



# **Peer Review on “Financing Long-Term Care”**

**Host Country Discussion Paper - Estonia**

## **Developing a comprehensive long-term care system**

**Estonia, 22 – 23 September 2020**

DG Employment, Social Affairs and Inclusion



**EUROPEAN COMMISSION**

Directorate-General for Employment, Social Affairs and Inclusion

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## Executive summary

An ageing population affects future public expenditure on long-term care (LTC) which is expected to grow substantially in the coming decades. The increasing number of old and very old people, together with a rising prevalence of physical and mental disabilities, is likely to result in a higher long-term care demand. Amongst EU countries, Estonia ranks 26<sup>th</sup> when comparing the percentage of healthy years as a share of remaining life expectancy at 50 years of age (this is 47.4% in Estonia). Estonian people aged 65 and older are therefore more likely than their peers in other European countries to require assistance with daily living, face mobility limitations and have a higher body mass index.

At the same time, public spending on LTC is lower than in many other EU Member States, leaving a big share of LTC to be financed by out-of-pocket payments of service users. Estonia spends approximately 0.9% of GDP on LTC, while for example Austria contributed 1.9%, Denmark and Finland 2.5% and the Netherlands 3.5% of GDP. The EC Ageing Report (2018) estimates that public spending on LTC in Estonia will increase to 1.4% of GDP by 2070 while the increase would be much higher for example in Germany (2.5% of GDP), Austria (3.6% of GDP), Sweden (4.9% of GDP) and the Netherlands (6.3% of GDP).

There is no universal LTC organisation and financing that guarantees equal access to LTC services. The organisation and financing of LTC is fragmented between the social and health care sector, as well as between the state and local municipalities. The health care system provides state-financed nursing care, geriatric assessment services and nursing care at home. The welfare system provides LTC in elderly homes, day-care services, home care and other personal care and social services, as well as cash benefits. These are mainly organised and financed by local governments and combined with out-of-pocket contributions of service users and their family members. The total budget for LTC services in 2019 was 167 million euros out of which out-of-pocket payments account 42%, local governments' expenditure 30% and state budget 28%.

In 2017, LTC services and assistance were provided approximately on 80,000 service places<sup>1</sup>, but the maximum real need is 132,000 service places, with the highest need for home care services, as well as support persons and personal assistance<sup>2</sup> services. Local governments have a large degree of freedom in defining the service packages and their capacity to fund and provide services varies significantly. This depends mainly on municipalities' tax revenue, the age structure of the local population and political priorities, resulting in differences of access to LTC at local level. While there is an unmet need for LTC services, approximately 65,000 people provide informal care, this includes around 8,000 persons who do not work due to their care responsibilities and 5,000 who work involuntary part-time.

Considering the future needs and expenditure demands, Estonia needs to explore new financing models for LTC. Compared to the current situation, it is necessary to increase the provision of services for a higher number of service users whilst decreasing out-of-pocket payments by service users and/or their family members.

In January 2020, the Cabinet of Ministers decided to continue with the development of the new needs-based local government and state partnership long-term care

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<sup>1</sup> Please note that person can use different services (usually they do), therefore a service place is the use of one type of service.

<sup>2</sup> A personal assistant assists the person with his or her everyday life activities, such as mobility, eating, cooking, clothing, hygiene, housework and other activities in which the person needs guidance or personal assistance. A support person service is a social service organised by a local authority with the objective to support the ability to cope independently in situations where a person needs significant personal assistance in performing his or her obligations and exercising his or her rights due to social, financial, psychological or health problems. Personal assistance includes guidance, motivation and development of greater independence and responsibility of a person.

management and financing model. In principle, the new model will be based on the current LTC management and financing structure, reinforced by more support from the state to local governments:

1. The state will develop LTC services that are not possible or reasonable to develop on local level and local governments shall have the opportunity to purchase these services from the state.
2. A common voluntary standardised needs assessment tool and methodologies to assess LTC needs will be developed. Guidance materials will be elaborated and counselling and training will be made available for local governments.
3. Additional earmarked financial incentives for the organisation of LTC will be granted to local governments through a state support fund, while local governments are expected to match LTC funding with these the state allocations.

In addition, a guaranteed monthly minimum income after co-funding LTC services will be established. Local governments shall be obliged to assess the financial capacity and guarantee that out-of-pocket payments will not jeopardise that LTC needs of service users remain met.

Necessary legislative amendments will be elaborated during 2020 to 2021 and the new LTC concept is to be implemented in 2022 at the earliest. Experts have assessed that the Estonian LTC system needs additional investments of at least 150 million euro to provide more access to LTC services, support the LTC workforce and to decrease the share of out-of-pocket payments by service users.

## 1 Situation in the host country

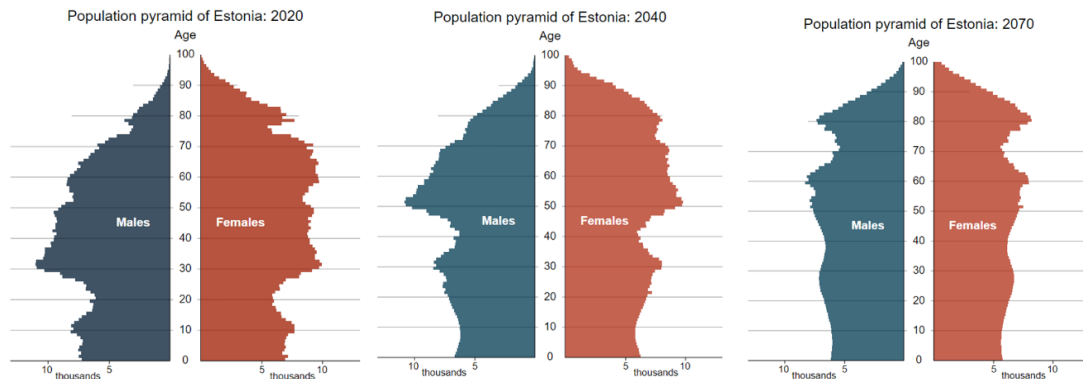
### 1.1 Long-term care organisation and service provision in Estonia

#### Demographic situation and long-term care users

The Estonian population is ageing and shrinking. Although the average life expectancy has significantly increased during recent years, reaching 73.86 years for men and 82.44 years for women in 2018, a similar positive trend does not occur in healthy life years. In 2018, healthy life years for women aged 65 or more averaged at 6.1 years and for men 5.7 years, which is considerably lower compared to Nordic countries (for example 15.8 and 15.4 years in Sweden and 12.0 and 11.1 years in Denmark for women and men respectively) and EU average (10.2 years for women and 9.8 years for men)<sup>3</sup>.

The share of elderly people (65 years or older) is expected to increase from 19.8% to 25.6% by 2040 and 30% by 2060. The old-age dependency ratio in 2019 was 31.0 and it is expected to increase to 56.3 by 2050. Figure 1 describes the population pyramid in 2020 and projections for 2040 and 2070.

Figure 1. Population pyramid for Estonia 2020 and projections for 2040 and 2070



Source: Statistics Estonia

At the beginning of 2019, the proportion of disabled people in the total population (approximately 1.33 million people) was approximately 12%, i.e. more than 158,000 persons<sup>4</sup>. The number and proportion of disabled people in Estonia has steadily increased. Most disabled people are of older age (68% of them are 55 years or older). Mainly due to the difference in life expectancy, there are more women (58%) among the group of disabled people in general. The share of people with disabilities is expected to increase from 11.9% to 17% in 2040.

In 2018, nearly  $\frac{1}{3}$  of people over 65 years report that their everyday activities are limited due to health problems and they need help for daily activities and self-care.

<sup>3</sup> Eurostat, 2019, available here:

[https://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tepsr\\_sp320&language=en](https://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tepsr_sp320&language=en)

<sup>4</sup> Statistics Estonia, based on the data on Estonian Social Insurance Board. The number contains people who are officially granted disability by the Estonian Social Insurance Board. According the Estonian Social Benefits for Disabled Persons Act, disability is granted to a person who has loss of or an abnormality in an anatomical, physiological or mental structure or function of a person which in conjunction with different relational and environmental restrictions prevents participation in social life on equal bases with the others.



According to the Estonian legislation (the Social Welfare Act), LTC is provided to residents of all ages, depending on their needs, but most of the services are provided to elderly people and people with permanent physical disabilities or mental health problems.

The demand for LTC is expected to increase significantly in future years because the Estonian population is rapidly ageing, with few healthy life years and more severe disabilities in old age. The decreasing and ageing population affects the future public expenditure on LTC, which is expected to grow substantially in coming decades.

### **Fragmentation of organisation**

The organisation and financing of the Estonian LTC system is fragmented between the social and health care sector, as well as between the state and local municipalities. The fragmentation is multidimensional, existing at financial, organisational, professional and policy levels.

Responsibilities of LTC provision are divided between the health care and welfare systems:

- The health care system provides nursing care, geriatric assessment services and nursing care at home. Healthcare services are under the responsibility of the Estonian Health Insurance Fund and are thus centrally financed through an earmarked social payroll tax.
- The welfare system provides LTC in elderly care homes, day care services, home care and other personal care and social services, and cash benefits. These services are mainly organised by local governments and financed primarily through local government taxes with limited equalisation payments from the state<sup>5</sup>, and also by the service users and/or their families. Social rehabilitation, technical aids and special care services and more complex services are organised and financed directly by the state.

The capacity of local government to provide social benefits and services depends to a large extent on available budgetary resources by local governments. Although local authorities are obliged to follow legal obligations in providing LTC services, they have broad powers and a large degree of freedom in defining the service packages, prices and volumes of the services provided. As their capacities to fund and provide services are unequal, access to LTC services depends largely on the residence of the beneficiary.

Hence there is no universal comprehensive LTC organisation and financing scheme that treats people equally in Estonia. Furthermore, the fragmentation in service organisation often leads to a lack of coordination between the two sectors, despite the overlap in target populations.

### **Unmet need for services**

Despite the Estonian long-term goal to increase the provision of home services and decrease the number of institutional service users<sup>6</sup>, the organisation of LTC and provision of assistance is mostly institutionalised and there is an unmet demand for services supporting independent living at home. The 'Coping of Older People Survey'

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<sup>5</sup> The purpose of the equalisation fund is to unify local governments' budgetary possibilities. The equalisation sum for each local government is calculated separately based on the complex formula that takes into account the population structure, amount of revenues from income tax and many other parameters. In the social sphere, the equalisation fund payments for local governments may be used for the development and provision of welfare services and payment of local government social welfare benefits.

<sup>6</sup> The Estonian Welfare Development Plan 2016-2023 sets the target to increase the proportion of people who receive home based care non-institutional services, which support independent coping at home, and day-and-night institutional care services from 1,4 in 2014 to 2,2 in 2023. For additional information, please see: [https://www.sm.ee/sites/default/files/content-editors/eesmargid\\_ja\\_tegevused/welfare\\_development\\_plan\\_2016-2023.pdf](https://www.sm.ee/sites/default/files/content-editors/eesmargid_ja_tegevused/welfare_development_plan_2016-2023.pdf)



past 24 months due to the need to take care of their family member or a close person<sup>10</sup>.

Informal caregiving rises economic and social costs significantly, including missing tax revenues and the increasing burden on health and social services. A conservative estimate of the opportunity cost of time spent providing informal care in Estonia was 23.9 million EUR in 2015 (confidence interval of 16.0-31.7 million) or ca. 0.12% of GDP<sup>11</sup>. Besides the economic costs, informal care responsibility incurs social costs associated with the psycho-social impact of providing care to sick and disabled family members.

Municipalities tend to devote more resources on support for informal carers (mainly by granting caregiver's allowance) rather than to provide formal home care services, especially for people with more complex care needs (people with dementia, for example).

## 1.2 Financing of LTC

Public spending on LTC in Estonia is lower than in many other EU Member States, leaving most LTC to be financed out of pocket by service users. Public spending on LTC in Estonia formed only 0.9% of GDP in 2016, while for example Austria contributed 1.9%, France 1.7%, Germany and Luxembourg 1.3%, Denmark and Finland 2.5%, Sweden 3.2% and the Netherlands 3.5% of GDP<sup>12</sup>.

Rising LTC needs and costs, fuelled by rapid and unhealthy ageing will exert significant pressure on the public budget in the next decades. The EC Ageing Report (2018) estimates that the public spending on LTC in Estonia will increase to 1.4% of GDP by 2070 while the increase would be much higher for example in Germany (2.5% of GDP), Austria (3.6% of GDP), Sweden (4.9% of GDP) and the Netherlands (6.3% of GDP)<sup>13</sup>. Looking ahead, as Estonian converges to EU norms of living standards and coverage, the state will face pressure to increase LTC spending making fiscal sustainability of LTC a challenge. The World Bank has estimated that if Estonia's living standards converge towards the EU average, LTC is projected to climb to 3.3% of GDP by 2060.

LTC services are financed either by the state (special care services, nursing care), local governments (social welfare services) or paid by out-of-pocket payments by service users. The total budget for LTC services in 2019 was 167 million euro out of which out-of-pocket payments account for 42%, local government expenditure for 30% and the state budget for 28%. Local governments, who provide the majority of LTC services, are free to define their own policy in social LTC service provision, but their capacity to fund and provide services is highly unequal, depending mainly on their tax revenues (that are, in turn, dependent on the number of taxpayers and amounts of taxable incomes) and structure of their population (including the proportion of elderly and people with disabilities). Hence, the composition of expenditure by type of service depends on the demand for specific services, priorities defined by the local governments and availability of resources. However, the latter is challenged by limited municipal budgets. In the interviews carried out by the World Bank (2017), the local representatives admitted that if their services were advertised

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<sup>10</sup> Coping of Older People and the Elderly Survey, Ministry of Social Affairs, 2015, [https://www.sm.ee/sites/default/files/content-editors/Ministeerium\\_kontaktid/Uuringu\\_ja\\_analuusid/Sotsiaalvaldkond/veu2015aruanne\\_tnsemorsapraaxis\\_final.pdf](https://www.sm.ee/sites/default/files/content-editors/Ministeerium_kontaktid/Uuringu_ja_analuusid/Sotsiaalvaldkond/veu2015aruanne_tnsemorsapraaxis_final.pdf)

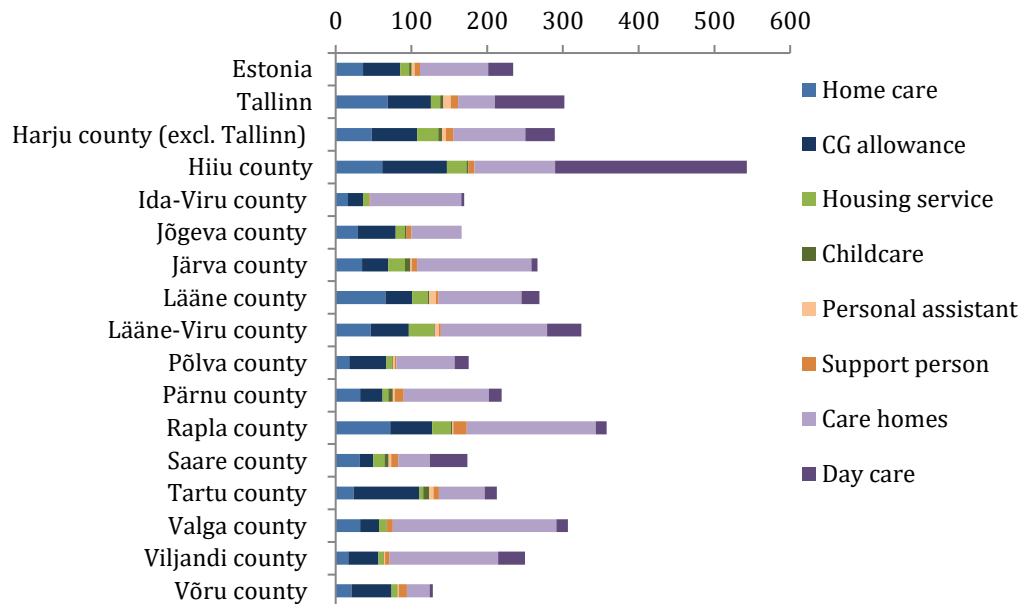
<sup>11</sup> World Bank Group (2017). Reducing the burden of care in Estonia, [https://www.riigikantselei.ee/sites/default/files/content-editors/Failid/hoolduskoormus/estonia\\_ltc\\_report\\_final.pdf](https://www.riigikantselei.ee/sites/default/files/content-editors/Failid/hoolduskoormus/estonia_ltc_report_final.pdf)

<sup>12</sup> [https://ec.europa.eu/info/sites/info/files/economy-finance/ip079\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/ip079_en.pdf)

<sup>13</sup> [https://ec.europa.eu/info/sites/info/files/economy-finance/ip079\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/ip079_en.pdf)

more widely, they would not be able to meet the demand since they cannot overspend their planned LTC budget.

Figure 3. Public social LTC spending by county per one disabled person, in euro<sup>14</sup>



Note: For day care and care homes the expenditure by county was calculated based on facility location and is indicative only.

Source: World Bank staff calculations based on MoSA and Estonia Statistics data, 2014

Service user out-of-pocket payments are required for many social LTC services. Local governments establish the amount of fees that must be covered by the recipient. The Social Welfare Act establishes that the amount of the fee charged for social services shall not restrict the receipt of services, however the local governments do not share a common methodology and out-of-pocket payments can vary between local municipalities.

Most elderly people finance social services from their state funded pension. The most common services for which fees are charged by local governments are elderly care homes, followed by LTC home services and dwelling adjustments. Pensions are often not sufficient to cover the cost of a place in an elderly care home, so usage is determined by the income level of the elderly and of their relatives. The usage of LTC home services increases year by year, and from 2009 to 2014 the number of clients grew by a third. While public expenditure on this service during this five-year period increased by only 10.9%, the out-of-pocket spending went up by 62.0%, comprising 71.9% of the total expenditure. At the moment, the increase in spending is estimated at approximately 80%, compared to 2014 figures.

The Estonian legislation considers that the primary responsibility to provide assistance to family members in need lies with the family. According to the Family Law Act, adult ascendants and descendants related in the first and second degree are required to provide maintenance cost to their relatives in need<sup>15</sup>. The scope on maintenance cost

<sup>14</sup> The number of persons with the official disability status is very small in Hiiu county – only 679 persons in 2014 (Estonia Statistics data). Therefore, the indicators calculated per one disabled person are relatively high there.

CG means Care Givers allowance – provided by local municipalities to informal care givers, the amount depends on the local government, but is rather symbolic (approximately 20-60 euros per month)

<sup>15</sup> A person is released from the obligation to provide support in so far as he or she is, considering his or her other obligations and financial situation, unable to provide support to another person without damaging his or her own usual standard of living.

shall be determined on the basis of the needs and usual lifestyle of the person requiring of LTC. In practice, local governments interpret the Act differently and therefore in some local governments the access to LTC services may be hindered.

Considering the future needs and expenditure demand, Estonia must explore new financing models for LTC. Experts have suggested that the state has to create a structure and capability for the provision of LTC services. Compared to the current situation, it is necessary to:

1. Increase the provision of services and widen the scope of service users with the aim to deliver services also to persons who currently receive informal care because the LTC services are not developed in their area of residence or do not correspond to the actual needs;
2. Decrease out-of-pocket payments by service users and/or their family members. As LTC services are insufficiently financed by the public sector, access to LTC services increasingly depends on the solvency of service users.

To achieve these goals, it is necessary to establish a comprehensive LTC organisation, where the person's subjective right to assistance is guaranteed, and holistic, coordinated, cost-effective service provision encourages independent living at home for as long as possible. The new LTC organisation should improve the access to services and the overall support systems by decreasing the currently high share of out-of-pocket payments by service users, and thus guarantee better coping for people with care needs and their informal care givers.

The World Bank has estimated that from an equity and efficiency perspective there is limited room for additional public financing for LTC to come from social security and payroll taxes. Further increasing the tax burden on labour would then be distortive and potentially could constrain employment, especially in the case of low-income workers. Financing the expansion of public LTC provision should then come from other general revenue sources.

## 2 The development of the needs-based local government and state partnership model

### Background of the policy measure

In 2016, Estonia started to develop a policy framework for LTC organisation, including ways to finance LTC. A special high-level task force was assembled at the Government Office from 2016 to 2017 with the aim to analyse the LTC organisation in Estonia<sup>16</sup>, develop general policy guidelines and propose solutions to decrease the care burden. The task force concluded that LTC organisation in Estonia could be improved by offering high-quality integrated social and health care services at both a state and local level, according to actual needs<sup>17</sup>.

In addition to complex policy proposals, immediate measures to alleviate the care burden were approved by the Cabinet of Ministers in September 2017. The measures, with the total budget of 16.4 million euro, included:

1. The introduction of day and weekly residential care for adults with excessive care needs;
2. The establishment of a Dementia Competence Centre<sup>18</sup>, facilitating the adaptation and establishment of places in care homes according to the needs of people with dementia and the establishment of care homes for people with complex care needs;
3. Piloting of care coordination;
4. Introduction of leave for relatives of up to five working days for caring for an adult with disabilities<sup>19</sup>.

First proposals about the reorganisation of the Estonian LTC system were approved by the Cabinet of Ministers in December 2018. With the Cabinet's decision, the Ministry of Finance and Ministry of Social Affairs were tasked to elaborate LTC financing schemes and apply for the additional funding from the state budget accordingly.

The Ministry of Social Affairs started the preparations for the elaboration of LTC financing schemes at the beginning of 2019. In close cooperation with social partners and stakeholders, three possible LTC management and financing models were submitted to the Cabinet of Ministers for decision.

In January 2020, the Cabinet of Ministers decided between three fundamental choices:

1. A needs-based local government and state partnership model, which is the current financing model that relies on payments by service users, with the new guarantee that a certain living standard will be established. The state will give additional funds for municipalities to provide LTC at local level via a mandatory earmarked grant. Local municipalities are responsible for co-financing LTC provision by matching state grants and funds with the same amount. As a result, the local government and state partnership will increase.
2. A solidarity-based care insurance model, where the need for LTC is differentiated and services are financed through a LTC insurance fund which is

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<sup>16</sup> For additional information, please see the World Bank Group analysis on reducing the burden of care in Estonia (2017), [https://www.riigikantselei.ee/sites/default/files/content-editors/Failid/hoolduskoormus/estonia\\_ltc\\_report\\_final.pdf](https://www.riigikantselei.ee/sites/default/files/content-editors/Failid/hoolduskoormus/estonia_ltc_report_final.pdf)

<sup>17</sup> For additional information, please see the Task Force's final report (only in Estonian): [https://www.riigikantselei.ee/sites/default/files/content-editors/Failid/hoolduskoormus/hoolduskoormuse\\_rakkeruhma\\_lopparuanne.pdf](https://www.riigikantselei.ee/sites/default/files/content-editors/Failid/hoolduskoormus/hoolduskoormuse_rakkeruhma_lopparuanne.pdf)

<sup>18</sup> Please see also the Dementia Competence Centre website: <https://eludementsusega.ee/dementsuse-kompetentsikeskus-2/>

<sup>19</sup> This can be a brother, sister, half-brother or half-sister, the spouse or registered partner of the adult with a profound disability, the guardian of the adult with a profound disability or the caregiver appointed by the local municipality.

financed either by restructuring current general taxes, from a new earmarked tax, by payment from the state budget or a combination of previous variants;

3. A state LTC model, where LTC is organised at national level and financed from the state budget specially allocated each year.

The choice was made by the Cabinet of Ministers to continue with the needs-based local government and state partnership model.

Necessary legislative amendments, including the elaboration of a first Estonian act on long-term care, will be developed during 2020 to 2021 and the new LTC concept is to be implemented from 2022 at the earliest.

### **Principles of the new needs-based local government and state partnership model**

The new model will be based on the same current management structure of LTC – a similar division of tasks between local governments and the state, as well as a division between the health and social sector – but with new wider opportunities:

1. The state will be tasked to develop LTC services that are not possible or reasonable for the local government to develop itself, primarily due to the specifics of the services or the small target group.
2. A list of services that the state develops and provides on a basis of subscription by local governments will be created.
3. An opportunity will be created for local governments to purchase services from the state, but the opportunity to organise these services in co-operation with other local governments will also remain.

The state is taking on a bigger role than before by supporting and empowering local governments to provide LTC services. For example, a common voluntary standardised needs assessment tool and methodologies will be developed. Currently, every local government has their own needs-assessment tool which does not involve the same criteria. The absence of a common needs-assessment tool is one of the reasons why LTC services are unequally accessible in Estonia.

In addition, guidance materials will help local governments to develop minimum criteria for LTC service provision. Counselling and training will be made available for local governments and service providers to increase their knowledge and encourage the exchange of good practices about the needs-assessment methodology and practical provision of LTC services. Local governments will be supported in the development of LTC services that aim for independent living at home for as long as possible.

In 2018, Estonia initiated the development of a person-centred coordination model with a focus on people with complex care needs. In the pilot project, that was carried out between August 2018 and July 2019 in six areas<sup>20</sup> of Estonia, a care coordinator linked primary health care services and the social system. In 2020, a two-year long implementation phase will start in eight Estonian regions. In the longer perspective, the aim is to link the financing of LTC with the coordination agreement on local level.

### **New LTC services financing model**

The new LTC financing model will take over the current financing system with needs-based out-of-pocket contributions. However, the new model will establish new financing arrangements.

1. A minimum living standard for service users shall be established. This shall be defined as a monthly amount of income that a person must have after paying

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<sup>20</sup> Care coordination was piloted in Saaremaa (together with Muhu and Ruhnu), Tartu, Rakvere, Tallinn, Tori and Tõrva (together with Otepää and Valga).

for LTC services. Local governments will assess the financial situation of the service user and their family in order to determine their out-of-pocket payment which shall cater for LTC needs, while being low enough to allow for maintaining a certain standard of living. The local government is obliged to guarantee that the amount of out-of-pocket payments shall not jeopardise the fulfilment of LTC needs.

2. In case the service user does not have enough resources to partly or fully cover their LTC service costs, firstly, legal providers in the family and secondly local governments are obliged to assist. The state shall elaborate voluntary guidelines and a methodology for local governments that facilitate the assessment of service users' financial situation, granting their out-of-pocket payments.
3. The state shall grant additional earmarked financial incentives for the organisation of LTC to local governments through a support fund (amount to be decided). The state shall establish requirements to apply and use additional financing, with the most important focus to increase the investment for developing accessible LTC services. Local governments are expected to co-finance the organisation of LTC with at least the same amount.

Experts estimate that the Estonian LTC system needs additional investment of at least 150 million euro to extend the use of LTC services, increase remuneration of the workforce and decrease the share of out-of-pocket payments. Additional financial incentives would increase the public LTC costs from 0.4% to 2-2.5% of GDP and push the system towards higher effectiveness.



### **3 Progress so far**

The foundations for the new LTC organisation are currently being developed and there are no achieved results yet.

In January 2020, the Cabinet of Ministers discussed three alternative proposals for the new organisation of LTC and opted for the needs-based local government and state partnership model. To progress with the LTC reform, the Cabinet of Ministers tasked different ministries with the following:

1. Draft and submit the proposal for a new LTC legislation by the end of 2020 to the Cabinet of Ministers for discussion.
2. Analyse the possibility and impacts to exempt relatives second in the descending line (for example adult grandchildren) from the obligation to pay for their grandparents' LTC services.
3. Elaborate the methodology and propose the minimum living standard, for example, a monthly amount of income that a person must have after paying for LTC services.
4. Analyse the possibility and impact to exempt employers who have set up cost-sharing arrangements between current and former employees, from fringe benefit tax.
5. Analyse the possibility to apply additional income tax exemption to family members who are paying for LTC services.
6. Elaborate the substitutive enforcement system to be implemented in the case a local government or the state does not provide necessary LTC services.
7. Take the need to finance LTC investments into account when planning the Structural Funds implementation plan 2021 to 2027.
8. Follow the need to increase the financing of LTC in the budgetary negotiations with local governments.
9. Analyse the need for qualified workforce and elaborate measures to guarantee the necessary workforce in LTC.
10. Elaborate the detailed implementation plan of the regionally flexible coordination model by the end on 2021.

#### **4 Difficulties and constraints**

As the new LTC management and financing model is currently being developed, difficulties have not occurred yet. However, some possible weaknesses have been identified by the experts:

1. The fragmentation of LTC services between different levels (state and local government) and sectors (health and social) may remain.
2. Differences in LTC services accessibility and quality between local governments may remain.
3. Both state and local government investments in LTC services may not increase up to the amount that is needed for accessible and quality LTC.
4. If this is the case, some local authorities may have difficulties to fund new eligible LTC needs as well as new, more expensive services.

## **5 Success factors and transferability**

As the new LTC management and financing model is currently being developed, success factors have not occurred yet. However, some possible success factors have been identified by the experts:

1. The organisation of LTC services and other assistance will remain at local level and therefore close to service users, thus taking into account local circumstances and specificities. The principle of subsidiarity will remain.
2. There is no need for major rearrangements in LTC service provision.
3. More equal access to LTC services in different local municipalities shall be guaranteed by the newly established possibility to buy more complex services from the state.
4. Targeting of the resources in LTC shall improve via coordination of services.
5. Local governments shall be granted with the possibility to choose most effective services, taking into account service-users' needs and cost-effectiveness of LTC services.
6. A decentralised organisation of LTC services shall increase the effectiveness of LTC services and boost service providers' responsibility in the provision of LTC services.
7. Enables to increase the competition amongst service providers, encourages users and their family members' participation in the service provision and boosts innovation.

## 6 Key findings and conclusions

Relying on the LTC general policy guidelines prepared by the high-level LTC task force in 2016-2017, the World Bank Group analysis on reducing the burden of care in Estonia and the Cabinet of Ministers' previous decisions, the Cabinet of Ministers opted for the needs-based local government and state partnership model in January 2020. Preparations to implement the new model will last from 2020 to 2021 and the implementation starts in 2022 at the earliest.

This needs-based local government and state partnership LTC management and financing model aims at:

1. Increasing the provision of LTC services in order to deliver services also to people who receive informal care by family members because necessary LTC services are not available in their area of residence.
2. Decreasing out-of-pocket payments by service users and/or their family members. As payment for LTC services is the obligation of service users and/or their family members, the accessibility of services depends on their financial capacity.

Although the basis of LTC organisation and financing will remain similar to the current system – on local level which is closest to the people in need and thus can take into account the local circumstances and specificities – the state will take a more supportive role for local governments. The state will:

- develop and offer local governments LTC services that are not possible or reasonable to develop on local level;
- establish a common voluntary standardised needs assessment tool and methodologies and provide necessary guidance and training for local governments;
- grant additional earmarked financial incentives for the organisation of LTC to local governments through a state support fund.

In addition, a minimum living standard, so a specified amount of monthly income that a person must have after paying for LTC services, will be established with the aim to meet LTC needs.

With the new arrangements in LTC provision and financing, it is expected to guarantee a more equal access to LTC services in different local municipalities so that the accessibility to LTC services shall not be dependent on the place of residence. It is also expected that the targeting of LTC resources will improve, as local governments shall be granted with the possibility to develop the most (cost-) effective services themselves and purchase other, for example more complex or less cost-effective services, from the state. It is expected that the decentralised organisation shall support the effectiveness of LTC services and increase competition between service providers and boost innovation.

The necessary legislative arrangements, as well as implementation principles and evaluation criteria will be elaborated during 2020 to 2021 and implemented from 2022 at the earliest. It is expected to increase the financing of LTC at least an additional 150 million euro in order to improve the quality and effectiveness of the LTC services and organisation.

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## **Annexes**

### **Preparatory questions for participants**

In order to prepare the roundtable discussions, participants are kindly asked to prepare written contributions describing their LTC financing schemes and organisation of service provision. The assistive questions for the written contributions are as follows:

#### **What could be sustainable models of long-term care financing in European countries in the context of ageing societies?**

- Has the principle of universalism expired? If yes, what approach should be used instead?
- What could be the key factors that help to guarantee long-term sustainability of long-term care financing? Are there any mistakes to avoid?
- Is there a role to play for private insurance?

#### **How to find a balance between the state, local government and service users' contribution for sustainable long-term care funding?**

- What could be necessary and objective requirements to fund long-term care services (for example being a taxpayer)?
- Are there any requirements that have not been effective in your country? Why?
- How should contribution schemes be built up? Fully or partial self-financing or no self-financing at all? What can be possible parameters for contributions, for example income?

#### **How does marketisation of long-term care affect the financing in your country (for the individual, family, local government and the State)?**

- How to find a balance between the public and private sector? Is there a need for a combined approach or should long-term care service provision be solely private or public?
- What are the risks and possibilities if the private for-profit sector provides also long-term care?
- Would the increased involvement of private for-profit service providers improve the sustainability of long-term care financing? If yes, what measures should be taken to support the private sector to enter the care market, especially in countries with smaller population size?
- How to motivate LTC services providers to improve the quality of services? Should persons have a possibility to choose between service providers and if yes, what could be the main preconditions for that possibility?



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