

# Reinventing Retirement: Balancing Risk Panel II Long Term Care Services and Support

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# LTC: 3<sup>rd</sup> pillar of social security in Japan

- 1<sup>st</sup>: Universal health insurance
  - Reduced co-payment for elders (10% with ceilings)
- 2<sup>nd</sup>: Universal public pensions
  - On average \$1,700 per month for those retired after 40 years of employment, from age 61 indexed to CPI
- 3<sup>rd</sup>: Public LTC insurance

# Why LTC was made the 3<sup>rd</sup> pillar

- Risk of needing LTC services grows with aging and Japanese society will continue to age rapidly
- Fear of becoming burden to family
- Fear that the family may have to bear excessive burden
  - Especially daughters-in-law and daughters
- Prior to implementation, LTC services inappropriately inadequately and unfairly provided through health insurance and government social welfare agencies

# Benefit coverage of the LTCI

- Both health and social services
  - From health insurance: visiting nurses, PT services, day care, intermediate care facilities, some LTC hospitals
  - From social welfare: home-helpers, day care, nursing homes, loan of wheelchairs, home improvement (putting in slopes, rails) etc
- Amount of services based on assessment of ADL etc.
  - Neither income nor amount of family support part of conditions
  - Those eligible can freely choose any service, providers
- Generous amount of entitlement
  - Home care: 6 levels from \$550 to \$3,400 per month
  - Institutional care: Full cost except for food
  - 10% co-payment applied to both (decreased if of low income)
  - No cash benefits

# Flow chart for receiving LTCI services

**Process of assessing eligibility levels by municipalities**

**Application to municipal office**

**Assessment for determining eligibility**

**Primary classification made by computer from 79 items form**

**← Attending physician's report, e**

**Secondary and final classification made by expert committee**

**6 levels of eligibility or non-eligible status determined**

**Process of drawing care plans by care manager agencies**

**Assessment for care planning**

**Care conference by care manager, providers, doctors**

**Care plans drawn and approved by client**

**Delivery of services by LTCI provider agencies**

**Service provision**

# Impact on individuals (1)

- Strong support of the program by the general public
- Increased use of LTC services, especially for those requiring only light care
  - Level 1 (light): 0.55 (00)→1.24 million (05) (2.23 times)
  - Level 5 (heavy): 0.29 (00)→0.45 million (05) (1.55 times)
- In home care, of their entitled benefit amount, on average only 45% is used → Formal services selectively used because beneficiaries do not need all that services and/or 10% co-pay as deterrent
- Care managers, created by the LTCI, have become an established occupation, coordinating services and advising their clients

## Impact on individuals (2)

- Nursing homes have become even more popular: Admission no longer triaged according to income and the amount of family support
- Assisted living arrangements spreading rapidly: Long waiting lists for nursing homes have made them the alternative option, now less expensive since care services are now covered by LTCI
- Less reliance on children, less willing to live together with children or leave them assets
- A more secure retirement for all elders

# Impact on providers

- Opened up an expanding market for LTC services
  - New organizations, workers entering into market
- For-profits allowed entry to home care, and de facto entry to institutional care through group homes, assisted living etc.
- Some health care providers are establishing integrated care complexes but, in general, lack of interest in LTC by the acute sector providers
- Quality monitoring mainly restricted to structure: whether workers have licenses, preventing fraud and abuse etc.

# Impact on the government

More than expected increase in expenditures → Cost containment

2003: Government set fees reduced by 2.3%

2005: Reform plan passed by Congress

- Home care: Encourage light level users to opt for the preventive services  
Exercise programs, oral hygiene and nutrition counseling that have been added to the services covered by the benefit
  - Home-making services will still be made available but home-helpers must try to involve clients in tasks so as to prevent beneficiaries from becoming more dependent
- How to monitor “involvement” will be a big problem

Institutional care: Hotel costs will be charged from Oct, 2005, so that financial burden would be more on par with home care

- The additional hotel costs of \$300 per month would still be less than one third that charged in assisted living and group homes

# Future issues

- Sustainability of LTCI
  - Financial sustainability → Make the criteria more stringent?
    - Difficult to do so once established as an entitlement
    - Difficult to surreptitiously do so as the process of evaluating eligibility has been made transparent
    - Legitimacy of program will be questioned if made too stringent
  - However, benefit levels probably must be decreased in the future
- Making LTCI universally available, and not just for elders
  - Could increase public support but difficult to make eligibility and benefit packages compatible
- Disappearing boundaries between “institution” and “community” when services become an entitlement
- How to make LTCI services complement informal care, rather than supplement informal care