Mutual Learning Services

Peer Review on "Financing Long-Term Care"

Estonia (online event), 22-23 September 2020

Executive Summary

This Peer Review discussed possibilities of sustainable long-term care (LTC) funding within the context of ageing societies across Europe. Participants reflected on the different models to provide LTC (private insurance, social insurance and tax-based models), different cost-sharing arrangements between the state, local governments and individual users and the impact on the marketisation of LTC services on the financing and quality of LTC.

The Peer Review was hosted by the Estonian Ministry of Social Affairs. It brought together government representatives from the host country (Estonia) and seven peer countries (Austria, Bulgaria, France, Malta, Portugal, Slovenia and Spain). In addition, representatives from the European Commission, as well as a thematic expert who put the topic in the wider context of EU policy were also present.

The Peer Review informed the planned Estonian LTC reform. Currently, Estonian municipalities have the freedom and responsibility to define LTC provision locally, and their capacity to fund and provide services depends significantly on their tax revenue, the age structure of the local population and political priorities. This results in differences and problems to access LTC across the country, high out-of-pocket payments by service users and their families and reliance on family caregivers.

The foreseen reform in Estonia will provide more national support to local governments via the possibility to purchase some LTC services from the state and additional earmarked financial incentives for municipalities. In addition, service users and their families will be supported by a set minimum criteria for LTC service provision at local level, a minimum standard of living for service users and better care-coordination between the health and social sector.

Increasing the access to LTC is also in line with Principle 18 of the European Pillar of Social Rights, which establishes that *'Everyone has the right to affordable long-term care services of good quality, in particular home-care and community-based services'*. Moreover, the Peer Review contributed to the SPC's work in the context of the Social Open Method of Coordination, which is structured along the three objectives: access to care, quality of care and long-term sustainability of systems.[1] The event also touched upon the impact of demographic change which has been recently addressed in a report by the European Commission, leading to an upcoming Green Paper on Ageing and Long-term Vision for Rural Areas[2].

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[1] See also here: https://ec.europa.eu/eurostat/web/employment-and-social-inclusion-indicators/social-protection-and-inclusion/health-long-term-care

[2] See also here: https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1056

Key policy messages from the Peer Review can be summarised as follows:

Sustainable long-term care funding

- Ageing populations, a shrinking workforce and wider societal change, such as changing family structures **challenge Member States to fund LTC**, health care and other public services. While current funding for LTC varies significantly across Member States, even in countries with a relatively high level of public LTC expenditure, family care continues to be the most predominant form of care in Europe. In addition, there are also regional differences in terms of LTC organisation and funding in countries like Austria, Estonia or Spain. Especially very rural municipalities with an increasing ageing population are often in need of funding to provide accessible and quality LTC services.
- Sustainable LTC systems and reforms that aim to balance between increasing LTC needs and public funding are often supported by **long-term, wider public debates** around the need to LTC and intergenerational solidarity. This can lead to wider public awareness of the necessity to invest in LTC (similar to an awareness around pensions and the impact of not investing in LTC) and political consensus. These debates however often take years.
- Another general point to address sustainable LTC funding is that policies and reforms should focus on delaying the need for long-term care **through prevention, rehabilitation and healthy ageing**. For example, in Scandinavia, were LTC is mostly provided formally at home, rehabilitation and prevention allows people to perform everyday tasks themselves for as long as possible, such as in the well-known Fredericia model in Denmark[3]. This is also in line with the planned law in France on reforming LTC which aims to prioritise home-care, so that residential care becomes an exception.

Cost sharing with service users

- Family carers (mostly women) are often supported by cash benefits. While these schemes reflect the wish of most service users to stay at home for as long as possible, cash payments need to be carefully balanced with the **potential impact on labour market participation and undeclared work**. However, in some countries or in certain areas cash benefits have been introduced as care services were not available and this is seen as the only way to provide a support to those in need of LTC.
- In all countries, users and/or their families contribute with **out-of-pocket contributions** to co-finance LTC costs, but they vary widely in the size of the co-payments. Whilst out-of-pocket payments aim to contribute to fiscal sustainability and limit moral hazard, they can also result in unmet LTC needs.
- Focusing on residential care, which usually implies higher costs for both the State and individuals, countries have a set of maximum contributions or a minimum amount of income that the service user is guaranteed. Similar to the current foreseen Estonian reform, there are also discussions in Slovenia to **reduce out-of-pocket payments of service users**. The proposed legislation on LTC from August 2020 foresees LTC as a new pillar of social security, which would include 1.47% of social contributions for both employers and employees, if the law is passed.

[3] See also here: https://www.agefriendlyeurope.org/sites/default/files/Life%20Long%20Living_Description%20of%20initiative.pdf

- **Means testing** is used to access publicly funded care and to set co-payments. However, it also may result in unmet needs of service users (especially those who have income/assets to pay and so do not qualify for support, but do not have sufficient resources to fully cover the costs for LTC) and high administrative costs. Here, considering income *and* assets has also the risk for service users to under declare assets and/or not to accumulate assets/savings for later life in order to reduce their contribution. It may also lead to unmet LTC needs, as they wish to keep their assets (e.g. when they live in their own property). As a result, only some countries take assets into account (recently, for example, Austria excluded assets from the means-test in 2018).

Cost sharing arrangements between the State and local governments

- While the decentralisation of LTC has the advantage to plan for and **address local needs**, a number of potential dysfunctionalities were pointed out. In some countries where municipalities or regions are expected to fund partially or totally LTC schemes (e.g. Estonia), the **access to and quality of LTC can vary substantially** as some municipalities differ in terms of their population size, their demographic composition, their infrastructure and their budget (often generated from local tax). Here, the role of the national government was pointed out to adjust local differences by grants or equalisation payments. While equalisation schemes aim to balance different regional or local revenue (such as in Austria, France or Spain), it was pointed out that the allocation of funds should take into account wider age- or morbidity-adjusted indicators.
- In order to address regional inequalities, the Estonian reform aims to **incentivise municipalities to improve their provision of LTC services**. One example to do so is the Austrian LTC fund which aimed to improve home-based care. This fund is financed by the federal government (two thirds) and by the regions and municipalities (one third) and contributed to enhance common standards in LTC provision.
- **Transparency** might suffer with decentralisation. In Austria, for example, the regions have different systems for LTC provision resulting in different definitions, which makes comparisons across regions complicated and hinders a regulation of the sector at national level. The proposed law on LTC in Slovenia aims at recentralising the system to avoid fragmentation and to increase transparency.
- The Estonian reform also envisages a **better coordination of LTC services** that are governed under the health and social welfare system. This is an important aspect in terms of fiscal sustainability, effective service provision and quality LTC. The responsibility for community-based and institutional care needs to be coordinated or governed by one Ministry, so there are no incentives to cost-shifting. In Slovenia, the planned legislation on LTC foresees the establishment of the care coordinator to ensure services based on the service users' needs.

Impact of marketisation on long-term care quality

- In general, the provision of LTC by public and private providers, can contribute to competition which ideally impacts on the **quality of LTC** and gives the service user a **wider choice of services** (for example, private providers can offer additional services to public LTC services that individuals can choose from, if they can afford it). They can also help to fill in gaps of service provision. For example, in Malta, private-public partnerships with private service providers to administer government-owned homes aims to guarantee places for very frail and vulnerable groups.
- However, without efficient quality criteria, there is the risk that private providers are contracted based on the **lowest price** or on quality criteria that are not

relevant. Moreover, prices established by private operators may not be affordable for everyone, especially those who find themselves in precarious financial situations. In addition, private operators may avoid certain geographical areas (for example, rural areas) or clients (those with more complex needs, such as those with dementia), so this does not necessarily improve the access to LTC services.

- Here, an important role of the national level is to set **common quality standards** applicable to LTC private, non-for-profit and/or public providers and to set up monitoring schemes. In Bulgaria, for example, a new regulatory agency was set up for registering and regulating private and public providers.
- Here, quality criteria or maximum prices can be used as criteria in **public procurement**. Municipalities could adapt these criteria based on local needs, but often also need capacity building in effective procurement processes.