

# The International Comparative Study of Long-Term Care Insurance System

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## Abstract

*The contradiction between supply and demand of aged care, especially the elderly long-term care services become a major problem restricting the development of Shanghai. Some foreign countries have established long-term care insurance system to alleviate the pressure of the domestic nursing; this practice is worth using for reference to us. Due to the different background and culture that the long-term care insurance system established on, which can be summarized as commercial long-term care insurance and social long-term care insurance two categories, the most representative are the United States and Germany. Which can provide predictable size for the establishment of the long-term care insurance system in Shanghai, by comparing the United States, Germany's long-term care insurance system, analysis and summary the advanced experience in the process of system development?*

**Key Words:** The United States; Germany; Long-term care insurance; System comparison

## *Why do I Choose the Problem?*

In 1979, Shanghai entered in the aging area. Both relative and absolute value of elderly population reached a very high level, far more than the average level of our country. With life expectancy, disease, family structure, the change of women's employment and population mobility, Shanghai's aging population nursing problems has become an important issue, which affecting the development of Shanghai. Establish long-term care insurance system in Shanghai is imperative.

Due to the different background and culture that the long-term care insurance system established on, which can be summarized as commercial long-term care insurance and social long-term care insurance two categories, the most representative are the United States and Germany.

## *1. The contrast between United States and Germany's Long-Term Care Insurance System*

### **1.1 The Background of Institution Building**

#### **1.1.1 The Background of the Long-Term Care Insurance System's Building in United States**

In the 1940s, America began to enter in aging society. As the high birth rates and immigration rates in the United States, the influence of the aging in the United States is relatively slow. But the the proportion of American elderly population is relatively high. High degree of aging has brought greater long-term care needs.

American public medical assistance plan can provide part of the long-term care cost compensation, but the enjoyment of this system is very strict, who can apply for assistance of this system, must be lower than the limit stipulated by the the rescue.

In 1975, the commercial long-term care insurance product appeared on the American market, but it was not widely accepted and its market share was very low. In the 1990 s, with American health care system reform and the relevant policies and regulations release, long-term care insurance system got a certain development. According to statistics, from 1987 to 2002, the long-term care insurance market share is growing at 18% a year, to 2000, about 9.5 million americans take part in the long-term care insurance, of which 65 years old and above accounted for 63% of the total ginseng protect personnel of the elderly. A major cause of long-term care insurance system development include: the aging degree of deepening, nursing cost rising, the traditional nursing mode function of degradation and the shortage of the existing system.

### **1.1.2 The Background of the Long-Term Care Insurance System's Building In Germany**

Like most of the industrialized countries, Germany is also facing the aging problem. In the 1980s Germany's aging degree is quite serious. With the increase of the number of elderly, disability, the number of the old man also presents a rising trend. Long term care costs frequently, a large pay beyond the people's ability. This funding pressure have to rely on public policy to aid, in other words, which is a public assistance system on the source of tax .

With the deepening of aging degree, and the increasing nursing demand, the pressure of public funds is larger and larger. At the same time, the elderly of Germany who want to get the aid of the public assistance system need to accept a series of tests which the social welfare department specified , most German elderly was ashamed to enjoy these benefits. Under the influence of these two factors, the development of long-term care insurance system in Germany brought to the forefront.

In 1994, Germany has established long-term care insurance system and started formally implemented in 1995. In 1995, the condition of Germany's older who benefit from long-term care insurance was improved. people who older than 65 years old accounted about 15%, 65 ~ 80 years old accounted about 5%, people who was over 80 - year - old accounted about 20% .

## **1.2 The Model of System**

### **1.2.1 The Long-Term Care Insurance System Model of USA**

United States was mainly on commercial long-term care insurance, and the residual incremental public system was the auxiliary pattern. Commercial long-term care insurance system play a major role, the residual incremental public system supply lowest welfare protection for only part of the citizens whose revenue is low .In the United States whose economy was more developed, the system model provides economic security for individuals to participate in commercial long-term care insurance system .

Commercial insurance company assumes the main responsibility of the long-term care insurance system operation. At present, the number of the insurance company which provide long-term care insurance has been about 100 on the market, of which 13 insurance companies have the market share of more than 80%. The early development of commercial long-term care insurance company mainly adopts the direct subsidies for policy holder. But with the gradual development of the long-term care insurance market, "managed care" by the market recognition, part of the long-term care insurance companies begin to provide long-term care services at the same time.

### **1.2.2The Long-Term Care Insurance System Model of Germany**

Germany's long-term care insurance system takes the form of mandatory social insurance. Long-term care insurance system became the Germany "fifth pillar" of the social security system after the endowment insurance, medical insurance, accident insurance and unemployment insurance.

Germany's long-term care insurance system "care follows sickness" principle, in other word, the institutions which provide health insurance, provide long-term care insurance at the same time. Health insurance and long-term care insurance system common supply can avoid game and shirking responsibility that the two sides due to the unclear definition .The another meaning of "care follows sickness "is that all employees who participate in medical insurance will be covered by social long-term care insurance system automatically.

Germany's long-term care insurance system also encourages family members to take care responsibilities, explore ways of "time saving" mode to widen the range of long-term care service.

## **1.3 The Object of This System Guaranteed**

### **13.1 The Object of American Long-Term Care Insurance System guaranteed**

America's long-term care insurance system is for 18 ~ 99 - year - old American citizen, a citizen of the United States can buy long-term care insurance of individuals or groups. But commercial long-term care insurance system is for the purpose of profit, citizens need the health check before receiving long-term care insurance. At the same time, for the older participants, the premium, the conditions of enjoying, ensure levels have strictly applied conditions.

Although system almost geared to all ages of people’s needs, but the main demand of the long-term care service groups is still elderly, especially the demand of the elderly is more apparent. About 19% of the 65 and older elderly people have varying degrees of chronic physical impairment, and the ratio rose to 55% , who require long-term care in the elderly over the age of 85 years ; 60% of the 65 years old and older than 65years man need long-term care services; About 20% of the 65 and older elderly people need more than 2 years in nursing hospital; older than 85 years old more hope to live in care hospital.

**13.2 The Object of Germany's Long-Term Care Insurance System guaranteed**

According to different levels of income, Germany’s long-term care insurance system is divided into three levels: low-income, middle-income earners and high earners. At the same time, the civil servants and the judges have the separate system planning.

The main ginseng protect personnel are the middle-income earners. System regulate that all of the employees whose income is lower than the upper limit of the social security earning ceiling must take part in the system of social long-term care insurance . In 2006, the social security income’s limit is 3937.50 euros/month.

For the low income earners, the system sets the corresponding fee waiver policy: people who work for the longest time not more than two months, or less than 15 hours per week, and work in the original states month only for 15 hours, the income under 610 mark in the federal state or monthly income below 520 mark in the new federal states don’t need to pay the insurance; The student's temporary work also do not need to pay the insurance premium.

High income refers to the employees whose income is more than upper limit of the social security income. This part of the crowd can attend private long-term care insurance system.

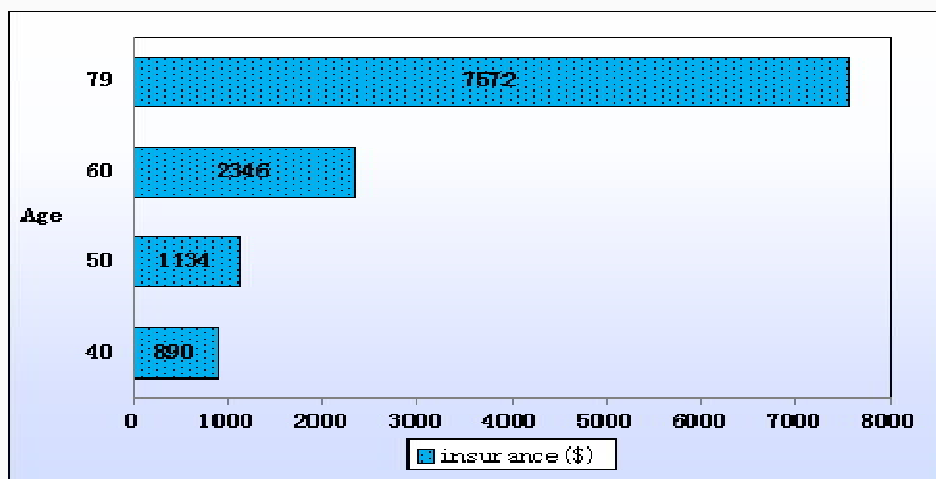
The long-term care insurance plans of State officials, judges, and professional soldiers is the responsibility of the country, when they need care, there will be special staff who responsible for their care and bear relevant expenses.

Germany's long-term care insurance system does not stipulate the age of the one who want to enjoy long-term care insurance, but the people who enjoy long-term care insurance system, the elderly accounted for a large proportion. There are About more than 80% are the 65 - year - old and older people, more than 50% are the one who is older than 80 years old.

**1.4 The Capital Operation**

**1.4.1 The Capital Operation of American Long-Term Care Insurance**

The one who buy the American commercial long-term care insurance can voluntarily take part in insurance plans through the way of buying nursing insurance contract. Premium income is the main source of funds; the long-term care insurance premium is different as the different choices of insurance plans. In addition, the age is also an important factor to influence premium level. The figure1 which is shown below is the ones in different ages who Buy a safeguard for 4 years, safeguard level for \$150 a day, 5% additional terms and conditions of the policy of inflation.



**Figure 1. The Contrast of Different Age’s Participants in Insurance**

### 1.4.2 The Capital Operation of Germany's long-Term Care Insurance

Germany's long-term care insurance fund takes pay - as - you - go operation mode. In terms of fund-raising, take the government, employers and employees collective burden's financing mode. The government undertake over a third of the long-term care insurance funding. The government mainly supply for the unemployed persons, farmers, and the students of Federal Education Support Act.

Employee and employer according to the certain proportion of wage income to pay the long-term care insurance premium, in principle, adopt the method of the employers and employees 'average share. Due to the low birth rate, restrictive immigration policies and the rising life expectancy Germany's aging degree is deepening, the importance of long-term care insurance system is fully embodies, the system has developed rapidly since it's established. At the same time, under the nursing demand increase and the rising cost's double pressures caused by the aging speed in Germany ,Germany's long-term care insurance system appeared to make ends meet in recent years, so in July 1, 2008, the German government issued a revised long-term care insurance, started the latest long-term care insurance system reform. The bill also adjust the long-term care insurance tax limit except adjusting contribution rate; For the citizens who have no children and older23 years age were charged 0.25% of the capture to expend scale, people enjoy unemployed insurance, civil servants, active servicemen and people born before 1940 is not restricted by the terms and conditions.

**Table 1 The Movement Condition of Germany's Long-Term Care Insurance system Payment Rate (Unit: %)**

	1994.1.1~1995.4.1	1995.4.1~2008.7.1	2008.7.1up to now
employers	0.5	0.85	0.975
employees	0.5	0.85	0.975

### 1.5 The level of System Security

#### 1.5.1 The Level of the American Long-Term Care Insurance system Security

The early development of the long-term care insurance system, insurance company only responsible for financial assistance. With the continuous development of long-term care insurance, long-term care insurance company started intervene in the field of long-term care services. Commercial long-term care insurance safeguard level has a direct relationship with the pay cost, different security levels need pay for different long term care insurance.

For the insurance policy issued by the independent, the customer can choose the highest payment, payment term and the waiting period three ways to plan their own insurance policy payment plans. The policy-holders who Choose the highest pay limitation in general can get between 50 ~ 250 us dollars daily, accumulated to a certain limit of the payment that day, the insurance liability will be terminate; Most policy-holders will choose 2 ~ 4 years of payment term , only care costs in this period can get the corresponding compensation; Select the waiting period for the protection usually can choose 20 days, 30 days, 60 days, 90 days, 100 days, 180 days a few options, if the customer has not need to be care in the choice of the waiting period before the expiration , the insurance company don't need to give compensation to the nursing cost. In the American state of Colorado, on average, waiting period of 90 days take care costs about \$15300.

In nursing content, the American long-term care insurance system supply the ginseng protect personnel a variety of nursing service, including some care services with characteristics of treatment (such as: diagnosis, prevention, rehabilitation, etc.), also including some treatment properties of home care (such as bathing, dressing, transfer, toilet, eat, restraint excretion, etc.).

For the care time, the American long-term care insurance system generally requires service timeat least 12 months.

#### 1.5.2 The Level of the Germany's Long-Term Care Insurance system Security

Germany's long-term care insurance system limit capture expends fixed number of year; it requires that the people who can get the aid are the ones that have taken part in long-term care insurance for at least 5 years in the past 10 years.

Germany's long-term care insurance system provides the ginseng protect personnel the cash payment, physical payment, and mixed payment three security form.

Ginseng protect personnel can choose one of them according to their own situation. At present, Germany enjoys long-term care insurance system of ginseng to keep staff, enjoy the cash payment and real payments 'proportion is about 79% to 21%. Long-term care insurance fund is mainly used for hospital care, outpatient service and the cost of home care pay, their ratio are 50.6%, 14.1% and 23.5%, respectively.

**Table 2: The funding Standards of Germany's Every Levels 'long-Term Care Insurance (Unit: Euros/Month)**

		Year	The first nursing level	The second nursing level	The third nursing level	special situation
Care hospital		2008	1023	1279	1470	1750
		2010	1023	1279	1510	1825
		2012	1023	1279	1550	1918
Home care	Real payment	2008	420	980	1470	1918
		2010	450	1040	1510	1918
		2012	450	1100	1550	1918
	Cash payment	2008	215	420	675	—
		2010	225	430	685	—
		2012	235	440	700	—

In terms of nursing content, Germany's long-term care insurance system provides the ginseng protect personnel the basic activities of daily living and the use of additional tools in daily life activities . According to the different ginseng protect personnel's ability, Germany's long-term care insurance provide three levels of long-term care services to ginseng protect personnel. Different levels of nursing time and content are shown in table 3 below. When the ginseng protect personnel has difficulties , and nursing level 3 service cannot meet their demand of care, they can apply for the special care, the special care generally need at least six hours bADLs services a day, and which at least three hours was night service.

**Table 3 The content and Time of Long-Term Care in Germany**

	The first nursing level	The second nursing level	The third nursing level
Basic nursing activities of daily life	At least one or two bADLs a day	Different times' at least three times a day	Anytime throughout the day
Use tools of daily life activities	At least once a week	At least once a week	At least once a week
Total nursing time	At least 1.5 hours a day, and in them at least 0.75 hours for bADLs	At least 3 hours a day, and in them at least 2 hours for bADLs	At least 5 hours a day, at least 4 hours for bADLs

In terms of nursing time, Germany's long-term care insurance system regulations, ginseng protect personnel who need at least 6 months' nursing service can get this aid.

## 2 lessons

As a result of the different setting up backgrounds of the system, the long-term care insurance systems have the characteristics of each other. Whether it is represented by the American commercial long-term care insurance system or represented by the German social long-term care insurance system, all have accumulated some experience in the process of system operation. The experience of the success or failure of the system has a certain reference significance to establish long-term care insurance system in Shanghai.

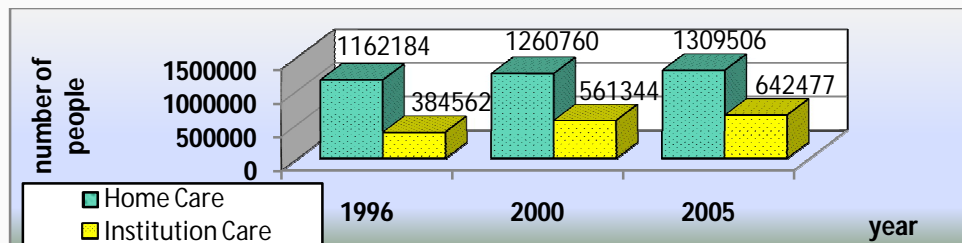
### 2.1 Reserves of Difference Contribution Rate Guarantee Fund

For long-term care insurance system in the United States, age of beginning insurance is an important factor that decides the level of premium. The premium is increasing with age growing. The Changing contribution rate has fully considered the long-term care insurance fund expenditure and personal economic ability, the reserves of guarantee fund.

On one hand, as the growth of the age, the demand for long-term care will becoming greater, coverage will also be higher, the probability of the insurance fund spending will becoming greater at the same time; On the other hand, as the growth of the age, personal economic reserves in general will present a rising trend. Take the gradient type of long-term care insurance fund payment rate has the vital significance to expand the system's coverage, relieve the economic burden of young insurance participant.

## 2.2 Developing Informal Care to Relieve Fund Pressure

Germany's long-term care insurance system designed to encourage family members to take responsibilities to ease the pressure. According to long-term care insurance regulations, when the family members, relatives and friends, neighbors, etc. who take responsibility for aged caring to provide informal care and lead to the loss of income can acquire a certain compensation of money; the employees shall not be laid off during taking responsibility for caring; One can get a free nursing training and so on, a series of measures to encourage the development of informal care.



**Chart 4-5 the Changes of Home Care and Institution Care in Germany**

According to Germany's long-term care insurance system, German citizens over the age of 18 can use public holidays to provide free care for the aged, the nursing service time can be recorded in the personal file, one can gets the same time and the same level of nursing service when he or she becomes old.

## 2.3 A strict Nursing Level Evaluation Systems to Prevent the Excessive Utilization of Resources

Conditions to enjoy the long-term care insurance system need relatively strict nursing level assessment. In addition to age limits, Insurance participants after applying for nursing need a series of strict review process to determine personnel health and caring program. In addition, it also needs to refine a reasonable level of care, to prevent unreasonable utilization of resources.

Strict assessment procedures and careful nursing hierarchies can ensure that insurance participants enjoy the appropriate level of nursing service and the ability to circumvent excessive use and resource waste because of the indistinct definition.

The setting up process of long-term care insurance system in Shanghai should be on the basis of studying the advanced experience abroad, combine with the concrete social characteristics of Shanghai, absorb the advanced experience, then turn into a suit of clauses which are appropriate for promoting in Shanghai.

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