

# From Local to National: Delivering and Financing Effective Long-term Care

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*Pietrangelo De Biase, OECD Fiscal Federalism Network*



## >> What is long-term care (LTC)?

- Long-term care refers to the **frequent** services provided to people with **chronic** health issues and disabilities to alleviate their suffering and reduce their health deterioration – patients' **quality of life** depends on LTC services



Source: [How To Get Long-Term Care At Home Without Busting The Bank](#) | California Healthline



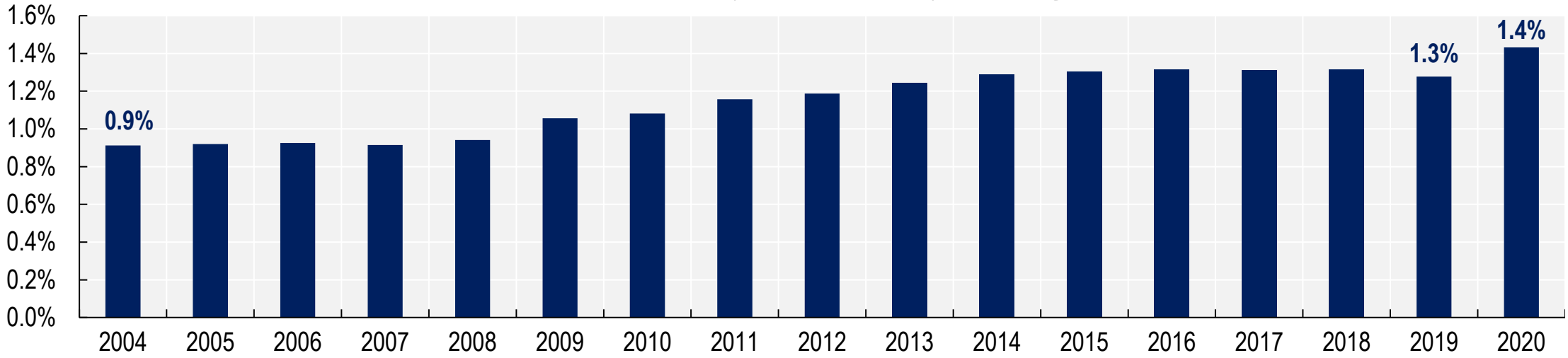
# How is LTC different from Healthcare?

	Aspect	Long-Term Care (LTC)	Healthcare
Objectives	Goal	Maintain or improve quality of life, independence, and daily functioning for individuals needing assistance	Prevent, diagnose, treat, and manage illnesses and injuries to promote health and wellbeing
	Patients	Elderly, individuals with disabilities or chronic conditions	General population, all ages and conditions
	Providers	Nursing homes, assisted living facilities, home care, community-based programs	Hospitals, clinics, doctor's offices, outpatient centers
Means	Personnel	Personal care aides, nursing assistants, home health aides, occupational and physical therapists	Doctors, nurses, therapists, pharmacists, and other medical professionals
	Treatments	Assistance with activities of daily living and supportive care	Diagnosis, treatment, and management of illnesses and injuries
	Costs	Generally lower per service, but can be high over time due to the ongoing nature of care	Can be high for acute episodes, varies greatly depending on treatment and services required
System	Funding	Mix of public and private funding, long-term care insurance, out-of-pocket payments	Public health insurance systems, private insurers, out-of-pocket payments
	Support from Families	Often significant, as families may provide informal care or supplement formal care	Varies, family members may provide emotional and logistical support, but typically less direct involvement in care

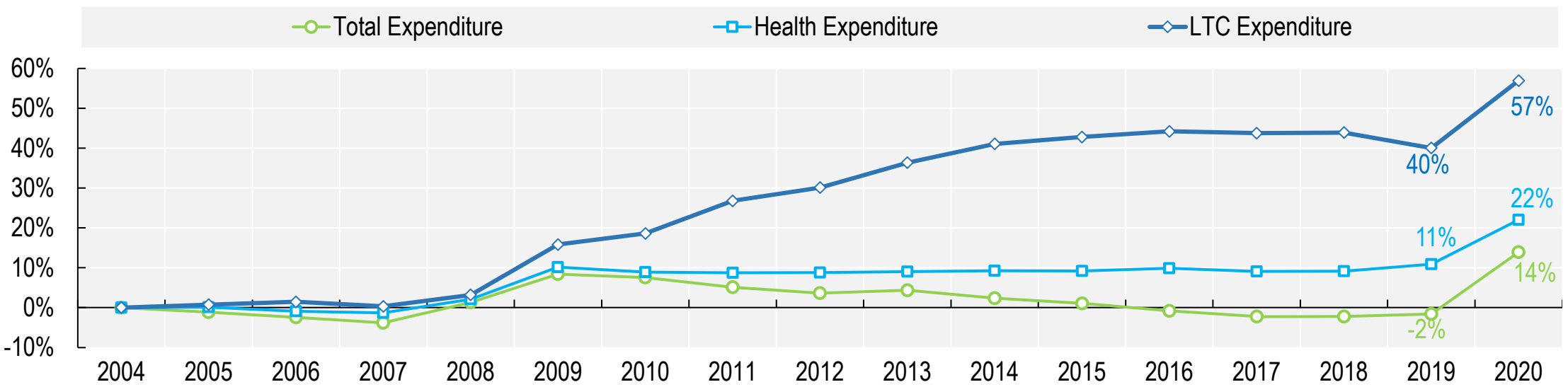


# General government LTC expenditures are growing rapidly, even more than healthcare

## General Government LTC expenditure as a percentage of GDP



## Growth of the Expenditure to GDP ratio since 2004

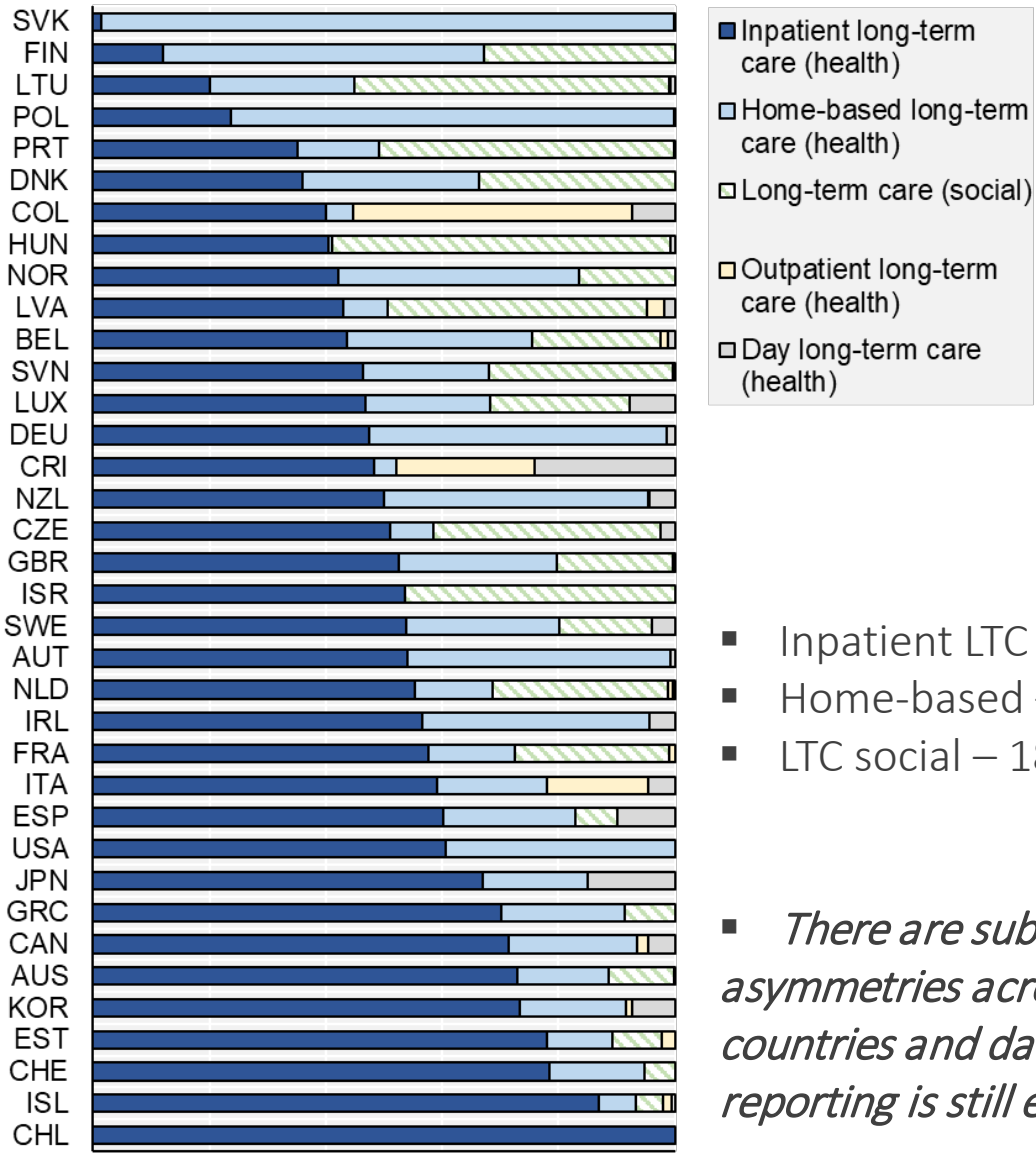


Source: Author based on OECD SNA and SHA.



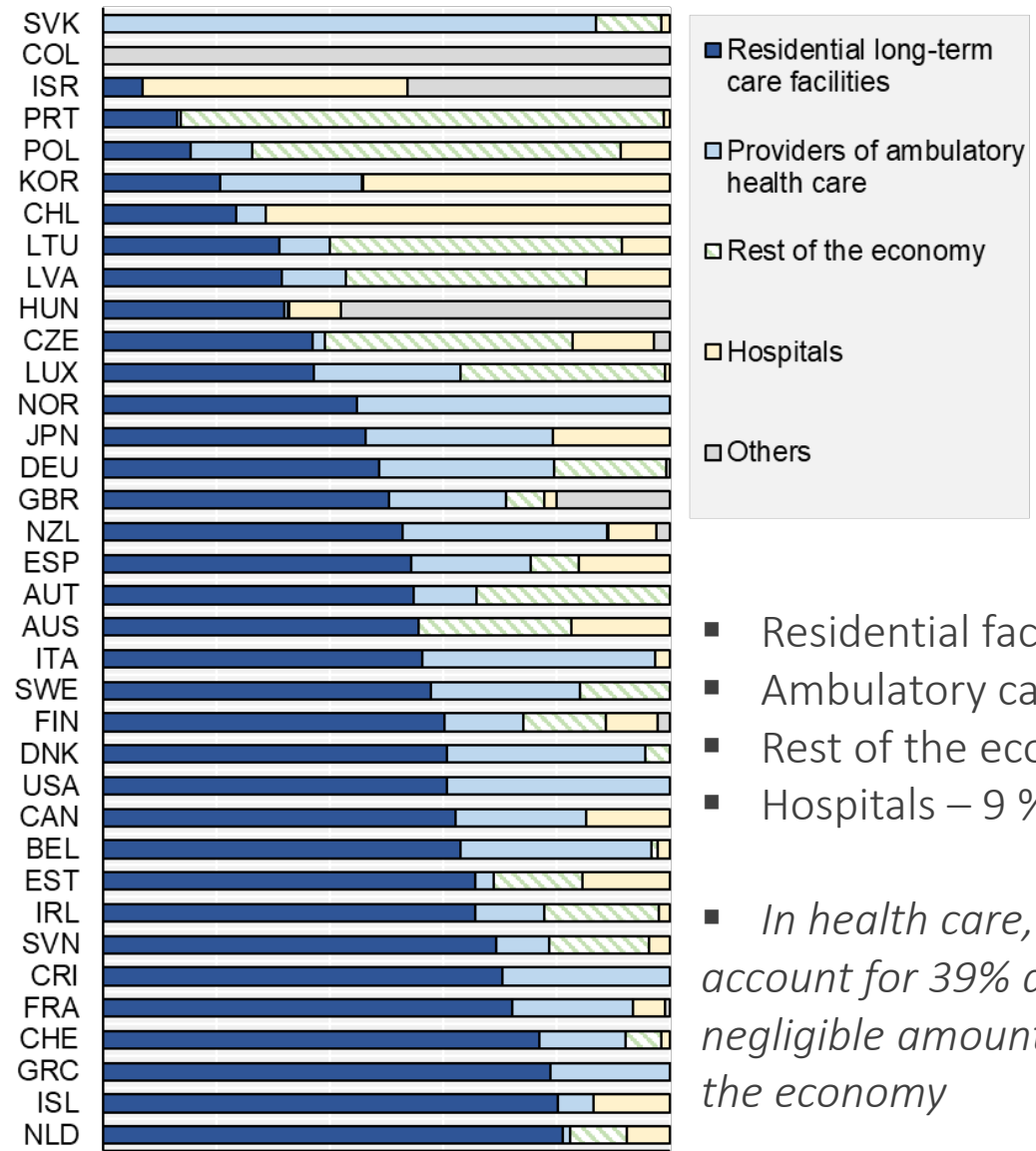
# Total LTC expenditure (public and private) composition by type of expenditure and provider (2021 or 2019)

## Composition by function



- Inpatient LTC – 50%
  - Home-based – 25%
  - LTC social – 18%
- *There are substantial asymmetries across countries and data reporting is still evolving*

## Composition by provider



- Residential facilities – 50%
  - Ambulatory care – 25%
  - Rest of the economy – 15%
  - Hospitals – 9%
- *In health care, hospitals account for 39% and a negligible amount from rest of the economy*

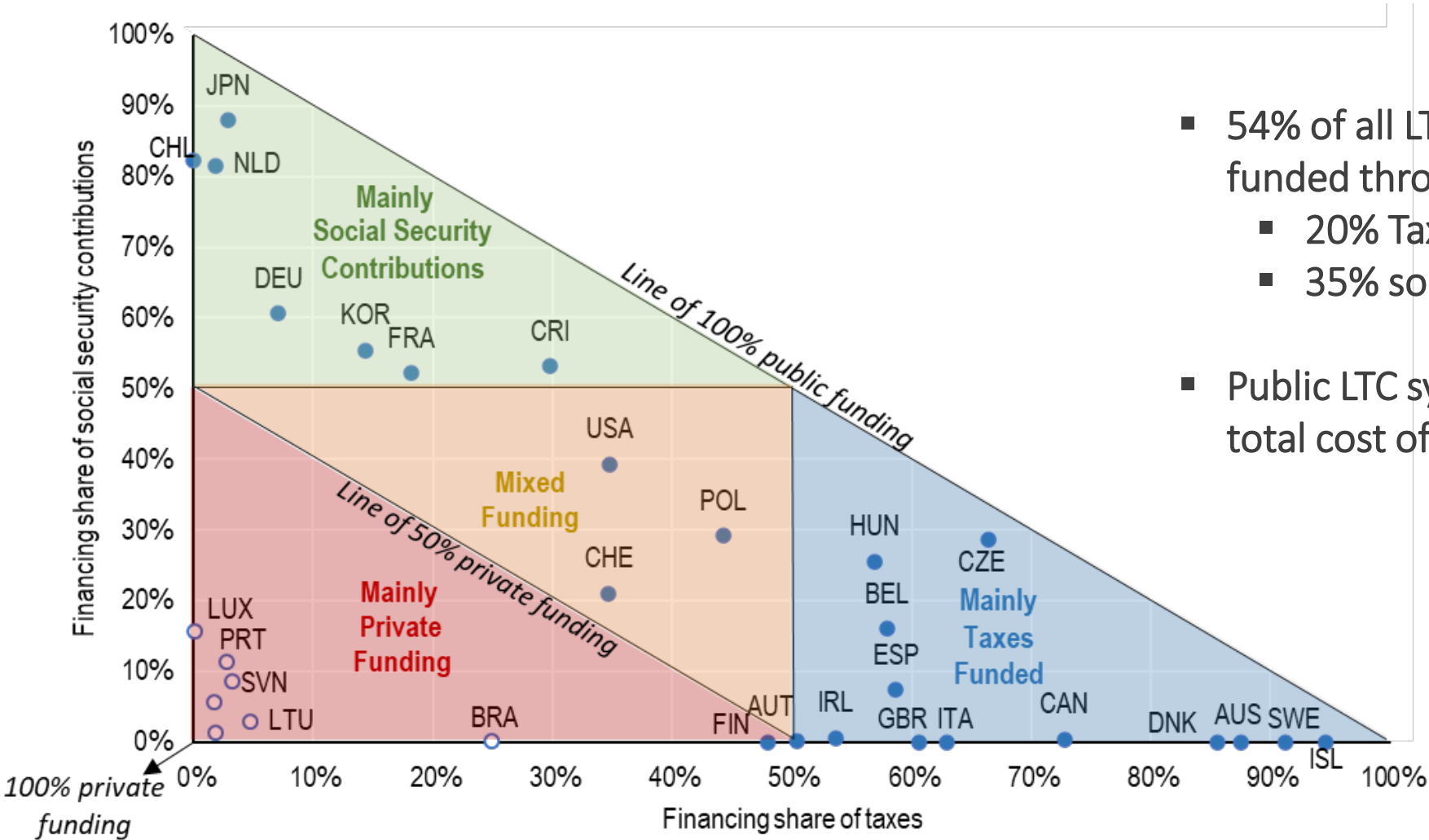
0% 20% 40% 60% 80% 100%

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Source: Author based on OECD SHA.

# OECD countries vary in how they fund their LTC

Funding sources of LTC expenditure in 2019 (pre-COVID-19) in OECD and partner countries

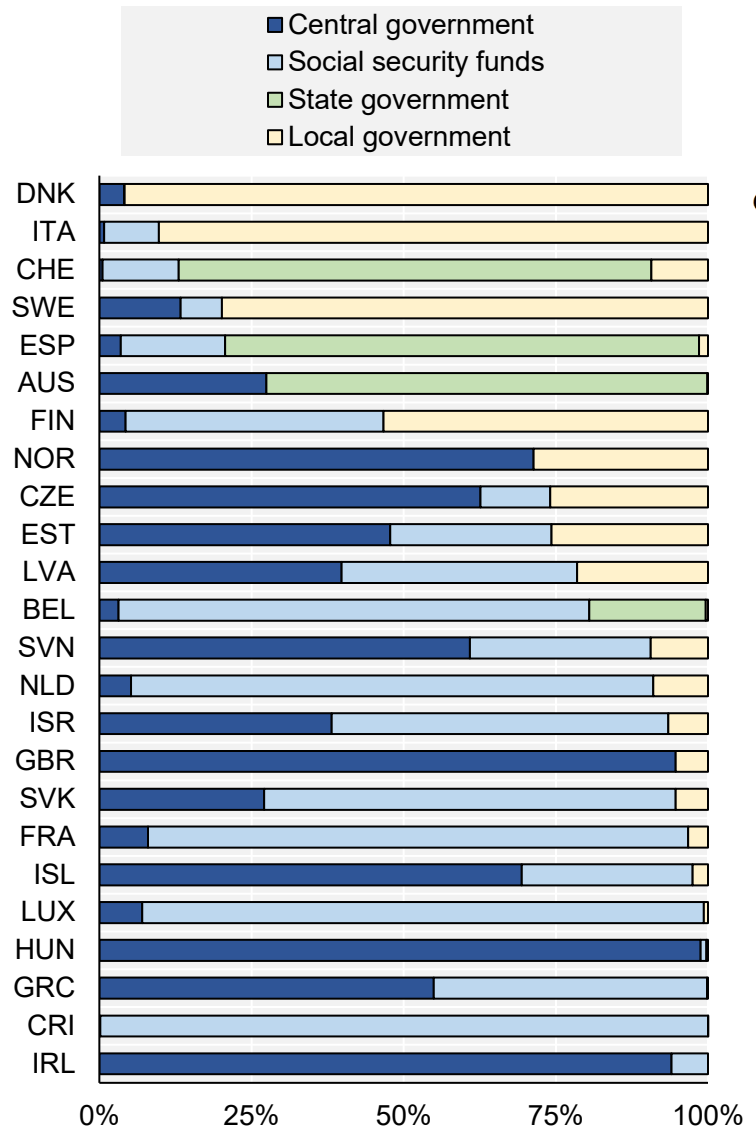


- 54% of all LTC expenditures are publicly funded through taxes
  - 20% Taxes
  - 35% social security contributions
  
- Public LTC systems seldom cover the total cost of LTC

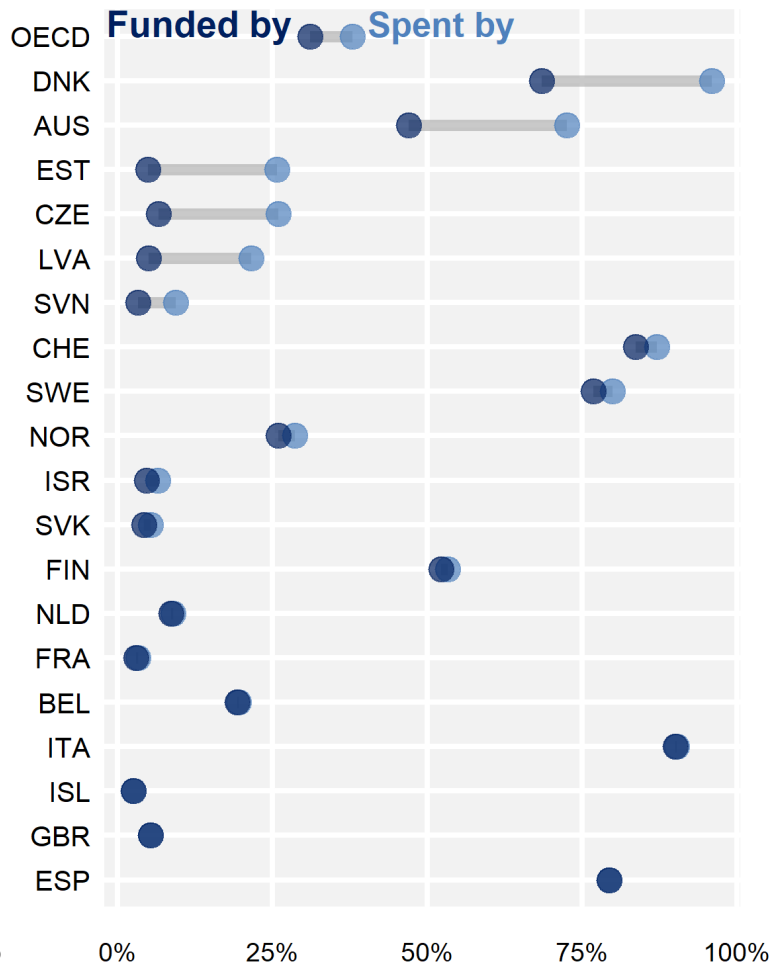


# LTC services decentralisation varies widely across the OECD and cannot be fully captured by LTC expenditures

## % of expenditure across levels of government (2019)



## 'Funded by' SNGs vs. 'Spent by' SNGs approaches



- This is a *first attempt* at harmonisation of LTC expenditures across levels of government
- Based on SHA and COFOG data
- Missing countries
- There are challenges in harmonising LTC expenditures:
  - Asymmetries
  - Reporting gaps
  - Potential underestimations in spending

### What does the data show?

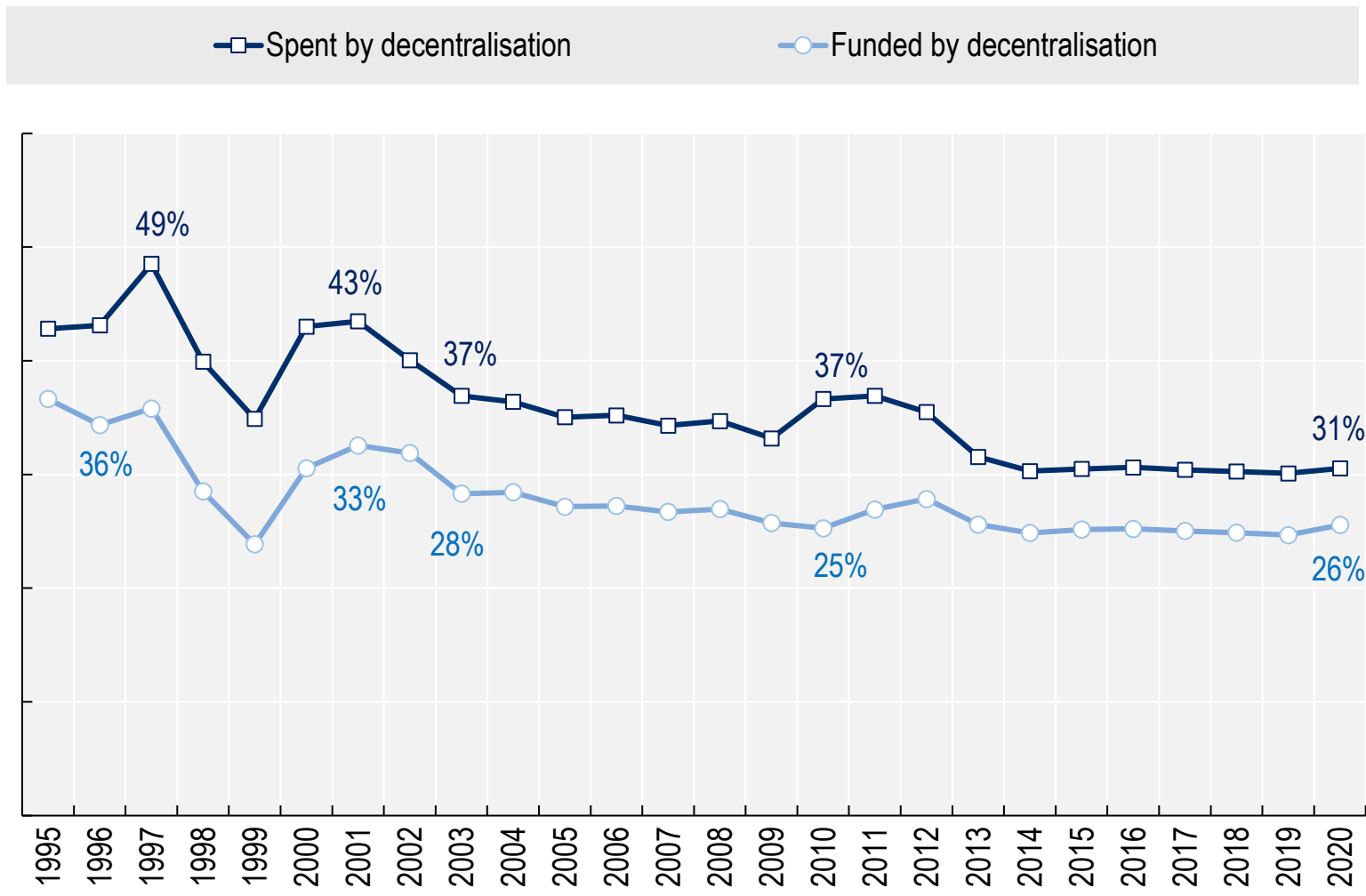
- SNGs expenditures are mostly at the state level when there is such a level
- Average Spent-by decentralisation: 30%
- Average Funded-by decentralisation: 25%

Source: Author based on OECD SNA and SHA.



# Despite a general trend of centralisation of LTC since the 1990s, some countries have recently decentralised LTC



## OECD average “Spent by” decentralisation over time





- At their first conception between the 1970s and 1990s, LTC services were a “residual” policy provided by local and state/regional levels to meet the demand for these services

- Centralisation due to reforms to universalise LTC services

- Examples of centralisation:

- Australia 
- France 

- Examples of decentralisation:

- Belgium 
- The Netherlands 

Source: Author based on OECD SNA and SHA.





# The multi-level governance of LTC systems: expenditure decentralisation is incomplete

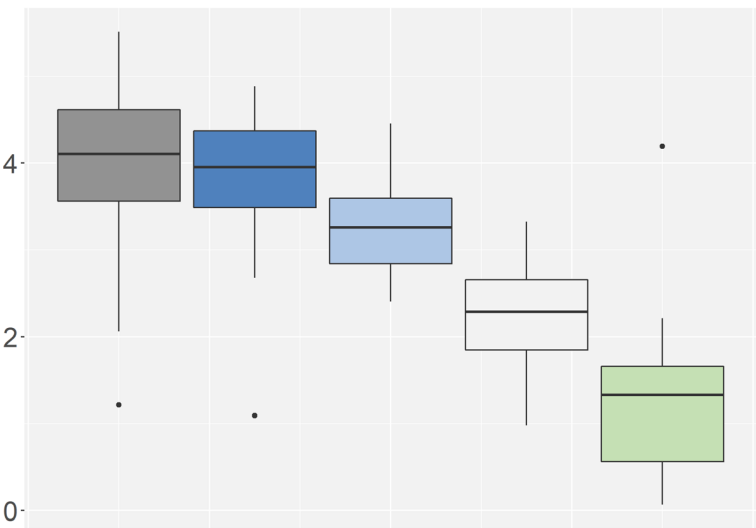
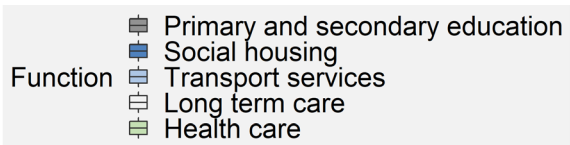
## The four indicators

- Policy autonomy
- Budget autonomy
- Input autonomy
- Output and monitoring autonomy

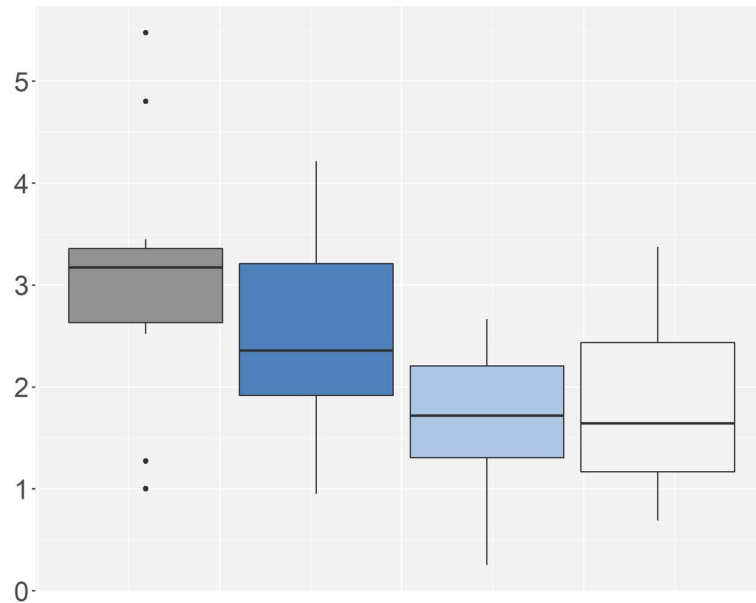
## Main conclusions

- SNGs have more spending power in LTC than in healthcare
- Input and budget are where SNGs have more leeway
- There is a substantial overlap in LTC activities done across levels of government

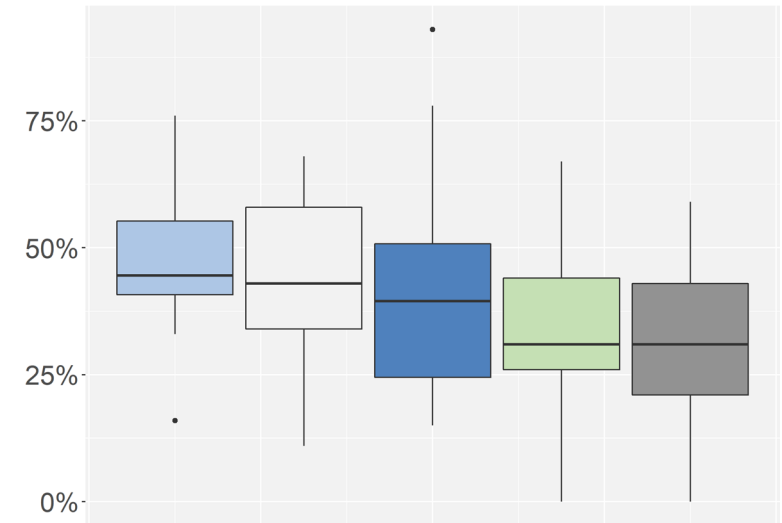
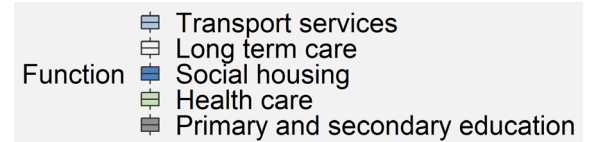
## SNG spending power across government functions



## SNG LTC spending power across dimensions



## Shared responsibilities across levels of government

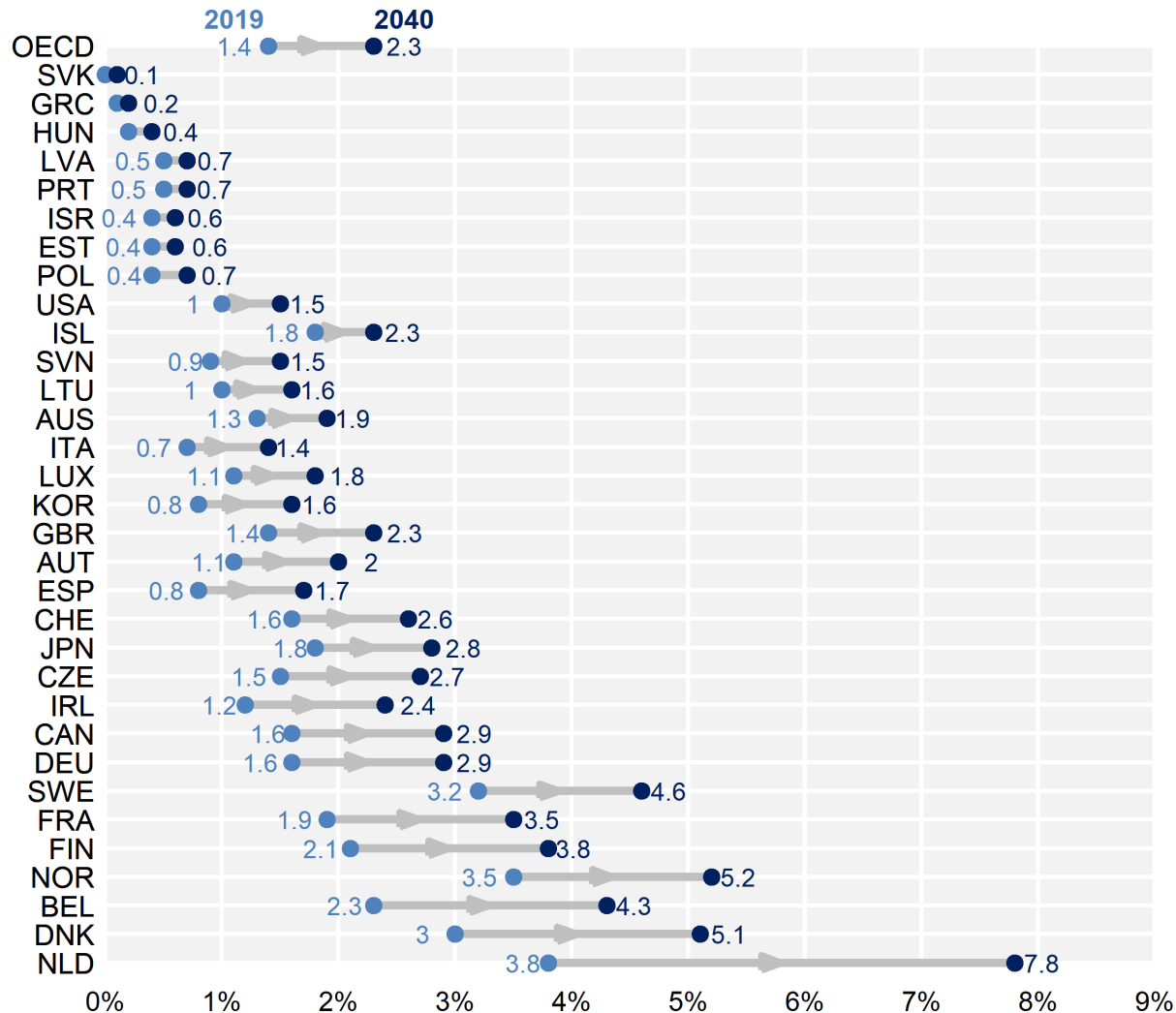




# Looking ahead: LTC spending is projected to increase from 1.4% to 2.3% of GDP by 2040

- Projections are an update of past projections from the OECD Economics Department on LTC expenditure

### GG LTC expenditure as a % of GDP



- Four drivers by their share in the growth rate:
  - Demographic (40%)
  - Income (31%)
  - Supply of informal care workers (23%)
  - Productivity (6%)
- Real annual growth of 4.1%
  - Below the earlier 2004 to 2019 growth rate of 5.2%
- Reforms might reduce the growth of expenditures as many countries are making reforms with that purpose
- The distribution of the burden across levels of government will depend greatly on how LTC expenditure is funded and spent across levels of government



# Main conclusions and questions

## Takeaways

- LTC systems:
  - Differ significantly from health systems
  - Are relatively new and still in development
  - Have substantial multi-level governance elements
  
- LTC expenditure:
  - Was centralised in the past in many OECD countries with the development of universal LTC systems, but decentralised in others
  - Rose fast in the past and are projected to grow fast in the future
  - Will depend greatly on recent and future reforms, with universal care reducing the whole of the rest of the economy

## Questions

- How does the multi-level governance of LTC systems work in your country?
  
- What are the specific roles of SNGs, social security systems and central governments in terms of service delivery and funding?
  
- Do you have forecasts of LTC expenditures? How do they compare to those presented here?