LONG TERM CARE FINANCING IN JAPAN

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Service Coordinator

Hong Kong Sheng Kung Hui Welfare Council
• Background of Japan’s Long Term Care Insurance System

• Outline of the System and its implementation

• Implication to Hong Kong’s Long Term Care System
Background

Q1: Why Japan developed the Long Term Care Insurance System (LTCI)?

Q2: How was the LTCI developed?
長壽 日本九州鹿兒島的Kamato Hongo 婆婆是目前全球最年長的女人瑞。她生於1887年9月16日，家人剛為她慶祝115歲生日。據婆婆家人說，她的作息時間很特別，她一睡便兩日兩夜，跟著就兩日不眠不休。
A 1: 1. Aging population in Japan
   - 2000 17.2% above age 65
     2.8 million bedridden and dementia
   - 2025 27.4% above age 65
     5.2 million bedridden and dementia

2. Weakening of family care

3. Great financial burden on the medical system due to social hospitalization

4. The business circle strongly against high-rate taxes to finance the public service
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>Policy Statement on the national long-term program to cope with the society of longevity</td>
</tr>
<tr>
<td>1990</td>
<td>Ten-Year Gold Plan for the Development of Health and Welfare Services for the Elderly</td>
</tr>
<tr>
<td>1994</td>
<td>Public long-term care insurance program</td>
</tr>
<tr>
<td>1995</td>
<td>Fundamental law on Policies for Aging Society</td>
</tr>
<tr>
<td>1997</td>
<td>The draft of LTCI was approved by the National Diet</td>
</tr>
<tr>
<td>1 April 2000</td>
<td>Implementation of Public LTCI</td>
</tr>
</tbody>
</table>
Aims of LTCI

- Facilitate a system to support those with LTC need
- A user-oriented system in which respect for the choice of the elderly
- Integration of the welfare system and health system
- Encourage private sector to provide LTC service
- Establish the care management system
- Decrease cases of social hospitalisation
- First step towards restructuring the social security system, and to provide stable fund for increasing expenditure
OUTLINE OF THE LTCI STSTEM

The Japanese Public LTCI is a mixture of insurance and tax-supported system
Welfare System
(Financed from tax revenue)

• Skilled nursing homes
• Home-care aid
• Respite care
• Day-care service

Health Service System
(Financed from premiums+ tax)

• Geriatric hospitals
• Health service facilities for the elderly
• Nurse visits

Long –Term Care Insurance

Institutions
• Skilled nursing homes
• Geriatric hospitals
• Health service facilities for the elderly

Home
• Home-care aid
• Respite care
• Day-care service
• Nurse visits

Financed from Premiums + tax
1. Insurer: Municipality
   i.e. City, Township, Village, and Ku

Insuree: Permanent residents of the municipality, aged 40 and over
2. Insured, Beneficiaries and Premium

<table>
<thead>
<tr>
<th></th>
<th>Type I</th>
<th>Type II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Persons</td>
<td>Aged 65 or above</td>
<td>Aged 40 to 64 who are insured by health care insurance</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>Requiring long term institutional or home care service or domiciliary support</td>
<td>Cover the care service needs caused by age-related diseases</td>
</tr>
<tr>
<td>Eligibility to use LTCI</td>
<td>Assessed by the municipality</td>
<td>Assessed by the municipality</td>
</tr>
<tr>
<td>Premium</td>
<td>Depended on the level of service available and the income of the elderly (5 levels) *</td>
<td>Depended on the income, and kind of public medical care insurance held. The payment is to be shared between the employer and the employee (1:1)</td>
</tr>
<tr>
<td>Collection</td>
<td>Deducted from pension or collected by municipality</td>
<td>Collected with premiums for health care insurance by health care insurers and paid in lump sums.</td>
</tr>
</tbody>
</table>
3. Estimated Average Amount of Insurance Fee

Type I: 2885 yen (HK$188) per month
range from 1409 yen (HK$92) to 6204 yen (HK$403)

Type II: roughly 1% of income
(0.5% from employee,
0.5% from employer)
<table>
<thead>
<tr>
<th>Level</th>
<th>Eligible Persons</th>
<th>Premium</th>
<th>(Ref.) Estimated percentage of eligible persons</th>
</tr>
</thead>
</table>
| 1     | • Public assistance recipients  
       • Municipal tax-exempted households and Old-Age Welfare Pension recipients | Basic amount X 0.5       | Approx. 2%                                    |
| 2     | Municipal tax-exempted households                                                | Basic amount X 0.75      | Approx. 29%                                   |
| 3     | Municipal tax-exempted persons                                                   | Basic amount X 1         | Approx. 43%                                   |
| 4     | Municipal tax payer (The insured person’s total amount of income is less than 2,500,000 yen.) | Basic amount X 1.25     | Approx. 16%                                   |
| 5     | Municipal tax payer (The insured person’s total amount of income is 2,500,000 yen or more.) | Basic amount X 1.5       | Approx. 10%                                   |
4. Beneficiary

* Exchange rate : Yen100 : HK$6.5

<table>
<thead>
<tr>
<th>Care Level</th>
<th>In Home Service (HK$) per month</th>
<th>LTC facilities (HK$) per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supported required</td>
<td>4 000</td>
<td>---</td>
</tr>
<tr>
<td>Care Level 1</td>
<td>10 777</td>
<td>13 084 – 23 263</td>
</tr>
<tr>
<td>Care Level 2</td>
<td>12 662</td>
<td>13 825 – 24 160</td>
</tr>
<tr>
<td>Care Level 3</td>
<td>17 387</td>
<td>14 547 – 25 057</td>
</tr>
<tr>
<td>Care Level 4</td>
<td>19 890</td>
<td>15 288 – 25 954</td>
</tr>
<tr>
<td>Care Level 5</td>
<td>23 289</td>
<td>16 009 – 26 851</td>
</tr>
</tbody>
</table>
5. Co-payment

The insurance is required to pay 10% of the service and the meals. For the low-income group, the amount of co-payment will be reduced or covered by the public assistance.

<table>
<thead>
<tr>
<th></th>
<th>Upper limit of 10% charge per month (HK$)</th>
<th>Standard Charges for meal per month (HK$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-low income persons</td>
<td>2418</td>
<td>1521</td>
</tr>
<tr>
<td>Municipal tax-exempted households</td>
<td>1599</td>
<td>975</td>
</tr>
<tr>
<td>Old-Age Welfare Pension recipients</td>
<td>975</td>
<td>585</td>
</tr>
</tbody>
</table>
6. Procedure of LTCI

Insured Person

Municipality

Assessment

Long Term Care Certification Decision

Support required

Care manager to develop a care plan

Home Care Service

Care level 1-5

Not-covered by LTCI

Self-supporting

Long Term Care Facilities
Outline of the LTCI System

Service Providers

- In-home services
- Long-term care insurance facilities

Insured Persons

Type I (aged 65 years or over)

- Service users
- User's co-payment (10%)

Type II (aged 40 to 64 years)

- Certification of LTC need
- Creating a LTC Service plan

Insurer: municipality government

- Collected by municipality (20%)
- Deducted from pensions (80%)

- Premium
- Finance Stabilizing Fund

Category I Premiums (17%)

- Public funds (50%)
  - Government (25%)
  - Prefectures (12.5%)
  - Municipalities (12.5%)

Category II Premiums (33%)

- Medical insurer
- Social Insurance Medical Fee Payment Fund

Pay 90% of cost
IMPLEMENTATION

1. Uniform administrative structure  
   - administered by municipal governments  
   - possible for municipal governments to draw a long range plan to cope with LTC

2. LTCI Law  
   - LTCI law is intended for disability caused by aging  
   - limited to people aged 40 years or over

3. Financing mode  
   - half of the finance comes from tax and the half come from premium contribution

4. Cash benefit  
   - no provision of cash benefit to family caregivers

5. Difference between the previous system and LTCI system (*)

6. Service usage (**)
### Difference between the previous system and LTCI system from the users’ point of view

<table>
<thead>
<tr>
<th></th>
<th>Previous System</th>
<th>LTCI System</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Apply at the administrative office, municipalities determine the service</td>
<td>Users can choose the type of service and facilities they want to use</td>
</tr>
<tr>
<td>2</td>
<td>Apply separately for medical care and welfare</td>
<td>Users will make a care plan and use medical care and welfare services comprehensively</td>
</tr>
<tr>
<td>3</td>
<td>Service provided mainly by municipalities and public organizations</td>
<td>Services provided by various organizations and private sectors</td>
</tr>
<tr>
<td>4</td>
<td>For middle and high income persons, services are hard to use due to expensive cost to bear</td>
<td>Users will pay 10% charge for the service regardless of their income</td>
</tr>
</tbody>
</table>
Comparison of service usage before and after the implementation of the LTCI
(survey conducted by 108 insurers)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Home-visit LTC</td>
<td>3,550,000</td>
<td>5,390,000 (52% over)</td>
<td>6,450,000 (82% over)</td>
</tr>
<tr>
<td>Commuting LTC</td>
<td>2,500,000</td>
<td>3,400,000 (36% over)</td>
<td>3,840,000 (54% over)</td>
</tr>
<tr>
<td>Short stay</td>
<td>918,000 days</td>
<td>849,000 days (7% decrease)</td>
<td>1,092,000 days (19% over)</td>
</tr>
</tbody>
</table>
IMPLICATION TO HONG KONG’S LTC SYSTEM

1. Liberalizing the LTC Service industry
   (Japan’s case)

<table>
<thead>
<tr>
<th></th>
<th>Apr/2000</th>
<th>Apr/2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home-visit LTC facilities</td>
<td>9,185</td>
<td>15,008</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(63% increased)</td>
</tr>
<tr>
<td>Residence LTC assistance facilities</td>
<td>19,466</td>
<td>23,321</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(19% increased)</td>
</tr>
</tbody>
</table>

2. Quality Assurance System to check with the LTC service quality

3. A valid and reliable system for rating and approving LTC recipients
4. Consideration of the ability of family caregivers to deliver service on their own (cash benefit ??)

5. The contractual relationship between insured and service providers is new to Japanese (Hong Kong?) culture

6. Financial implications to different parties
   - HK government (the insurer)
   - elderly people, carer, working generation (the insured)
   - service operators

7. Interfacing of entire health and welfare system
   (LTCI not solely the social insurance system)
Future aging population in Hong Kong

- Year 2031, 24.3% 65 years or above
  - Life expectancy of man 82.3 years old
  - Life expectancy of woman 87.8 years old

- Implies cost of medical care and long term care increase

- Who pay for whom?
Perhaps, Japan’s LTC model will be able to give various lessons in the world wide aging societies.

START PLANNING NOW !!
THANK YOU !