Key messages

- Financial sustainability in long-term care (LTC) requires policies that ensure equitable access to needed services, balance revenues and expenditures over time as the demand increases, and consider the broader economy-wide impacts of LTC investments.

- Countries with mature LTC systems project revenue targets or the global budgets necessary to provide needed services, and some develop special funds to meet local funding gaps.

- Countries have broadened the revenue base for LTC by implementing intergenerational funding and diversifying revenue sources. Countries with LTC insurance programmes funded by payroll contributions focus on policies to strengthen the labour market.

- Low- and middle-income countries (LMICs) can take advantage of their relatively young populations to strengthen domestic taxation and raise revenues for health and social services; this would enable public investments in LTC institutions, policies and workforce before the demands for care increase.

- Cost-containment efforts in LTC include changing the ways services are delivered and implementing supply-side constraints; however, the impact of cost-containment policies on unmet needs and financial protection should be carefully monitored.

- Delaying the demand for LTC can reduce pressure on LTC budgets. LTC benefits packages can include cost-effective technology and housing modifications that promote independence and prevent injury among older adults at home, which can delay the need for intensive LTC services.

- Particularly in LMICs, investing in health throughout the life course is essential to prevent the onset of age-related disabilities and reduce or delay the demand for LTC. Health and LTC benefits packages can incorporate prevention and management of conditions driving LTC use, including dementia and stroke.
Efforts to ensure the financial sustainability of long-term care systems focus on policies that guarantee equitable access to needed services, balance revenues and expenditures over time as demand increases, and consider the broader sector- and economy-wide impacts of LTC

Financial sustainability in long-term care (LTC) is a forward-looking concept. Investing in LTC enables the delivery, organization and financing of services to ensure that needs for health and social care are met equitably across the population. At the same time, policies for financial sustainability focus on balancing revenues and expenditures in such a way as to promote a fair distribution of LTC resources within and across generations, while also ensuring equitable access to needed services as the demand for LTC grows over time.

It is critical to consider the trade-offs of investing in LTC across a range of health, social and economic outcomes. Countries without formal LTC services and systems rely on individuals and families to shoulder the costs. The vast majority of older adults are unable to save enough money to meet the high costs of accessing needed LTC services over prolonged periods of time. Financial sustainability policies in LTC, therefore, while critical to system functioning, must not compromise the need for financial protection and access for individuals who require care. In addition, the benefits of investing in LTC need to be considered across sectors and the economy as a whole. Without LTC systems, older adults seek care in the acute care health and hospital systems that provide costly yet suboptimal chronic care. Many countries therefore have chosen to invest in LTC as an alternative means of addressing care needs and reduce the financial pressures in acute care settings and hospitals.

In low- and middle-income countries (LMICs) that rely primarily on informal care to meet LTC needs, the policy focus has been to expand public coverage of formal LTC as a means to strengthen the labour force and broader economy. Relying on informal caregivers, primarily women, can result in negative impacts on the labour force as caregivers may reduce their working hours or leave the formal workforce prematurely. This places pressure on the household economy and may impact intergenerational wealth (1). The declines in fertility among women globally have resulted in fewer children and, thus, fewer people who are available to care for older members of their household. As such, governments have chosen to invest in LTC as the more financially sustainable approach to enable opportunities for women to enter and remain in the labour force, strengthen the broader economy and at the same time meet care needs.

Countries with mature long-term care systems project revenue targets or the global budgets necessary to provide needed services; some countries develop special funds to meet local funding gaps

Many countries with mature LTC systems have revenue targets that match the expenditures needed to deliver LTC services. This occurs in Japan, Slovenia and Switzerland, for example (2). In Japan, the process of matching revenues with expenditures takes place over a 3-year cycle, during the revision of the fee schedule. A share of the revenues raised is allocated to a financial stability fund to account for disparities in financial resources by
municipalities. The fund is located in each prefecture and provides subsidies or loans to municipalities in the case of unexpectedly high expenditures or revenue shortfalls if local governments are unable to collect insurance premiums or there are unexpected increases in utilization (3). The national government contributes to half of this fund, and the remaining half is covered in equal shares by prefectural and municipal governments.

In other settings, global budgets are set for LTC services. In France, skilled nursing facilities and residential nursing homes are funded by annual prospective global budgets adjusted to consider the volume and case-mix of patients. Home care nursing services are funded only on the basis of volume without considering the severity of beneficiary needs. In Netherlands (Kingdom of the), the national government sets a macro-budget for all care financed through social LTC insurance for the coming year, based on forecasts that account for changes in wages, prices, demographics and policies. The macro-budget is then divided across regional purchasing offices. Funds are allocated across regions based on past trends. The purchasing office responsible for procuring care within a region complies with the lump-sum regional budget set by the government and adjusts the prices or volume of the contracted care, or both, to fit the restrictions of the regional budget. However, funds can also be redistributed from one region to another to address shortfalls (4).

Countries have broadened the revenue base for long-term care by implementing intergenerational funding and diversifying revenue sources; countries with long-term care insurance funded by payroll contributions focus on policies that strengthen the labour market

Generating target revenues requires a focus on current revenues and expenditures. However, financial sustainability requires policy-makers to consider of the structure of revenue sources and the intergenerational effects of LTC financing. Japan has expanded revenues for formal LTC through LTC insurance premiums that are mandatory for everyone aged 40 years and older, that cover approximately half of the total cost of LTC. Insurance premiums are paid by two groups: the primary and secondary insured. The primary insured include 35.3 million people aged 65 years and older who pay LTC insurance premiums, which may be deducted from their pensions. The secondary insured include 41.9 million people aged 40 to 64 years who also contribute to LTC insurance, thus providing intergenerational support for LTC. The latter group are also eligible for care should they face age-related health problems (3).

Similar to other high-income countries, however, Japan faces enormous pressures from depopulation and ageing. Policies to strengthen the labour market to enable funding for public services includes abolishing mandatory retirement ages to enable people to work longer and raising the pension eligibility age (5), increasing the participation of women in the labour force through for example addressing gender discrimination and providing support for childcare and LTC (6), and promoting migration policies to expand the workforce (7). Ultimately, LTC financing systems that rely on labour market contributions may need to be redesigned if they are to continue to generate sufficient and stable revenues for social services. Germany and Japan include pensions in their social insurance programmes (4). As populations age, there
may also be a need to rely more on general taxation to fund health and social services to improve financial sustainability (8).

Japan broadens its resource base by complementing the funding from insurance premiums with alternative revenue sources, including tax revenues from central, municipal and prefectural governments. Other countries complement social insurance payroll contributions with different sources of revenue to finance LTC expenditures. In Netherlands (Kingdom of the), LTC insurance is financed not only from insurance premiums but also from general taxation and income-based copayments.

Additional sources of funding may include earmarked taxes and private sector funding. Some settings have considered earmarked taxes for LTC and Portugal earmarks lottery revenues for social services. While earmarked taxation can provide a stopgap solution, it is not generally considered a long-term and stable solution to LTC funding (9). In other settings, countries have also turned to the private sector to fund LTC. In some countries (i.e. France), private voluntary insurance complements public programmes, for example by covering an individual’s copayments. However, where private insurance for LTC is not mandatory and offers duplicative coverage, particularly where a public LTC programme exists, there is weak demand. Many people do not believe that they will need LTC, underestimate the costs or believe that costs are covered under the health system (10). Because of these factors, private voluntary LTC insurance markets remain relatively small and do not represent a major source of funding for LTC (11).

**Low- and middle-income countries can take advantage of their relatively young populations to strengthen domestic taxation and raise revenues for health and social services; this would enable public investments in long-term care to build the institutions, policies and workforce before the care demands increase**

The capacity to publicly fund social services, including health care and LTC, depends on the strength of the economy and the ability of the government to build fair and efficient taxation systems. Such systems are necessary to raise revenues and fund the policies and institutions needed to provide critical services for the population. There are wide differences across countries in their ability to generate revenues from taxation and social contributions, and some of these differences depend on the age structure of the country’s population. For developed countries such as Japan, a large share of the population is already at older ages, and the pace at which they are leaving the formal labour force is increasing over time. As such, relying on social contributions primarily generated from the labour market to raise revenues for health and social services will result in declining revenues per person over the coming decades (12).

For countries with a growing number of young people who are likely to be active in the labour market, population ageing could be expected to have a positive impact on revenue generation from both taxation and social contributions. This presents an opportunity for demographically younger settings, particularly low- and middle-income countries (LMICs), to take advantage of the windfall of younger populations to fund their demographic transition. LMIC governments can strengthen domestic taxation and raise
revenues, which can be used to build long-term care institutions, policies and human resources for needed services before the demands for LTC increase. As such, investments in tax administration and enforcement, information technology and third-party reporting are critical to contribute to stronger tax collection systems (13).

Cost-containment efforts in long-term care include making changes to the service delivery system and implementing supply-side constraints; however, the impact of cost-containment policies on unmet needs and financial protection should be carefully monitored

There are a wide range of cost-containment efforts in LTC including supply-side policies that alter the provision of services as well as policies that aim to reduce the demand for care (14). Supply-side policies being implemented in high-income settings include those that focus on changing the way services are delivered. In many settings, beneficiaries are being shifted from LTC institutions, such as nursing homes, to alternative settings at home or in the community. While such policies may be more responsive to beneficiary preferences, there is a lack of evidence that such shifts save costs. Delivering LTC services outside of institutions require extensive investments in policies and programmes to ensure that older people can remain safely in their homes or communities while receiving health and social care.

In Australia, the national government applies planning and supply limits to maintain control over the LTC budget. The supply of home support is controlled by capping annual funding grants to providers. The annual budgetary determination of the amount of grants available to service providers is based on a broad assessment of the need for care and the government’s fiscal capacity. For home care and residential aged care, as well as for short-term care programmes, the national government manages the planning of and expenditure on services by specifying a national target provision ratio, called the “aged care provision ratio”. This ratio is the number of subsidized aged care places available for every 1000 people aged 70 years and older, and it is an estimate of consumer demand. The size of the residential aged care market is controlled through supply-side capping of the number of places allocated to providers through a periodic, competitive allocation round. The number of places in residential facilities released in each round is determined by the target aged care provision ratio and the level of government funding expected for the forward estimates, demographic projections, current levels of service provision (i.e. the number of operational places, occupancy levels) and newly allocated places from previous rounds that are not yet operational. Wait times for needed services may be extensive.

In addition to supply-side policies, demand-side policies in LTC cost containment have been implemented to reduce beneficiary demand for services. Such policies may include tightening eligibility criteria through modification of tools for needs assessments or means-testing, implementing policies that reduce formal care where informal care is available, and introducing or raising co-payments (15). These policies effectively reduce demand for public services, which can shift the financial burden of LTC to beneficiaries and their families. Therefore, it is essential to monitor the impact of both supply-side and demand-side cost-containment policies in LTC on unmet needs and financial protection.
Cost-effective technology and housing modifications that promote independence and prevent injury among older adults can be included in long-term care benefits packages and may delay the need for intensive long-term care services

Technology can play a vital role in promoting independence and enabling older adults to stay at home for as long as possible, thus delaying the need for LTC. For example, while an older person may be frail, they may still be able to conduct basic activities with assistive devices, such as a walker, cane, glasses, hearing aids or a wheelchair. Other simple technologies to support self-care, such as those that promote medication adherence, are also widely used and may include reminder systems, mobile devices, refill reminders and packaging to ensure appropriate use. Countries have included cost-effective assistive technologies in their health care or LTC benefits packages in order to promote greater independence among older adults and reduce demands on the formal LTC system (2).

Notably, some governments have also invested in housing modifications to enable older people to remain at home. Japan provides a housing adaptation grant under its LTC insurance programme that includes modifications to prevent injury, such as the installation of handrails or grab bars, elimination of level differences, and changes to flooring materials, doorways and lavatory basins (15).

Technologies have also been used to promote cost savings. Newer technologies include remote patient monitoring of vital signs, balance and falls, for example, as well as technologies that enable social and emotional health and promote cognitive health (16). Such technologies can deliver early warnings about problems to facilitate early access to needed care for beneficiaries and help them avoid hospital admissions. Medical technologies are promising for supporting LTC services at home, but they require a supportive back-up and referral system, and acceptance by the LTC and health systems, and the workforce. For example, telehealth services for older people with specific conditions, such as diabetes, have been shown to be cost-effective in some cases; and telehealth can support care delivery in remote areas if it is closely linked with the service delivery and LTC systems (17). Key to introducing these technologies is their acceptance and use by older persons and recognizing the need for adaptation based on wide individual variations in abilities and limitations. Technology assessments are also needed to ensure that such technologies are cost-effective.

Particularly in low- and middle-income countries, investing in health throughout the life course is essential to prevent the onset of age-related disabilities; health and LTC benefits packages can include prevention and management of the conditions driving long-term care use, including dementia and stroke, to delay the demand for intensive LTC services

Good health in early life is correlated with good health in later life (18). Health is cumulative and influenced by access to quality medical care, individual behavioural choices and exposure to a host of physical and social and environmental factors throughout a person’s life. Promoting good health at older ages starts early in life via access to quality health care, including prevention efforts and primary care. Chronic health problems that many
people face as they age can be managed by providing quality care. Yet health systems have struggled to adapt to people’s needs as they age and to shift to a chronic care approach (19). However, investments in prevention and treatment can help delay the demand for LTC.

Many care needs among older persons are the result of chronic noncommunicable diseases (NCDs). In particular, few people who have a stroke can recover sufficiently to return to living without care (20). Interventions at younger and middle age to prevent stroke include avoiding tobacco and the harmful use of alcohol, and reducing the consumption of salt, sugar and trans-fats. More countries are developing legislation and implementing regulations as the most effective policies to address these risk factors and reduce the consumption of unhealthy products. These efforts include restrictions on advertising, sponsorship, and promotion of unhealthy products as well as the introduction of excise or other taxes to increase prices at the point of sale (21).

Given the projected increases in dementia worldwide, most countries have a particular concern about the ability of their health care and LTC systems to manage dementia-related care needs (22). Although age is a strong risk factor, dementia is not an inevitable consequence of ageing. Risk prevention efforts could help avert the onset of disabling conditions or slow symptom progression, or both, which could help reduce the need for intensive LTC services (23). These efforts include reducing risk factors for NCDs as well as addressing hearing loss, increasing mobility and encouraging physical activity, controlling hypertension and diabetes, and fostering social contact (24). Japan established a National Framework for the Promotion of Dementia Policies that has inclusion and risk reduction as core principles and adopts a whole-of-society approach for dementia (25).

Implications for low- and middle-income settings

Particularly in LMICs, reducing or delaying the demand for intensive LTC services is an important strategy to ensure financial sustainability. Reducing the need for intensive LTC can be done by investing in health throughout the life course, improving access to quality care and implementing legislation and regulation to reduce risk factors for NCDs that result in disabilities in later life. Countries have expanded their revenue base for LTC by implementing intergenerational funding and diversifying revenue sources. Demographically younger countries can take advantage of the windfall of younger populations to fund their demographic transition. LMICs can strengthen domestic taxation to raise revenues that enables investments in human resources, infrastructure, policies and institutions before the demands for LTC increase. Policies to contain costs in LTC include changing the ways services are delivered and implementing supply-side constraints. However, cost-containment policies should be carefully monitored to avoid negative impacts. Financial sustainability policies in LTC must not compromise the need for financial protection for individuals who require care. Cost-effective assistive technologies and housing modifications can be incorporated into benefits packages to reduce the demand for LTC services and enable people to stay in their homes for as long as possible.
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