – will be important. High turnover, low quality and low pay do not seem sustainable strategies: not enough workers may be willing to provide care. The flip side of the coin is that “professionalizing” a still relatively easy-to-enter sector may raise entry barriers in the future, increasing rigidity in a sector that is regarded by workers as being highly flexible. These measures require investment of resources, too. Cost will do up. This can only be justified if productivity is improved.

## What financing policies help to reconcile access to care with costs?

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*Chapters 7 and 8 analyse, respectively, public and private coverage schemes for long-term care in OECD countries, while Chapter 9 discusses financing policies to improve access while keeping cost under control*

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Most OECD governments have set up collectively-financed schemes for personal and nursing-care costs. One third of the countries have universal coverage either as part of a tax-funded social-care system, as in Nordic countries, or through dedicated social insurance schemes, as in Germany, Japan, Korea, Netherlands and Luxembourg, or by arranging for LTC coverage mostly within the health system, as in Belgium. While not having a dedicated “LTC system”, several countries have universal personal-care benefits, whether in cash (e.g., Austria, France, Italy) or in kind (e.g., Australia, New Zealand). Finally, two countries have “safety-net” or means-tested schemes for long-term care costs, namely the United Kingdom (excluding Scotland, which has a universal system) and the United States. Private LTC insurance has a potential role to play in some countries, but unless made compulsory will likely remain a niche market.

Moving towards universal LTC benefits is desirable on access grounds. Uncertainly with respect to whether, when, and for how long an individual might need LTC services suggests that pooling the financial risk associated with long-term care is a more efficient solution than relying on out-of-pocket payments. Otherwise, the cost of LTC services and support can rapidly become unaffordable, for even relatively well off people. Average LTC expenditure can represent as much as 60% of disposable income for all those in the bottom 60% of the income distribution.

However, to maintain cost control, it will be important to:

- *Target care benefits where needs are the highest*, for example via cost-sharing policies, and a better definition of the need levels triggering entitlement and of the services included in the coverage. Even within universal LTC schemes, stringent assessment criteria can be in place, as is the case in Korea and Germany, in contrast, for example, to Japan. All countries have user cost sharing for LTC, although the extent varies significantly. Maintaining flexibility to adjust benefit coverage to changing care needs is desirable on both adequacy and quality grounds.
- *Move towards forward-looking financing policies*, involving better pooling of financing across generations, broadening of financing sources, and elements of pre-funding. Japan, the Netherlands, Belgium and Luxembourg complement payroll contributions with alternative revenues sources. In Germany, retirees are required to contribute premia to social LTC funds, based on their pension. Innovative voluntary funding schemes based on automatic enrolment with opting-out options are being implemented in the United States.
- *Facilitate the development of financial instruments* to pay for the board and lodging cost of LTC in institutions. This cost can be twice or three times as large as personal-care and nursing costs taken together. Home ownership can provide means to help users mobilise cash to pay for such cost, for example via bonds/equity release schemes, public measures to defer payments, and private-sector products, such as reverse-mortgage schemes and combinations of life and LTC insurance policies.

## **Is it possible to extract better value for money in long-term care?**

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*Chapter 10 reviews options to improve value for money from long-term care services, and to manage more efficiently the interface between health and care.*

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In the face of rising costs, seeking better value for money in long-term care is a priority. Efficiency discussions in long-term care have thus far received relatively little attention and better evidence on what works and under what conditions is needed. Still, the following are possible areas for action:

- *Encouraging home and community care*. This is desirable for users, but there are questions about the appropriateness or cost-effectiveness of home care for high-need users requiring round-the-clock care and supervision, and for users residing in remote areas with limited home-care support. In 2008, institutional care accounted for 62% of total LTC costs across OECD countries, while on average only a third of LTC users received care in institutions.

- *Improving productivity in long-term care.* Pay-for-performance initiatives in long-term care are limited to a few examples in the US Medicaid program. Sweden, Denmark and Finland have vouchers, enabling LTC users to choose freely among accredited competing providers. Competitive markets have the potential to drive efficiency improvements in care delivery, although evaluation on productivity impact remains sparse. Some research results have shown a positive correlation between technology introduction (e.g., ICT), job satisfaction and productivity, for example in Australia and Finland.
- *Encouraging healthy ageing and prevention.* The most obvious way to reduce cost in long-term care systems would be to reduce potential dependency in later life through lifelong health promotion. In 2006, the Japanese government introduced a community-based, prevention-oriented LTC benefit targeted at low-care-needs seniors. In 2008, Germany introduced carrot-and-stick financial incentives to sickness funds that are successful at rehabilitation and moving LTC users from institutions to lower-care settings.
- *Facilitating appropriate utilisation across health and long-term care settings and care co ordination,* for example by arranging for adequate supply of services outside hospitals, changing payment systems and care pathways to steer LTC users towards appropriate settings, and setting up coordination tasks to guide users through the care process.
- *Addressing institutional efficiency,* such as by establishing good information platforms for LTC users and providers, setting guidelines to steer decision-making at local level, the use of care planning processes, and data sharing within government administrations.

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