Elderly Care System Development Forum

A Case Study of Yichang City and International Experience Exchange
26–28 September 2022

Long-term Care Insurance Pilot Experiences in China

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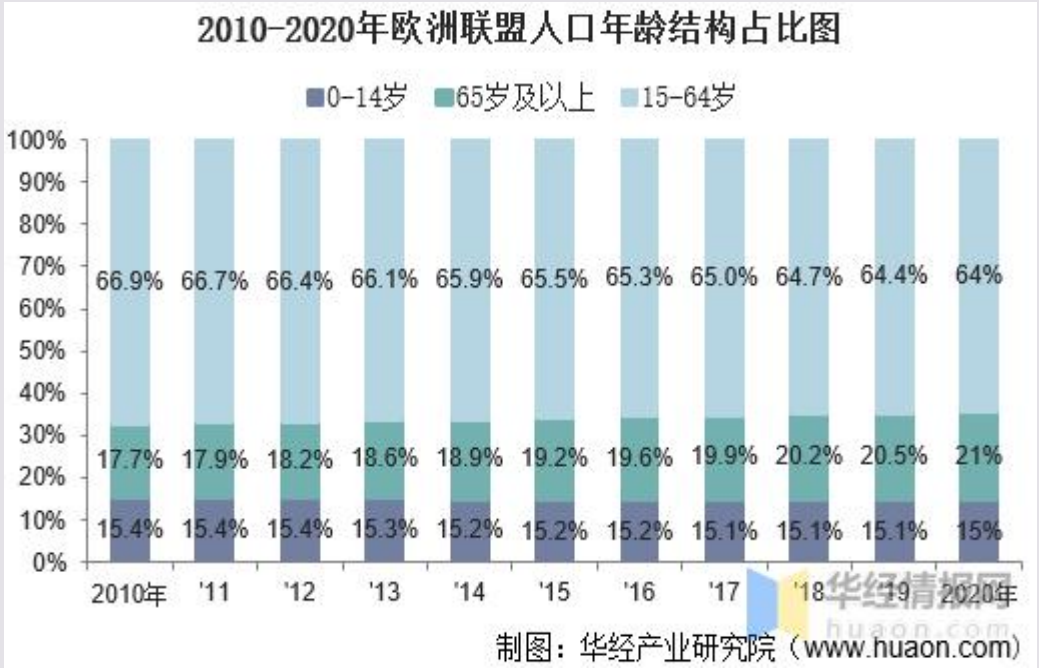
Table 1. China's Population and its age instruction for 2012-2021

Year	Population (in billion)	Age 0-14	Age 15-64	Age ≥ 65
2012	1.359	16.50%	74.10%	9.40%
2013	1.367	16.40%	73.90%	9.70%
2014	1.376	16.50%	73.40%	10.10%
2015	1.383	16.50%	73.00%	10.50%
2016	1.392	16.70%	72.50%	10.80%
2017	1.4	16.80%	71.80%	11.40%
2018	1.405	16.90%	71.20%	11.90%
2019	1.41	16.80%	70.60%	12.60%
2020	1.412	17.90%	68.60%	13.50%
2021	1.413	17.50%	68.30%	14.20%



I. Pilot of China's Long-term Care Insurance System

In June 2016, the Ministry of Human Resources and Social Security unveiled the *Guiding Opinions on Launching the Pilot of Long-term Care Insurance System* (Ren She Ting Fa [2016] No. 80), which put forward:

Pilot Basis

- "In accordance with the spirit of the Fifth Plenary Session of the 18th CPC Central Committee and the tasks and arrangements of the Outline of the 13th Five-Year Plan, we will carry out pilots of a long-term care insurance system.

Pilot Target

- We will explore the establishment of a social insurance system that raises funds by means of social mutual assistance and thus provides funds or services for basic daily care and medical care closely related to the chronically incapacitated persons.
- We will accumulate experience from the pilots of 1-2 years, and pursue basic formation of a policy framework of long-term care insurance systems that is aligned with our socialist market economy system during the 13th Five-Year Plan period

Main Tasks of the Pilot

- We will explore policy systems such as the coverage of long term care insurance, insurance premiums, and benefits payment;
- We will explore standard systems of nursing needs identification and grade assessment and the methods to manage them
- We will explore the methods of service quality evaluation, agreement management and fee settlement for various long-term care service institutions and nursing staff
- We will explore to develop management service standards and operation mechanisms for long-term care insurance

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2020年5月6日

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国家医保局 财政部

关于扩大长期护理保险制度试点的指导意见

医保发〔2020〕37号

各省、自治区、直辖市人民政府，国务院有关部委、直属机构：

探索建立长期护理保险制度，是党中央、国务院为应对人口老龄化、健全社会保障体系作出的一项重要部署。近年来，部分地方积极开展

II. Basic Policy

(iv) Scope of insurance coverage

In the pilot phase, we will start with the population covered by basic medical insurance for employees, and give priority to meeting the basic care needs of people who are severely incapacitated, including the incapacitated elderly and the severely disabled. Localities where conditions permit may gradually expand insurance coverage and adjust the scope of benefits as the system is continuously explored and improved and after taking into full account the factors such as the level of economic development, the capacity to raise funds and the security needs.

(v) Fund-raising

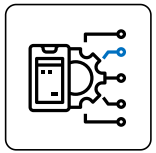
We will seek to establish a multi-channel fund-raising mechanism for mutual assistance and shared responsibility, conduct scientific measurement of basic nursing services and funding needs and reasonably determine the total annual fund-raising amount of the region under coordination. The funds raised are mainly contributed by organizations and individuals according to the same proportion in principle, among which the employer takes the total wage of the workers as its payment base, which can be drawn from the basic medical treatment insurance premium it pays for employees; individuals take their salary income as the payment base, which can be withheld via the individual account. Regions where conditions permit may explore finance and other fund-raising channels and grant appropriate subsidies to the contributions of retired workers in special difficulties. We will establish a dynamic fund-raising adjustment mechanism in line with economic and social development and the level of security.

(vi) Benefits payment

Long-term care insurance funds are primarily used to pay for basic care services provided by compliant institutions and personnel. Those who have received standardized diagnosis and treatment from medical institutions or rehabilitation institutions and been in an incapacitated state for more than 6 months may enjoy relevant benefits as per regulations after being assessed as severely incapacitated persons upon application. Differentiated treatment security policies will be implemented according to different levels of care and service delivery methods, and the use of home- and community-based care services will be encouraged. For nursing service expenses that meet regulations, the payment level of funds will be generally controlled at about 70 percent. We will integrate various policies on the long-term care insurance and the subsidies for the elderly in financial difficulties, subsidies for the incapacitated elderly, and subsidies for the care of the severely disabled.

IV. Organization and Implementation

(x) Expansion of the pilot scope



Pilot cities designated earlier by the Ministry of Human Resources and Social Security and the two key contact provinces, i.e., Jilin and Shandong will continue to carry out pilot programs as per the requirements of this guideline, while other provinces that have not carried out pilot programs may add one new city for the pilot within this year, which will last for two years.. Without the consent of the National Healthcare Security Administration and the Ministry of Finance, local governments are not allowed to expand the scope of pilots on their own.

Expanding the list of cities piloting the long-term care insurance system

i. Originally-designated pilot cities: 15

- Chengde in Hebei Province; Changchun in Jilin Province; Qiqihar in Heilongjiang Province; Shanghai City; Nantong and Suzhou in Jiangsu Province; Ningbo in Zhejiang Province, Anqing in Anhui Province, Shangrao in Jiangxi Province, Qingdao in Shandong Province, Jingmen in Hubei Province, Guangzhou in Guangdong Province, Chongqing City, Chengdu in Sichuan Province, and Shihezi in Xinjiang Production and Construction Corps
- Pilots cities in the two key contact provinces, i.e., Jilin province and Shandong province

ii. Newly-added pilot cities: 14

- Shijingshan District in Beijing; Tianjin City; Jincheng in Shanxi Province; Hohhot in Inner Mongolia Autonomous Region; Panjin in Liaoning Province; Fuzhou in Fujian Province; Kaifeng in Henan Province; Xiangtan in Hunan Province; Nanning in Guangxi Zhuang Autonomous Region; Bouyei and Miao Autonomous Prefecture in the southwest of Guizhou Province; Kunming in Yunnan Province; Hanzhong in Shaanxi Province; Gannan Tibetan Autonomous Prefecture in Gansu Province; and Urumqi in the Xinjiang Uygur Autonomous Region

II. Analysis of Problems Needing Attention in Current Pilots

(i) Chinese name of the system:

The English name of this system is “long term care insurance”, which is known as “长期介护保险” in Japan and used to be translated as “长期护理保险” in mainland China. Its Chinese name translated is not appropriate and the proper translation should be “长期照护保险”. In the past few years, there is a lot of discussion about this in academia and practice. The problem is that the word “care” is translated into “护理” by people with no medical background. “护理” (nursing in English) is a branch of the medical system, which is equivalent to “medical care” (paid by medical insurance). Its meaning is clear and excludes general life care; the long-term care system, which has been established in most developed countries in the world and is being piloted in China, is designed to provide life care mainly for the incapacitated, including some basic care. So “care” here should be translated into “照护” or “照护服务”.

Recommendations

It is recommended that future official documents use the correct term “长期照护保险” instead of the original term “长期护理保险”.

(ii) In the part of **"Scope of insurance coverage",** the *Draft Opinions on Expanding the Pilot Program* proposed that,

In the part of "Scope of insurance coverage", the *Draft Opinions on Expanding the Pilot Program* restated that, "in the pilot phase, we will start with the population covered by basic medical insurance for employees". As noted earlier, this policy positioning is problematic. It is **challenging** to establish a social insurance system that covers various risks exposed to all urban and rural citizens by region, which is also **the core of this system.**

(iii) In the part of **"Fund raising",** the *Draft Opinions on Expanding the Pilot Program* proposed that,

In the part of **"Fund raising",** the *Draft Opinions on Expanding the Pilot Program* proposed that, "the funds raised are mainly contributed by organizations and individuals according to the same proportion in principle". This provision reflects a step forward in the system. Compared with the international community, in China, the fund-raising responsibility of the medical insurance for urban workers basically lies in the employer, with the contribution ratio between the employer and the individual at 6-10:2, which varies greatly from the 1:1 ratio of the international community. Of course, the *Draft Opinions on Expanding the Pilot Program* proposed this under two backgrounds: First, in reality, the social security burden on Chinese enterprises is already too heavy, and the central government has previously proposed to ease their social security burdens; second, due to relatively fewer people and lower service costs, long-term care insurance has imposed less financing pressure.

(iv) In the part of **"Benefits payment",** the *Draft Opinions on Expanding the Pilot Program* proposed that,

In the part of "Benefits payment", the *Draft Opinions on Expanding the Pilot Program* proposed that, "For nursing service expenses that meet regulations, the payment level of funds will be generally controlled at about 70 percent". The reimbursement ratio within the scope of the urban employee medical insurance policy is generally 70 percent, and the international practice is also basically in accordance with the reimbursement proportion of 70 percent, so the long term care insurance system document also makes this provision.

Comparison of long term care services with medical services

(i) Low service costs;
(ii) The extent to which service providers induce services for profit is limited;
(iii) More contents will be incorporated as the system further develops;
(iv) Once incapacitated senior citizens use long term care services, they tend to use them for a long time until they die, with an increasing intensity of care.

Considering the fund-raising problem of the long-term care insurance system, the author thinks it inappropriate to indiscriminately imitate the reimbursement ratio of medical insurance. Though from the public's point of view, the higher the level of welfare, the better for them, the author takes into account the above factors and holds that the 50% reimbursement ratio may be initially adopted to help families that can't afford it to address the cost of long-term care.

Recommendations

At the long initial stage of system development, steady actions will be taken step by step, followed by the period of constant adjustment and adaptation, the period of improvement and eventually the period of stability, forming a cycle. When the welfare level is set high at the beginning, the policy will come to a dead end if the financing level can't be improved accordingly with the expansion of the scope of insurance coverage (especially after urban residents and rural population are covered) and the gradual expansion of the insurance contents in the future.

(v) About “medical and health care integration”

According to the experience in early domestic pilots in Shanghai, Qingdao and other places, it was originally designed to solve the occupation of high-quality medical resources by medical insurance patients after the acute phase of illness and to improve the use of secondary hospitals, community health services, care homes and nursing homes where resources are idle, that is, the extension of “family beds” in history.

- In the past a few years, under the misleading slogan and concept of “medical and health care integration”, for the purpose of obtaining pension subsidies from civil affairs departments, there has been a confusion of hospitals delivering elderly care services and elderly care institutions delivering medical care services. As mentioned above, long-term care services are informal care mainly based on daily care. Hospitals setting up beds for elderly care actually leads to a waste of medical resources, and elderly care institutions’ delivering medical care services lowers the threshold of access to the medical industry, which both lack seriousness.
- The long-term care provided by long term care service institutions is fundamentally different from the acute care provided by medical institutions:

(1) Different purpose and philosophy: Long-term care services are aimed at maintaining bodily functions and slowing down frailty of incapacitated people unable to take care of themselves for a long time and have low medical needs, while focusing on physical and functional rehabilitation as well as people’s psychological and social self-reliance; medical services, on the other hand, provide the diagnosis and treatment of acute diseases with the aim of healing and rehabilitation.

(2) Different service scenarios, facilities, personnel and service costs: Three main scenarios of long-term care: home, community and institution are interrelated instead of being isolated, of which home-based services shall be based on community without operating independently from community resources; long term care services as informal care and medical services as formal care have different requirements on service facilities, personnel and technology, so are their service costs.

(3) Different service contents and service management: Medical services are divided and managed according to the types of diseases; while long term care is managed according to the type of diseases but the status of bodily functions. Whatever causes the disability to require long-term care, it is managed according to the most basic elements such as eating, excretion, mobility and consciousness.

In view of the above differences, the two shall be subject to separate payment by long term care insurance and medical care insurance systems without confusion; Medical institutions especially secondary and tertiary hospitals should not handle long term care services, with the exception of community health service institutions subject to transformation due to flagging business. However, before the transformation, it is necessary to consider whether to retain original functions and continue to strengthen the capacity of primary health services, or to transform into a long term care service provider that no longer handles medical-related businesses.

The fundamental problem of China's medical service system is weak in capacity of primary health services. Although this issue has been listed as one of the key policy goals since the founding of New China, it remains to be solved; if primary health services are forced to provide long term care services instead of original medical and health services, it means that the bottom of the tertiary health service network has been abandoned. Long term care services should be provided through the elderly care service system and household management service system administered by civil affairs departments.

(vi) In the part of **"Handling and management",** the *Draft Opinions on Expanding the Pilot Program* mentioned explicitly that,

"We will introduce social forces to participate in long term care insurance handling services and strengthen the power for handling. The service cost of social forces can be paid either by proportion or fixed amount from the long term care insurance fund based on a consideration of the service population, the institution's operating cost, the work performance and other factors".

When the social medical insurance-related business was previously entrusted to commercial insurance companies, a legal obstacle arose from a clear provision in the *Law of Social Medical Insurance* that, "Social medical insurance funds can only be used to compensate the cost of medical services, so that the cost of entrusting insurance business has to rely on financial funds". The *Draft Opinions on Expanding the Pilot Program* marks a step towards socialized management of social insurance based on international experience.

At the same time, we must be acutely aware that, different from economically developed countries with a high degree of social autonomy and strong non-profit social third-party organizations, a social governance structure with public ownership as the mainstay and private ownership and mixed public-private ownership as supplements has been established in China so far; that is to say, in Chinese society, apart from public institutions, what remains is private institutions, resulting in a lack of non-profit third-party organizations in society. Questions to ponder include: Today in China, can private institutions do what public institutions cannot do well? Which kind of social governance mechanism should we establish?

III. Policy Recommendations for the Future Development of Long Term Care Insurance

(i) Due to a lack of understanding, the government has shown insufficient determination and confidence in the extent and scope of the long term care insurance system.

Guiding Opinions (2016)

According to the *Guiding Opinions,* "We will accumulate experience from the pilots of 1-2 years, and pursue basic formation of a policy framework of long-term care insurance systems that is aligned with our socialist market economy during the 13th Five-Year Plan period". Now the "13th Five-Year Plan" period is about to end, but the pilot goals are far from achieved. Moreover, with the rapid development of aging in China, it has become increasingly urgent to establish such system.

01

Draft Opinions on Expanding the Pilot Program (2020)

According to the *Draft Opinions on Expanding the Pilot Program,* "The pilot will last for two years". "We will pursue basic formation of a policy framework of long-term care insurance systems that is aligned with our socialist market economy during the 14th Five-Year Plan period". The two documents developed in an interval of 4.5 years propose almost exactly the same goals of the pilot. However, the deadline for achieving the goals has been delayed by at least five years.

02

In the part of "Expansion of the pilot scope", the *Draft Opinions on Expanding the Pilot Program* proposed that "Other provinces that have not carried out pilot programs may add one new city for a pilot.……Without the consent of the National Healthcare Security Administration and the Ministry of Finance, local governments are not allowed to expand the scope of pilots on their own". The first global long-term care insurance based on premium emerged in the Netherlands in 1968, with a history of over 50 years from now. International experience and the practice of domestic pioneer areas have proved that, the long-term care insurance system follows a right direction and helps improve the efficiency of capital utilization. Therefore, local governments at all levels should be encouraged to establish systems based on bold pilots, rather than being forbidden. This provision, one the one hand, is beyond the terms of reference of the National Healthcare Security Administration; and on the other hand, is not in line with the law of social development as it fails to start from the basic needs of the whole society.

03

China is a vast country with marked differences in regional economic development and cultural traditions. In light of this, localities should be encouraged to implement the pilots on their own so as to provide a basis for the establishment of a national system, and contribute local experience to the future implementation of a unified national system in the future. It's important that we adjust the "(x) Expansion of the pilot scope" in the *Draft Opinions on Expanding the Pilot Program* and encourage local governments to expand their own trials. In addition to national pilot units already identified, it's suggested to allow local governments to arrange their own pilots in the spirit of national documents on the pilot.

04

(ii) Both documents focus only on urban employees in economically developed areas mainly from the perspective of facilitating the pilot implementation. However, the long-term care burden on underdeveloped areas, especially a large number of rural areas, has been ignored by current policy priorities, intentionally or inadvertently.

01

Problems

In terms of social needs, there is a higher degree of aging in vast rural areas of China, where the lack of care for the incapacitated elderly left behind in rural areas has become a serious social problem that is in urgent need of resolving.

02

Recommendations

Therefore, it's suggested that policies should be subsequently introduced to actively support local exploration into including urban and rural residents, especially rural residents, into the pilot scope.

(iii) The long-term care service system has not yet turned mature, and the institutions and personnel capable of providing qualified services need to be developed.

01 The care industry is underdeveloped

As the care industry was underdeveloped previously, there is a serious shortage of institutions and practitioners; thanks to the implementation of the long term care insurance system, strong fund raising ability of social insurance will be built to provide sufficient funds for the development of the long term care system, so as to raise the level of welfare to the whole society.

02 Service quality needs to be improved

International experience tells us that, practitioners in the long-term care industry with life care as the main content are mostly non-professionals who need to receive care training and guidance as planned. An effective management over the quality of services is also required.

03 A sound policy system needs to be established

At present, the cities where pilots are carried out generally encounter a serious shortage of institutions and teams engaged in long-term care services, and some cities even have a gap in the establishment of the long-term care service system in some cities. To address this, it's urgent to introduce relevant policies to support their development, otherwise the pilot will be difficult to expand. It's suggested that we actively accelerate the development of a long-term care service system, and guide social forces and organizations to engage in long-term care services according to the contents of "Promoting the construction and development of the long-term care service system" in the *Draft Opinions on Expanding the Pilot Program*. We will encourage and support the building of a platform for long-term care service institutions, call on pilot areas to support and cultivate long-term care industry associations, gradually set industry standards through industry self-discipline, and drive healthy development of the industry. We will, based on our full use of supporting policies and funds to promote employment and entrepreneurship and the conversion of old and new policies, encourage people from all walks of life to participate in long-term care services, and provide entry and post subsidies pursuant to regulations. More efforts will be made in the building of care service teams, vocational training will be intensified and more favorable training subsidy policies will be introduced. It's necessary to explore the establishment of a training mechanism and career system for long-term care professionals.

04 Insufficient capital

As we all know, governments at all levels have input a large amount of funds in aging-related fields every year, which are allocated for use through the civil affairs departments. However, there is a serious problem about how well the money has been spent, leading to a waste of valuable public resources. To establish a new long-term care insurance system, how to coordinate the allocation of fiscal funds from local governments with the funds previously used by civil affairs departments to deal with aging has become an issue that local governments don't know how to make breakthroughs. This is because fiscal funds are limited.

05 Unified standards

It's necessary to unify some standards from the state level. For example, the assessment standards for the needs of long-term care services, the contents of long-term care services, the qualification standards of institutions and individuals engaged in long-term care services, as well as the quality standards of long-term care services need to be formulated in a unified way across the country. However, the formulation of these systems needs to be summarized and completed on a gradual basis with the implementation of local practices, which is estimated to be 2-3 years later after the launching of pilot. Prior to this, the localities should explore and innovate boldly in practice and formulate their own systems and mechanisms, so as to lay a solid foundation for the development of unified national standards.

Regarding the reasonable connection between payment methods and service contents, the service quality management system, the informal caregiver training system, the responsibilities of the government and the entrusted institution and other contents in the system operation, it's currently unlikely to unify policies nationwide, which needs to be explored and clarified gradually with the development of practice. We will gradually establish the systems and models that suit China's national conditions based on theoretical research and practical exploration.

Thank you for your time!

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