Reforming long-term care: Recent lessons from other countries

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Following publication of a Green Paper in July 2009, the Department of Health is consulting on options for the future organisation and funding of adult social care in England. The experiences of other countries can help inform policy development in England. This study examined recent reforms and current debates about adult social care in five developed societies: Germany, Netherlands, Denmark, Australia and Japan.

Key findings

- All five countries are actively negotiating on-going balances between the growing demand for care, particularly because of population ageing, and political and economic constraints on welfare spending.
- Only Australia has significantly shifted the balance of responsibility for funding care for older people from the state to the individual. The other four countries have retained clear principles of universal provision for everyone, whether younger or older disabled people, above a given level of need for support.
- Modest increases in income-related contributions to social insurance schemes appear politically feasible. Other strategies for maintaining universal approaches in the face of increasing demand include: reducing public funding for domiciliary (home help) services; requiring relatives to provide care for the first few months of disability; and altering reimbursement structures for service providers.
- Even in federal systems, successful management of long-term care budgets is helped by central government taking a clear lead role, and by single funding streams that are separate from acute health care.
- In all five countries, governments, municipalities or insurance funds remain the major purchasers of services. However, introducing quasi-market mechanisms that increase competition between providers and offer users more choice is common in many reforms. Although these reforms aim to encourage new service providers to compete alongside traditional providers, they are not always effective in stimulating a comprehensive range of service options.
- Policies relating to family carers are integral to comprehensive strategies for long-term care.

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Background

Following publication of a Green Paper in July 2009, the English Department of Health is consulting on proposals for reform of the funding and organisation of adult social care. The Green Paper proposals were required to:

- promote independence, well-being and choice
- be consistent with principles of progressive universalism
- be affordable to taxpayers and those needing care.

Despite differences in the funding and organisation of services, valuable lessons – both positive and negative – can be learned from the experiences of funding and service delivery arrangements in other countries.

This study aimed to:

- describe the key features of social care funding and service delivery in a small number of purposively-selected countries
- examine current reforms and debates in arrangements for funding and service delivery in these countries
- discuss the implications and lessons for reform in England.

Recent reforms in Germany, Netherlands, Denmark, Australia and Japan were examined, with a focus on three particular issues (see Box 1).

Key recent developments

- **Germany** has seen the first major structural reforms of its long-term care insurance scheme since the scheme's introduction in 1994. A growing gap between the capped insurance benefits and the actual costs of care, and deficits in the insurance funds themselves, together led to increases in levels of both contributions and benefits in 2008. Measures to support family carers have also been strengthened. Further increases in benefit levels are planned; however, the insurance scheme is likely to be in deficit again by 2015.
- The **Netherlands'** social insurance scheme has also faced growing financial pressures. Insurance contributions and additional charges for services have been increased. The social insurance scheme no longer funds domestic help; this is now the responsibility of local municipalities, thus risking fragmentation between practical help and personal and nursing care. The responsibilities of families for supporting sick and disabled relatives have also been spelt out. Changes in assessment practices and in methods of calculating payments to providers for individually tailored service packages have also been made, in further attempts to increase sustainability.
- Home help and nursing services in **Denmark** remain funded from taxation and until recently have all been provided by municipalities. However since 2002 policies have promoted the 'free choice' of service provider, first in relation to domestic help and subsequently for personal care. The aim has been to encourage new, independent service providers to compete with municipal services. Despite initial scepticism, choice of provider has become more highly valued by users, particularly for domestic help; municipal services remain more popular for personal care.
- **Australian** reforms over the last decade have aimed to transfer substantial responsibility for funding residential care for older people from the government to individual users. Debates continue about further shifts in Commonwealth government responsibilities from universal coverage to a residual safety-net. User charges for

Box 1
Issues of interest in recent reforms

- How have other countries addressed the challenge of ensuring that arrangements for funding social care are economically and politically sustainable?
- How effective are quasi-market mechanisms in generating an extensive range of quality, responsive services; and which particular market mechanisms appear to work best?
- How far have recent reforms treated older and younger disabled people equitably or sought to reduce previous inequalities?

community-based services have increased and for-profit providers have been allowed to compete with voluntary organisations to provide publicly-funded services. Current policy priorities are to improve the levels and quality of support for younger disabled people, for whom services have been seriously under-funded and much provision is inappropriate.

- **Japan's** long-term care insurance scheme, primarily covering older people, provides services rather than cash payments, but with opportunities for choice between providers. Levels of demand on the scheme have increased as more eligible people take up their full entitlement. Since 2000 there have been some cuts in the levels and range of services funded by the insurance scheme; these have helped to limit the size of increases in contributions up to 2012. Current debates include whether insurance should cover domestic help; and the inequalities caused by the exclusion of most disabled under-65s from insurance benefits.

Discussion

These countries were the focus of study because of their unique features or recent developments of interest. It is therefore not easy to identify common themes or trends. Despite this diversity, all are negotiating new balances between growing a demand for care (primarily through population ageing) and constraints on welfare spending. Most have retained principles of universal provision for all those above a given level of disability, regardless of income. However, the types of support have been limited, with domestic help most likely to be removed from the coverage of universal schemes. Only Australia has significantly shifted the balance from collective to individual responsibility, by reducing state-funded support to middle and higher income older people in residential care.

Apart from Denmark, in the other countries central government plays a lead role in controlling the generation and spending of resources for care; this may make it easier to balance demand and expenditure. In all the countries, resources for long-term care are also combined into a single funding stream, separate from acute health budgets – a further factor helping to constrain expenditure. Recent increases in insurance contributions in Germany and Japan may have been helped politically by the principles of universality and by the lead role of central government in legitimating spending in this welfare sector.

All five countries use quasi-markets to stimulate competition between providers and offer choice to service users, but evidence of their effectiveness in generating a greater range of responsive, quality services is limited, even when municipalities or insurance funds are the main purchasers. Experiences of personal budgets, where individuals act as purchasers, are limited; where such payments can be used to pay family carers, incentives to encourage formal service developments may be reduced further.

Although most pressure for reform arises from growing numbers of older people, equity between younger and older disabled people is a feature in most of the five countries. In some countries, policies for informal carers are integral to long-term care reforms.

Policy implications

Drawing on these experiences, the following principles for the reform of care and support in England can be suggested:

- A single, integrated funding stream for long-term care is easier to manage and sustain than multiple, fragmented funding streams.
- Central government has a major role to play in generating and managing

resources for care; setting clear eligibility criteria; and sustaining political support for an area of public spending that will come under increasing pressure over coming decades. Local government has an important role to play in conducting assessments and ensuring an appropriate range of services is available.

- Income-related insurance contributions appear to be a politically acceptable and progressive way of raising revenue. Additional revenue can be generated from income-related charges for at least some services. Political acceptability may be enhanced by the inclusiveness of universal schemes, in which all contributors have a stake as potential beneficiaries.
- It is feasible to design systems in which older and younger disabled people enjoy the same entitlements and benefits. As Australia and Japan show, age-related differences in long-term care policy and provision may generate new pressures and problems in the future. However, universal eligibility criteria need to reflect appropriately the help needed by people with cognitive impairments.
- The impact of service users as purchasers of services may be of limited effectiveness as a market mechanism for increasing the range, volume and quality of services. Additional incentives, such as differential reimbursement packages, voucher arrangements and the widespread involvement of proxy-purchasers such as care managers may also be needed.
- Benefits in the form of cash payments are likely to encourage or support informal care-giving, but additional social protection measures for carers are also required. Benefits in the form of cash payments may also create new difficulties in guaranteeing quality employment for carers and quality care for those who need it.

Methods

The study focused on a small number of purposively selected countries. Criteria used to select countries included:

- active debates and/or reforms in arrangements for funding and/or delivering social care support
- experience of cash- or voucher-based approaches to social care support
- the availability of English-speaking expert informants who could provide information on these issues.

Following consultation with the Department of Health, Germany, Netherlands, Denmark, Australia and Japan were included in the study.

A recent literature search had already yielded up-to-date publications on developments in and across European countries. The study sought other recently published material, including conference papers and presentations, themed books and academic commentary.

Additional information was obtained through collaboration with expert informants in each selected country. These were academics or policy analysts with expertise in the funding and organisation of adult social care. For each informant, a list of key issues and questions was prepared. These were shaped by the overarching aims of the study, but 'customised' for each country in order to fill in gaps in available published material and cover the issues of particular interest for this study.

Summaries of current arrangements, recent reforms and current debates in each country were prepared and then sent back to the expert informant so that facts, emphasis and omissions could be checked.

Further information

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