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TRANSITIONING BETWEEN ‘THE OLD’ AND ‘THE NEW’ LONG-TERM CARE SYSTEMS

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1. INTRODUCTION

Interest in altering how OECD countries finance, regulate, and organize long-term care (LTC) services is gaining attention because of rapidly aging populations and rising demand for LTC services, reductions in the availability of informal care and support, and increased pressures on public finances for a variety of government programmes. The interaction between LTC and acute health care services is drawing greater attention as well, particularly because medical care is enabling more people to live longer with what were previously considered terminal conditions. The resulting growth in the prevalence of people with long-term chronic conditions, and need for LTC services is motivating recent efforts in most OECD countries to change current caregiving structures and financing of LTC services.

Further motivating such efforts is awareness that traditional, intergenerational arrangements to provide care for old-age dependence are being questioned and redefined. As countries move away from a traditional model of reliance on informal care from the family and self-insurance with residual public support, governments are looking for new partnership models between the state and individuals. In particular, they are searching for innovative ways to meet the financial implications of expanding formal provision of LTC services (especially via community-based models of care) and to develop financial protection systems against the risk of catastrophic LTC costs.

An increasing number of economists—especially those interested in health care, insurance, and pensions—are addressing these important policy challenges. These economists are developing a body of theoretical models and empirical analyses to help policymakers evaluate various proposals to change the financing and organization of LTC services. The growing interest by economists in issues related to LTC responds to at least three phenomena: the need to explain certain theoretical puzzles (e.g., the lack of markets for private LTC insurance and woodwork effects); the increasing availability of individual-level, longitudinal datasets with information about socioeconomic status, health, disability, and LTC service use; and a growing awareness that policy ‘solutions’ from elsewhere in the health system are not easily transferred to LTC. Examples of the idiosyncratic nature of the LTC system include the individual nature of service outcomes and the need for ‘personalised’ care, the long-term nature of the services and changes in the degree of assistance needed over time, and the significant potential for the substitutability of formal and informal care. In addition, social perceptions about the role of individuals and the state in the LTC area are often different from those about the health and social care system overall. Although preferences and social norms vary across countries, there is often an expectation that individuals and their families will contribute more to the funding and provision of LTC support than for other health care services.

It is not surprising therefore that the call for papers for this special issue of Health Economics attracted a large number of submissions. Forty-five papers were submitted, and authors of 11 of these were invited to participate in a conference in Hermance, Switzerland, at the headquarters of the Brocher Foundation. The conference provided an excellent opportunity for discussions of theoretical and empirical models, data sources, and different approaches to the financing and delivery of LTC among OECD countries. Authors

revised their papers in light of the comments and suggestions provided at the conference, and the papers were subjected to the usual anonymous refereeing process before publication.

2. A SUMMARY OF THE MAIN FINDINGS

The papers presented in this special issue can be organized in four broad areas, although inevitably all are interrelated. The areas are issues surrounding the use of LTC services (utilisation), issues on funding and insurance, questions about incentives to caregiving, and questions about the organisation and governance of LTC at the provider level, such as the nursing home, and across levels of government.

On utilisation, Guo, Konetzka and Manning provide a causal estimate of the effect of Medicaid-financed home care services on reduction of utilisation of institutional LTC and annual Medicaid nursing facility costs. de Meijer, Bakx, van Doorslaer, and Koopmanschap apply a decomposition analysis of data from the Netherlands to examine trends in institutional care use that are attributed to the changes in LTC risk factors and in disability in particular. Gaughan, Gravelle, and Siciliani develop a theoretical framework and then estimate the effect of bed-blocking regulations on delayed hospital discharges in England. They find that delayed discharges respond to supply of care-home beds. Furthermore, they find evidence of a 'local spill-over effect' whereby both supply and need in neighbouring jurisdictions influence discharge decisions.

On insurance, Costa Font, Courbage, and Swartz study the roles of ex-ante and ex-post mechanisms to fund LTC among the OECD countries. They also estimate the relative influence of three determinants of the OECD countries' public LTC expenditures: financial sustainability, availability of informal care and the age composition of the population. Van Houtven, Coe and Konetzka discuss the effect of modern family structure on the provision of informal care and the decision to purchase LTC insurance. They find evidence that where family characteristics may indicate future informal care supply, purchase of LTC insurance is less. Costa-Font and Courbage examine the crowding out effect of family and public insurance on private LTC insurance. Using a theoretical model, they show that public programme crowding out effects depend on the exogeneity of the decision to provide informal care. Their empirical model suggests evidence of family crowding out but no evidence of public sector crowding out.

On incentives more generally, Jiménez-Martín and Vilaplana Prieto investigate the role of intergenerational transfers within the household as a motivation for informal caregiving in European countries. In contrast to the intuitive exchange model hypothesis, they find that individuals providing informal care receive smaller and less frequent transfers from their parents than those that do not. Similarly, Karlsberg Schaffer examines the effect of free personal care on informal caregiving, using data from Scotland where an expansion of public formal care support in the community post-devolution led to increases in informal care supply.

On institutional organisation, Kim and Norton examine the strategies adopted by existing and new home health agencies in the US home health market after Medicare implemented prospective payment for home health services. Allen and Forder analyse the determinants of care home closures in England and find that either homes with lower (prior) quality or those that face greater competition are more likely to cease operation than other types of homes. Finally, Fernandez and Forder study the territorial organisation of LTC and find that need and market characteristics are more important than politics in explaining local variability in the provision of social care services in England.

3. CONCLUSIONS

As demand for LTC services accelerates, economists have a key contribution to make to ensure that the LTC systems of the future are affordable and sustainable, equitable and efficient. The papers in the present issue tackle some of the key policy questions that need to be resolved for these goals to be achieved. They also highlight areas where further empirical research needs to provide robust findings that are free of selection bias and endogeneity concerns. The papers also indicate issues for which earlier theoretical

models need to be revised—such as the overall motivation for informal caregiving and the decision-making behind LTC insurance purchases. Overall, we hope that the issue provides the stimulus for the continued growth in LTC economic analysis and that this work supports policy makers trying to navigate the transition towards new models of LTC financing, regulation and provision.

We are grateful to a long list of people that have made this special issue possible. In particular, we thank the editors of the journal, Alan Maynard, Andrew Jones, Andrew Briggs and John Mullahy; managing editor Frances Sharp; anonymous reviewers; and participants at our conference including Frank Levy, Martin Karlsson, Bleddyn Davies, Francesco d'Amico, Valentina Zigante, and Anne Netten, all of whom also provided helpful comments and helped ensure the quality of this publication.