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**Financing Long-term Care in an Ageing Society
The Challenge Facing Ireland**

**Summary
February 2019**

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The Challenge Facing Ireland

Some Facts

- We know that our health and social care system, as currently designed, cannot meet the growing demands for long-term care – we urgently need a better system;
- There are significant waiting times for many primary care services and high levels of unmet need for homecare and other social care services – problems of access are most pronounced at the long-term care end of the spectrum;
- Despite the enormous strides in keeping people healthier for longer, the reality is that there will be growing number of people who may require some level of additional care for a period of 20 years or more of their lives;
- Increased demand for palliative care services and quality end-of life care present new challenges for the health services;
- A sharp and quick rising and ageing population, coupled with increased prevalence of chronic disease and increasing public expectations, will all place extreme pressures on limited resources;
- While Irish families are likely to remain committed to caring for their older relatives, changed demographics may impact on their ability to do so at the same level as before;
- The current approach where people in nursing homes have a legal entitlement to state financial support (the so-called 'Fair Deal') while those living in the community do not is clearly wrong and must be changed;
- Under current financing arrangements, people with specific conditions (e.g., stroke victims) receive free care within the acute hospital system but are subject to significant cost-sharing if they move to a nursing home or are cared for in their own homes. This means people are treated differently because of their care setting;
- Some €15 billion was spent on public health services in Ireland in 2018 and €17 billion will be spent in 2019. These are clearly substantial levels of funding but they will not be enough to deal with future demand;
- Ireland, like many other countries (and especially the UK), needs to urgently address the question of the sustainability of long-term care funding systems.

Long-term care services refer to a broad range of services and assistance to people (in this case older people) who are limited in their ability to function independently, on a daily basis and over an extended period of time, whether living in the community or in nursing homes. The borders between health-care and social-care services are not always clear.

Why we need to discuss the financing of long-term care (LTC) in Ireland

- Ireland can and should aspire to a model of long-term care (e.g. Denmark) where the emphasis is on publicly funded long-term care provided for the most part in community-based settings;
- While the Government is committed to Sláintecare and other policies which aim to incentivise delivery of the right care, in the right place, at the right time, there has been no serious discussion of how this to be funded in the longer-term;
- Demographic changes and population ageing will require growing levels of public expenditure on long-term care;
- Ireland's old-age dependency ratio (the number of retirees as a fraction of the number of workers) is set to double over the coming decades, from 21% at present to a peak of around 46% in the middle of this century. There are currently around 5 persons of working age for each person aged 65 and over; by 2050, it is estimated the figure will be closer to 2;
- There is broad consensus on the need for statutory provision of home care and the Government is currently planning for this. The question of how this is to be funded will become a major focus of political and public debate.

Impact of population ageing

A significant demographic shift is taking place in Ireland and is likely to continue over the medium to long-term. This will have significant implications for the funding of health care services generally as well as long-term care. The very old population (i.e., those aged 80 years of age and over) is set to rise dramatically in the coming decades, increasing from 147,800 in 2016 to some 540,000 by 2051. A 70% increase in demand for homecare and an almost doubling in demand for primary care is projected. Compared with 2015, by 2030, 10,000 additional Home Care Packages will be needed; 7.7 million extra home help hours; and 15,600 extra nursing home places (see ESRI Infographic on p.4).

The need for sustainability in long-term care financing

- Delivering quality care in people's own homes is not cheap despite the significant and frequently necessary contribution of family carers. As people with greater needs remain at home, family carers will clearly require additional supports.

- The ratio of long-term care expenditure to GDP¹ will almost certainly rise in the future while still relatively low compared to expenditures on healthcare or other forms of age-related social protection (e.g. old-age pensions).
- Increased spending arising from the shift in the age profile of the population could, if not properly managed, result in rapidly increasing public debt.

Which funding model do we want for Ireland?

There are three possible options:

A. Insurance-based model

Public long-term care insurance models (e.g., Germany) typically finance health and social care *via* a social health insurance scheme. The scheme is predominantly financed through employment-based, payroll contributions from employees and employers.

B. Tax-based model

Some countries (mainly Nordic) implement universal LTC coverage financed mainly through general taxation. Public long-term care services in these countries are extensive and comprehensive, resulting in a relatively large share of GDP spent on LTC (2.2 % in Denmark and 3.3% in Sweden).

C. Mixed systems of provision

Universal (tax-funded) as well as means-tested entitlements operate alongside each other. This is currently the case in Ireland.

No public consensus in Ireland

Developing a funding model for long-term care in Ireland is not straightforward as there is no overall public consensus on the matter:

- A 2016 public opinion survey found that the greatest overall preference for funding long-term care was through general taxation²;
- In contrast, the Citizens Assembly in 2017 reported that a compulsory social insurance payment was the preferred source of overall funding for long-term care;
- Using increased revenues collected from Corporation Tax was one of the main proposals put forward in responses to the Department of Health 2018 consultation.

Why a designated long-term care social insurance fund is desirable

- It is reasonable to assume that people would pay over their lifetime if they could be guaranteed good quality long-term care services should they need them;

¹ Gross Domestic Product (GDP) measures the value of economic activity within a country. Strictly defined, GDP is the sum of the market values, or prices, of all final goods and services produced in an economy during a period of time

² Amárach Public Opinion Survey carried out for Forum on Long-term Care of Older People 2016.

- Such a fund would allow for a more protected, community-based funding model than currently exists;
- It would share the cost and be in line with the principles of social and inter-generational solidarity;
- People already pay into insurance-based systems for various contingencies – illness/disability, pensions, unemployment – paying into a long-term care social insurance fund may be attractive if potential benefits are clearly identifiable³;
- Total reliance on taxation to cover the costs of long-term care can be a huge problem as available funding is subject to the vagaries of the market and related exchequer funds – periodic service cutbacks are endemic in such a system.

Main features of proposed insurance-based model

- 1) At national level, an additional earmarked social care insurance contribution would be introduced, to which employers would also contribute. This could be as an addition to PRSI or could be introduced as a replacement for the USC;
- 2) In the short to medium term, revenue from Inheritance Tax could be allocated to the fund in order to build it up to the level required for sustainable functioning;
- 3) Following the principle of fairness between generations, it is suggested that those aged under-40 should be exempt from the scheme for a renewable period of 5 years;
- 4) To ensure the accountability desired by the public, the funding derived from such premiums must be ring-fenced for long-term care.

³ Mandatory enrolment in a pension scheme is being introduced in 2022.

Time to debate and decide

Putting in place a sustainable long-term care financing system requires detailed consideration by Government and substantial consideration by the public. This issue is not going to go away. Put simply, the question is where is Ireland to find the money to pay for long-term care in an ageing society. In recent years, Ireland has shown the world that it can maturely deal with sensitive issues through structured public consideration and debate. It is now time to debate and then decide on a system for financing long-term care in an ageing society.



This document is a summary of a discussion document being developed by Sage Advocacy. For a copy of the full discussion document please email info@sageadvocacy.ie