

# The Path of Chinese Long-term Care Insurance System

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## Abstract

The China aging population and the rising number of disabled population, long-term care risk has become increasingly prominent, how to choose, China efficient sustainable long-term care insurance system is worth thinking deeply. This article through to the development of long-term care insurance in the developed countries — the United States, Germany, Austria, the comparative analysis on the successful experience of three models, on the basis of contemporary China's national conditions, put forward three paths of China's development of long-term care insurance system.

**Keywords:** long term care insurance, long-term care services, elderly people

## 1. Introduction

At present, the rapid economic development, the level of health care continues to improve, the worldwide population mortality decline, population aging intensifies. This situation caused by the demand for elderly care to improve the nursing service, supply, prices, the elderly economic burden. In order to solve this question, many countries have established long-term care insurance system, in order to meet the needs of the elderly care. China the large population, at the same time in the level of economic development and there is a certain gap between the developed countries, and the "old before rich" has become a major problem placed in front of the China, it is particularly important to establish the system of nursing insurance. Long term care insurance in China is still in the initial stage, and some developed countries of the long-term care insurance system produced early, and experienced a series of reforms, and achieved remarkable results, so the experience is worth our reference.

## 2. Summary of Long Term Care Insurance

Long-term care insurance is a new type of coverage, originated in the United States, by disability income insurance development. Long-term care insurance refers to the insured because of old age, severe or chronic illness, accident disability caused some of the body such as loss of function in whole or in part, the life cannot provide for oneself, need to stay in nursing homes accept rehabilitation and support for a long time, or at home take care others pay various fees compensation should be a kind of health insurance. General medical or other elderly medical insurance does not provide long-term care insurance. Long term care insurance coverage for medical nurses, nursing, nursing care of four intermediate grade type and nursing home, but early long-term care insurance products are not included in the home care.

The function of the long-term care insurance is that when people are young, by individual units or employers to pay insurance premium to buy long-term care insurance, in its ability to care for elderly difficulties, long-term care insurance provide insurance gold to pay, pay for care costs, enable the elderly to spend their twilight years.

Old-age pension and protecting the life of the elderly is different from the economic, more inclined to the elderly care insurance demand of body and mind, it is not to heal the sick as the goal, but through to the old people's physical and mental nursing, as much as possible for a long time to maintain and improve the patient's body function, improve the quality of life of the elderly. It is an effective financing mechanism of residents' medical care, is to improve and perfect the social security system of a more progressive system, help to maintain social stability and promote economic growth and social progress.

### **3. The Introduction of Long-term Care Insurance System**

#### *3.1 American Long-term Care Commercial Insurance Model*

America long-term care security system started in twentieth Century 70 in 1965; the federal government American according to "the social security amendments" established the elderly disabled health insurance (Medicare) and the medical assistance program (Medicaid) system. In the 80's of the twentieth Century, and gradually formed a kind of private long-term care insurance system, and has established long-term cooperation plan and assisted living community nursing service plan, these policies to promote the rapid development of the long-term care insurance in the United States. According to statistics, about 6 million people in the United States at the end of 2008 to buy long-term care insurance, about 60% of the old man need different levels of long-term care services, long-term care insurance system has been widely accepted in the United States, and growing mature.

American commercial long-term care insurance mode mainly took the form of voluntary insurance, to cover the insured any place at any time due to accept care nursing cost, time requirements for nursing services must be more than one year continuously. The type of service coverage is the main community nursing, nursing care and home care agencies. With the continuous reform of the long-term care insurance system, give more benefits to the insured choose home care, so the scope of home care continues to expand. The long-term care insurance payment method is mainly cash payment.

As a kind of commercial insurance, long-term care insurance in the United States is a profit for the purpose, to provide different according to different requirements to plant business, has the characteristics of flexible, but its limited coverage, premium standard is higher, make medical services unfair phenomenon is more prominent.

#### *3.2 The German Long-term Care Social Insurance Model*

Germany in 1961 promulgated the "social assistance act of the federal" pointed out that the social welfare system to provide payment for nursing home care and nursing care expenditures, but the premise is the long-term care service for more than its cost. With the increase of aging population, the German long-term care contradictions increasingly prominent, and in 1994 the German Federal Parliament enacted the "long term care insurance act", not in personal income to restrict condition, the coverage of home care and nursing home care services in the country. The legislation will be long-term care insurance into the German social security system, has become common compulsory long-term care insurance.

Long term care insurance in Germany as a kind of social insurance mode, requires all participating in the medical insurance people must participate in social care insurance, and the provisions of the purchase of commercial insurance people to participate in at least one nursing insurance. Long term care service pattern is divided into informal family care, professional home care agencies and professional care institutions, according to the intensity is divided into primary care, secondary care and tertiary care.

Germany's long-term care insurance has covered a wide range of features, benefits large area. Since the premium costs are fixed in the proportion of total income, thus embodies the compulsory transfer payment income redistribution, with distinctive features. The nursing division of different strength reflects the optimal allocation of nursing resources. In addition, to improve the quality of nursing service, introducing the competition mechanism between the suppliers, the purpose is to guarantee the quality of nursing service, reduce the fund cost as much as possible. But compulsory long-term care insurance as a social, or will inevitably appear poor flexibility, pay level is not high.

#### *3.3 The Austria's Long-term Care Welfare Model*

Austria began to implement the "long term care allowance act" in 1994, the population over the age of three to cover the loss, effectively alleviate the long-term care service needs of the family burden. The implementation of the bill make citizens can equally enjoy the nursing service; promote social fairness, to improve the nation's cohesion.

Long term care insurance in Austria is a welfare mode, benefit regardless of their economic situation, the government as the main responsibility, to raise funds through the tax method to solve the problem of the cost. Austria long term care services are the main types of home care, day care and institutional care. The government through the inpatient and outpatient for long-term care needs to provide convenient, consumers can choose the hospital nursing service, also can choose outpatient nursing service of the individual doctor.

Austria long term care allowance is by strategy pattern provide the kind of service but not bear direct responsibility, the system has greatly improved people's quality of life, at the same time to strengthen the skills training of nursing staff, provide consulting services, so that the quality of nursing service can be guaranteed. But because most of the

services are run by the government, increase the government's financial burden.

#### **4. The necessity for China to Establish A Long Term Care Insurance System Analysis**

##### *4.1 Present Situation*

At present, the aging trend Chinese is increasing, especially the disability in the elderly population rising, old before getting rich has become a major problem facing the China and the developing countries. Because of the characteristic of the Chinese population size, determines the proportion of its disability population is more, at this stage of the social security system is difficult to meet the long-term care of elderly population problem, need through the establishment of a long-term care insurance system which accords with the situation of China to solve the conflict in the present. As a developing country, China is still in its infancy long-term care insurance, the development is relatively backward, urgently need the modification from various perspectives, so as to meet the needs of the broad masses of the people.

##### *4.2 Establish the Need for Long-term Care Insurance System*

###### **4.2.1 The Aging Phenomenon is Serious, Nursing Demand Continues to Rise**

According to investigation statistics, China currently has about 32.5 million old people with long-term care needs, 40% of the total number of elderly population, thus increasing demand of long-term care, and long-term care insurance China starts relatively late, China's current long-term care services to meet the increasing long-term care demanders, thus establishing a mature long-term care insurance system has become the important task in front of China.

###### **4.2.2 The Employment Rate of Society Is Unable to Meet the Family Nursing**

With the continuous development of market economy, more and more young people from the countryside into the cities to seek job opportunities, and the popularization of compulsory education nowadays, more and more women choose to go out to work, the Empty Nester become a common social phenomenon. Not only increasing the number of the old man lived alone in rural areas, also increased the number of old people who live alone in the city, most children need to go out to work, lead to the old man in the home care problem become the important social problems in China.

###### **4.2.3 Lacking the Ability to Pay of the High Cost of Care Family**

In China, due to the implementation of the one-child policy has changed the traditional Chinese family size, from large families to one child family, especially in cities. Especially at present China's aging population growth rate and the "family planning" policy after the one-child generation, causes a pair of husband and wife at least need to take care of four old man, not only need to pay for expensive medical costs, but also need to pay the daily care costs, increased the financial burden of the family.

###### **4.2.4 The Lack of Long-term Care Personnel, Quality of Service Needs to Be Improved**

China's current commercial long-term care service mode is less mature, mostly government run nursing homes and care institutions. Beds, service quality has become a common phenomenon, it is difficult to meet the different needs of long-term care needs. Because of the long-term care itself determines the specificity of long-term care service personnel should have comprehensive interdisciplinary talents, such as medical, nursing and insurance, should be covered, should step up nursing staff full-time specialized technical training, to improve China's current long-term care professional talent shortage.

#### **5. The Path of China's Long-term Care Insurance System.**

##### *5.1 Taking the Path of Commercial Long-term Care Insurance, to Adapt to the Market Freedom and Diversity*

From the present stage of China's aging population and economic development, should be the first to go on long-term care insurance is a market driven commercial road.

First of all, the differences of China's regional development request must first be commercial long-term care insurance. China's urban economic development is not balanced, the eastern region's economic growth is faster, while the central and western regions are relatively slow development, at the same time, the difference of city and rural income China obviously, this reality determines that China must adopt the form of commercial insurance, first in developed city and economic condition of the villages and towns to open up, and gradually spread all over China.

Secondly, China's long term care market has great potential, provided the conditions for the implementation of the first commercial long-term care insurance type. The number of China's elderly population is rising, the commercial long-term care insurance to provide potential customers. On the other hand, China's health care costs continue to rise, to the old people's life caused a certain burden, increase the purchase of commercial long-term care insurance will.

Thirdly, the Chinese government financial pressure on long-term care costs continues to increase, the lack of ability to pay. At present, China Medicare funds only don't accept the situation is more common, in the long-term care service infrastructure investment is not sustainable and stable, and so the long-term care insurance to a market-oriented business to support.

### *5.2 Try to Commercial Combined with Basic Social Long-term Care Insurance, to Realize the Government Guidance and the Market Operation and Efficient Development*

This is the second step of China to explore the long-term care insurance system, because in the first phase has been underway for commercial long-term care insurance, so the long-term care insurance consciousness of the people's widely ascension, long-term care insurance market also got a certain development, at this time should be the long-term care insurance coverage within the whole of China.

In this mode, the government should play a leading role, to grasp the overall situation from the macro view, control drug prices and the price of medical services, to prevent people from illness, reduce the economic burden of caring for the elderly. Through the complementary role of commercial long-term care insurance to the basic social long-term care insurance, largely solved a big problem for long-term care costs paid by enterprises for the retired workers.

Combination of commercial and social long-term care insurance, through the model can meet the majority of the people Chinese long-term care insurance demand, on the other hand, can also be through the long-term care insurance business flexibility, to meet the needs of different levels, reflecting the diversity. We can improve the fiscal subsidies to improve basic health insurance safeguard, also is the use of fiscal funds or to buy long-term care insurance, on the one hand, can achieve a multiplier effect of fiscal funds, on the other hand can also improve the security level of the common people. In a word, this model played a dual role of government and market, to integrate all kinds of covering urban and rural areas in need of long-term care groups, both reduce the long-term care service in urban and rural areas, the gap has important significance of social fairness.

### *5.3 Gradually Implement Compulsory Long Term Care Insurance, the Pursuit of Equal Harmonious and Healthy Social Welfare*

If China's economic development speed and scale to developed countries, the quality of citizens is generally improved, the nursing service more perfect, at the same time, the legal system of the state protection of more comprehensive, then on the basis of the first two stages, we can take the government to enforce the basic social long-term care insurance, the mode of German for reference to establish a broad and multilevel social long-term care insurance system.

First of all, establish and improve long-term care security system. Continuously strengthen the nursing of supporting the elderly and the national disability old man, given the care needs of low-income elderly care aid subsidies, continuously explore and improve the nursing security system of the previous period.

Secondly, improve the efficiency of long-term care services. De-institutionalization, home care has become a common trend. According to China's national conditions, should be in perfect long-term care service system at the same time, more focus on home care and community care is given priority to, complementary institutional care of long-term care service system. Pay attention to the development of nursing talent quality, build efficient long-term care service team in China, in order to ensure the quality of service.

Thirdly, pay attention to personal family participation function. In emphasizing the role of government in the macro management of the time, should also pay attention to personal and family obligations and participation, to encourage families to bear most of the nursing work. By strengthening the awareness of participation of individuals and families, is conducive to the long-term care insurance system to sustainable low cost down, eventually making the majority of the public can obtain long-term care services in security system.

In this mode must avoid moral hazard due to the use of medical resources and the occurrence of induced demand, this will not only increase the burden on the government, is also likely to lead to a system crash. So the harmonious social welfare should be reached through various efforts to. China should learn from the German model, in the high-speed economic development, then from the long-term care welfare model in Austria, through social benefits

and social services so that citizens can equally enjoy the nursing service, and constantly improve the quality of life, promote social fairness.

## 6. Conclusion

Long-term care insurance in China is currently in the preliminary stage of development, with the aging problem is aggravating, and family structure and people's lifestyle change, aging population problem will pay more attention to long-term care and attention, long-term care insurance concept is bound to be thorough popular feeling gradually. China urgently needs to use for reference the experience of the development of international care insurance, to establish a wide range of long-term care insurance system.

At present our China's basic national conditions decide the development of long-term care insurance system in our country will encounter a lot of difficulties, these obstacles determines our country present stage is neither possible to establish a complete mandatory nursing insurance system through the above analysis, China can through three steps, from commercial long-term care insurance to social welfare of long-term care insurance, build up the long-term care insurance system suitable to China's situation, to further improve China's social security system. Strive to establish a sound long-term care insurance system, ensure the old-age care needs of the elderly, and realize the harmonious development of family and society.

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