

## **Development of Elderly Care Insurance in China from the Perspective of Public Policy**

**Zhou Jiayan**

College of Management  
Shanghai University of Engineering Science

### **Abstract**

*With the trend of population aging in the global scope, elderly care and nursing issues has become a topic of common concern. In response to the elderly care problem caused by population aging, many countries have established a care insurance system. Through the implementation of nursing insurance system, not only reduces the burden of individuals and families, but also care need of the elderly has been great to meet and enhance the quality of their life. As the world's largest number of elderly and disabled elderly country, China is facing greater pressure on health care than any other country in the world. The contradiction between supply and demand that caused by population aging nursing, making public policy adjustment becomes necessary. It should be combined with Chinese national conditions, to establish an authoritative system of elderly care insurance policy by analyzing opportunities and challenges of constructing nursing care insurance in China and elaborating overseas experience in elderly care insurance.*

**Keywords:** population aging; elderly care insurance; public policy

In the 21st century, China began to enter the aging society. As the world's largest number of elderly and disabled elderly country, China faces pressure of elderly care greater than any country in the world. Therefore, the domestic academic circles generally think it should be the development of the insurance of elderly care in China, from two aspects of international experience and China's situation on the insurance of our country was established on the basis of geriatric nursing, carried on the thorough analysis to the elderly care insurance content, characteristics, legal, and policy system. And the choice of social care insurance or commercial care insurance has been an important issue of domestic academic debate. Some scholars believe that the social insurance model should be developed; a few scholars believe that commercial insurance model should be developed; most scholars believe that the development of social insurance should be supplemented by a model-based commercial insurance. With the June 2012 Qingdao long-term medical care insurance system first started, opened China's social care insurance precedent. In addition, Shanghai, Ningbo, Hangzhou, Tianjin and other elderly care career relatively leading place is also trying. Accordingly, the academic community on this issue from two aspects of theory and practice launched a multi-angle argument.

### ***1. Development Opportunities of Elderly Care Insurance in China***

#### **1.1 Population Aging**

As the world's largest number of elderly and disabled elderly country, China faces pressure of elderly care greater than any country in the world. According to the Chinese Academy of Social Sciences published "China Aging Development Report (2013)," the latest data, in 2012 ,elderly population reached 194 million, the aging level reached 14.3%, in 2013 ,the number of elderly population exceeded 200 million mark, reaching 202 million, the aging level reached 14.8%. Changes in internal elderly population aging population will further exacerbate the seriousness. First, the elderly population continues to grow, from 22 million in 2012 rose to 23 million in 2013, with an average annual growth of 100 million people trend will continue into 2025. Second, the disability of the elderly population continues to increase, from 3,600 million in 2012 increased to 3,750 million in 2013. Third, chronic elderly continued to increase, in 2012 for 97 million people, in 2013 exceeded 100 million people. Fourth, the empty nest elderly population continues to rise, in 2012 for 99 million people, in 2013 to break 100 million people mark.

Fifth, the childless elderly people and lost only old people began to increase, with the one-child generation started to enter old age, with the children of risk events and other factors, more and more elderly people without children. 2012 China lost at least 1 million households alone, and about 76,000 the number continues to increase every year<sup>[1]</sup>. Obviously, China is facing the severe situation of aging, the elderly in particular disability elderly care of insufficient supply.

### **1.2 Weakening of Family Nursing Function**

In traditional society, the family is the most important shelter. The old man once disability, family members will bear the care task. In the modern Chinese society, with the improvement of people's living standard, the trend of small family, "four-two-one family" and "four-two-two" family has been formed, as many of the city's main family structure. Especially women's employment generalization, traditional family pension functions increasingly weakened<sup>[2]</sup>. The family miniaturization is one aspect, on the other hand, the rural labor transfer to cities, young families, resulting in the young generation and the aging generation of economic ties between less closely, as in the past, father control family resources, can genetic to children to inherit his property, in order to get their pension security. Now the situation has undergone great changes, the rural family economic resources is no longer controlled by the older generation of hands, the actual capacity resulting in the weakening of family pension, quite a number of old people living in relative poverty in rural areas.

### **1.3 Medical Care Costs Rise**

Along with the people living standard and health demand continues to improve, the nursing costs rising, beyond many family's ability to pay. In Shanghai, for example, the basic cost of the current nursing home or private street Shanghai districts each month about 700 to 900 Yuan, the difference in each level of care from 50 to 100 Yuan. And nursing homes, if is the bathroom, heating and electrical appliances equipped with a complete room is generally around 1,000 to 1,200 Yuan. Social welfare homes and apartments for the elderly are slightly higher in price, the general single monthly costs about 1500 Yuan, double room 1200 Yuan per month; four monthly 1000 Yuan, include care and meals. The old-age type of hospital's medical fees and general hospital, endowment price than other types of pension institutions more generally live: more than three people in the room, except for meals, care fee per month for 1700 ~ 1800 Yuan, double room is about 2200 Yuan / month, single room is 2600 Yuan / month, husband and wife need to live with single bed, double bed, according to different conditions, a slight difference in price<sup>[3]</sup>.

### **1.4 Shortage of Social Medical Insurance**

Social medical insurance of China follow the "low level, wide coverage" principle, while gradually expand the scope of security, but there are still quite a large proportion of the population, including the elderly have not been included in the insurance, they apparently did not general medical expenses guarantee, but not to the cost of long-term care security, even for those who have participated in the basic medical insurance for the elderly, the urban basic medical insurance present clear provisions do not pay special nurse and daily care services such as project costs, unable to meet the care needs of people. At the same time, the current medical insurance system security level is relatively low, poverty and return to poverty phenomenon is still relatively prominent citizens, fear of getting sick, sick afraid to see a doctor<sup>[4]</sup>.

## ***2. Development Challenges of Elderly Care Insurance in China***

### **2.1 Difficult to Change the Traditional Concept of Retirement**

Chinese known as the traditional idea of "raise children to provide against old age", and therefore in the implementation of the elderly care insurance will meet on the understanding of the obstacle of China. On the one hand, the elderly do not want to leave home to receive services, they have a psychological rejection of nursing homes, daycare centers and other care facilities, nursing homes that go pension, is children unfilially, go to a nursing home pension is childless old man to pension. On the other hand, the elderly parents sent to old-age care institutions would cause psychological burden to the child, if others think they are unfilially. At the same time, people are lack of understanding of Elderly Care Insurance.

### **2.2 A Serious Shortage of Pension Institutions and Nursing Staff**

At present China's demand for elderly care and nursing institutions and nursing personnel supply is imbalance, there's still a huge shortfall in supply quantity. Because of less amount of nursing staff, nursing heavy task and the economic benefits and social status is low, resulting in adverse effects on the quality of nursing.

According to the former Ministry of Health Development Research Center of the preliminary estimates, in 2010, China's elderly care beds needed to reach 3.682 million, approximately 1.8 million nurses needed, economies of scale care services more than 200 billion Yuan. While the 2010 Health Statistics Yearbook shows, our country only rehabilitation organization 268, nursing homes, the number was only 49 (46 in city, the rural home 3), the total number of health technical personnel employed less than 1500 people, with fewer than twenty thousand beds. According to a study of Chinese Academy of Social Management, to 2020, China's semi-disabled elderly will reach 68.52 million to 75.9 million, disabled elderly reach 5.99 to 6.74 million, the nursing staff positions should reach 6.57-7.31 million. This study estimates, at present Chinese aged care workers gap are in the 3 million to 5 million people. And the current holder of the national nursing member only 50000 people, new old nurse turnover rate of 40% to 50% <sup>[5]</sup>.

### **2.3 Market to Provide Long-Term Care Services Elderly Underpowered**

At present, China's pension problems lack of services and products supply market development is not sound, unbalanced development between urban and rural areas is still very prominent. In recent years, China's elderly service market gradually started, but progress is slow. Among them, for the disabled elderly long-term care services is basically a blank. Part of the current pension institutions by the folk use rental, small business with less capital investment, but the relevant facilities and poor equipment, low level of technology and management services, service personnel is not stable, the occupancy rate is low, resulting in operating profit space is small.

### **2.4 Difficulties of Third Sector in the Development of Aged Care Services**

In developed countries, the third sector in the elderly care service bear important responsibilities, social and charitable organizations, religious organizations and even individuals to give strong support to the pension services in the capital, sites and physical aspects. Especially in Japan, NPO has become one of the main supply of elderly care services. Meanwhile, the development of social work in the developed countries is relatively perfect, community agencies, non-profit organizations; volunteer groups provide a powerful backing for the development of aged care service. But in China, due to the development of the late start, the policy and the system is not perfect, the development of the third sector in general lagged far behind. Realistically speaking, even in a period from now rely on third-sector development of long-term care services is still a long way to go.

## **3. Experience and Enlightenment of International Aged Care Insurance**

On the basis of the investment main body responsibility is different, there are two different modes of foreign nursing insurance: one is the commercial insurance model, individuals and families to bear the main investment responsibility, this kind of mode to USA represented. Another is a social insurance model. Enforced by law, by the State, enterprises and individuals, or by the state, individual investors share the responsibility, to Germany, Japan and South Korea as a representative .Briefly described here are Japan and South Korea as the representative of the social care insurance.

### **3.1 Care Insurance Model in Japan**

Japan's parliament in December 1997 promulgated the "Care Insurance Law", decided to establish a care insurance system, and in April 1, 2000 officially began, it was a fast aging society frail elderly social care important to try, and its goal is to achieve social care. This system provides over 40 years of age must all join the nursing insurance, and for himself in the future to get public nursing service and pay a premium (over the age of 65 as the No. first insurers, 40 to 64 years as the No. second insurers). The scope of insurance benefit principle for more than 65 year old elderly in need of care insured 40 ~ 64 years old only in atherosclerosis, dementia elderly chronic diseases can enjoy service. When the insured person has care expenses, through the application and determined that the various treatments will be provided by the nursing care insurance system, including home care, institutional care and community-based care in three closely linked service type. Nursing grades are divided into needing to support the level 1, level 2, needing to nurse level 1, level 2, level 3, level 4 and 5 level, altogether 7 levels. Japan's elderly care insurance system enforced by the central government, local government primary city, town, and village specific operations. Funding sources, half is from the premiums paid by the insured person, the other half is from the state, prefectural, municipal government's three public expense. In addition, the service is still receiving care bear 10% of the cost of care. Japanese care insurance generally use in-kind (care) payment method-based, supplemented by a cash payment method.

Nursing service of Japanese nursing care insurance system in the content is very extensive, in home care service as an example, including home care, nursing home care, and home bath, home rehabilitation training, home nursing management guidance 13 services, fully embodies the Japanese nursing insurance system of fine and professional service.

### **3.2 Care Insurance Model in South Korea**

South Korea based on thorough investigation of Japanese nursing care insurance model, combined with national conditions, in October 2007 passed the "elderly long-term care insurance law", and began to implement in July 1, 2008. South Korea based on the principle of universalism, insurance coverage for all citizens insured medical insurance system is also insured care insurance. In principle, the scope of insurance benefits for 65 years or more older people in need of care. After getting insured care identified, will be based Care Level 1 (most severe), 2 (moderate to severe), grade (moderate) 3 accept insurance payments. South Korea's care insurance the insurer is National Health Insurance Corporation, responsible for collecting premiums, insurance operations and management level of care determination and so on. South Korea care insurance fee by health insurance premium rate multiplied by the nursing and draw, nursing insurance rate is determined by the long term care committee according to the need of. Countries each year to pay health insurance corporation 20% insurance expenses, nursing cost of minimum life security, medical assistance objects shall be borne by the health insurance association. South Korea is multiplied by the nursing care insurance premium rates derived from health insurance, nursing insurance rate is determined according to need long-term care committee. State to pay annually to the Health Insurance Corporation 20 percent of insurance costs, the minimum living allowance who care costs borne by Medicaid objects Health Insurance Corporation<sup>[6]</sup>. Personal use of nursing insurance services should also bear part of the nursing cost. Receiving home nursing service when the bear 20%, receiving home nursing service when the bear 15%, bear a higher proportion than Japan. South Korea insurance includes home care services, nursing services and special cash payment mechanism. Special cash payment of family caregivers is an island and remote areas of the region, such as care facilities extreme lack of paid family nursing. Compared with Japan, South Korea's nursing insurance payment scope is narrow, pay less content. Especially the benefit contents, the Japanese nursing insurance content in general is divided into home nursing service, nursing agency services and community closely contact service, the service includes many seeds service, nursing service diversification to meet the needs of the elderly care. But Japan has no special cash payment of insurance benefit like South Korea, this is a notable characteristic of South Korea care insurance, embodies fairness of Korean nursing insurance.

### **3.3 Implementation Effect and Problems of Bilateral Care Insurance**

Implementation of the nursing care insurance system has been endorsed by nationals of both countries and trust, a substantial rise in the number to get care, to become an integral part of national life in the social security system, changing the nursing situation in Japan and South Korea. Japanese nursing insurance system since the implementation, the number of nursing has set obtained from 218 million in 2000 to 564 million in 2013<sup>[7]</sup>. In 2011, South Korea, about 32 million people get care identified, compared with at the beginning of the system implementation increased about 17 million people<sup>[8]</sup>.

At the same time, with the aging of the population structure, the increase in need of care and care of the elderly continue to extend the time to enable countries are inevitably faced with financial pressure problems. Japan's care costs are growing year by year, in 2000, was 3.6 trillion yen, in 2014, reached 10 trillion yen. South Korea's care costs in 2008 was about 480 million won, in 2011 about 30 billion won. Although the national nursing insurance system remains to be improved, but it can not deny the great achievements in the implementation of nursing insurance system have achieved in the aspects of care needs of the elderly. In the context of an aging population, nursing care insurance system and its experience in Japan and Korea to China to cope with population aging and the elderly long-term care issues will undoubtedly have an important reference.

## **4. Perspective of Public Policy to develop the Elderly Care Insurance**

Population age structure is the basic structure of the social structure in the form, but other social structures, including basic class structure, urban structure, regional structure, employment structure, social structure and so on<sup>[9]</sup>. When the population age structure has an important change, inevitable requirement for the relevant policy or system based on social structure make the corresponding adjustment. Since the concept of change and evolution of people's social formation process are required, making this adjustment tends to lag behind the changes in the population age structure<sup>[10]</sup>.

It can clearly be seen, the challenges and problems brought by the aging of the population is not entirely from the elderly or aging itself, and more changes due to people on the aging of the population brought about by the lack of the necessary and timely response and adjustment, adaptation. In other words, the existing social system or policy system can not meet the development needs of an aging society, which makes public policy adjustment becomes necessary means to deal with aging<sup>[11]</sup>.

Although public policy has yet to define a standard, but that does not affect a huge role in public policy that have occurred in the public service areas of society. In essence, public policy face a public demand for social, its longevity and development reflects the mainstream values governing philosophy and government of society, and always depends on the current social realities and conditions; it has distinctive characteristics of the times. Now, the aging of the population brought about the elderly care problem is put in front of us reality, public policy will have to face the reality problem react. Existing policies in elderly care services is difficult to solve the huge problem of care needs, therefore, urgent need to establish a system of elderly care insurance policy.

Specifically, contact our reality, I believe that the following four aspects are important themes in public policy system reconstruction process can not be avoided:

Firstly, the establishment of the authority of the care insurance management operators, integrated and unified various resources, management, regulation and implementation of the elderly care insurance policy, which is the primary safeguard Construction of elderly care insurance policy system; Secondly, reposition social role of the elderly, the elderly coordination within the group as well as the elderly and the relationship between the service provider, which is the prerequisite for policy coordinating body, but also the basic starting point of China's elderly care insurance policies; Thirdly, elderly care needs to solve practical problems in short supply, the experience will be developed with China's realities and cultural traditions unite the social welfare and family function integration.

Combined with the experience of Japan and South Korea, should pay attention to in the construction of the elderly care insurance:

Firstly, according to China's national conditions, take suitable for China's system of managed care insurance system. Japan's nursing care insurance is managed by the local municipal government, assume the role of insurers, adopted a decentralized manner doctrine. The management and operation of South Korea by the National Health Insurance Corporation is responsible for the system, adopted a centralist approach. Therefore, the management of nursing care insurance system is necessary to combine China's national conditions and social security system for planning.

Secondly, rationally plan the scope of services and service types, in order to meet the needs of different levels of nursing care of the elderly. Japanese care insurance payments are wide range, including mild need caregivers, many kinds of payment, to meet the different needs of the elderly care. However, due to various services, often cause low service efficiency and understaffed situation. Especially the lack of nursing personnel and this is a major problem facing Japan's nursing care insurance system. At the same time, too much benefit object causing fiscal pressure is too large, the nursing expenses increased year by year is the best proof. South Korea to absorb the lessons of Japan, narrowing the scope of insurance benefit, reduces the service types, the relative ease financial pressure.

History has proved time and again that opportunities tend to coexist with challenges. Therefore, the community should unite the aging society and the elderly care insurance to understand and change from the idea, and take this as the starting point of public policy making. In addition, public policy has distinct characteristics of the country, elderly care service policy is no exception. Although those who provided the experience of nursing for the aged insurance rich developed countries advance into the aging in theory and Practice for our country, but the situation is different that we can not apply mechanically their policy mode, and many countries also encounter various problems in the process of practice. Therefore, China's elderly care insurance policy should be effective coordination of the relation between the experience of developed countries and China's social, economic and cultural tradition, in Chinese and Western basis, create our own elderly care insurance mode.

**References**

- Wu Yushao. China Aging Development Report (2013)[EB/OL]. China National Committee on Ageing Aging Portal <http://www.cncaprc.gov.cn/jianghua/22341.jhtml>, 2013-02-28.
- Han Zhenyan, Liang Yu. Research on the Construction of Elderly Long-term Care Insurance System in China---- Necessity, Experience, Effect, Envisage [J]. Journal of Southeast University (Philosophy and Social Science), 2012(3): 38.
- Nursing Homes and Apartments for the Elderly Nursing Home Expenses Standard [EB/OL].China Pension Information Network, <http://www.yanglao120.com/view/621.html>, 2013-05-04.
- Tang Min. Deficiency and Perfection of the Social Medical Insurance System in China [J]. Manager' Journal, 2010: 24.
- Care Industry Talent Shortage is Serious Pension Shortfall of Five Million Caregiver [EB/OL]. Chinese Old Newspaper Network, [http://www.zhglnb.com.cn/article\\_show.asp?articleid=19771](http://www.zhglnb.com.cn/article_show.asp?articleid=19771), 2013-11-01.
- Gao Chunlan, Ban Juan. A Comparative Study on the Elderly Long-term Care Insurance System of Japan and Korea[J]. Population & Economics, 2013(3): 107-108.
- About a Reform Bill of the Nursing-care Insurance System [EB/OL] <http://www1.city.matsue.shimane.jp>. Ministry of Health, Labor and Welfare, 2014-02.
- Hyeon-kyu SEON .Research Directions for the Long-term Care Insurance System in South Korea and Research Subjects in the Future. Japanese Society of Human Science of Health-Social Services. 19(2), 2013: 41.
- Lu Xueyi. Contemporary Chinese Social Structure [M]. Beijing: Social Sciences Academic Press, 2010: 68-71.
- Dang Junwu. How to understand the aging society and its characteristics. Population Research, 2005(6): 69.
- Hu Zhan and Peng Xizhe. China's Population Aging from the Perspective of Public Policy. Social Sciences in China, 2011(3): 127-138.