Service and Financing Options for Long-Term Care in China

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Session Number: WBR4
Agenda

• Aging, familial & cultural considerations
• Current state of services & supports
• Financing sources & alternatives
• Coordination & integration
• Moving forward
• Challenges & advantages
“Grow old along with me!
The best is yet to be.”

Robert Browning
The broad perspective

Successful aging

Support & assistance

Sociological
(engaging with life & spirituality)

Psychological
(emotional vitality)

Physiological
(disease & impairment)

Physical

Spiritual

Family

Emotional

Community

Financial

www.actuaries.org/HongKong2012/
Persons age 65 & over:

- 2010: 115 million (1/5 of world’s total)
- 2050: Projected 322 million
Support for aging

Elderly Dependency Ratio:

Number of age 65 & over per 100 persons ages 20-64

- 2010: 13
- 2030: 26
- 2050: 45
Support for aging – China and the world

_Elderly Dependency Ratios of 10 most populated nations:_

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<th>Country</th>
<th>2010</th>
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Number of age 65 & over per 100 persons ages 20-64
Eroding familial support

- 4-2-1 family structure
- Working wife
  - loss of traditional role for daughter-in-law
- Floating population
- Impact of societal changes on family living arrangement
- Rise in costs of living & other expenses (education, pension, etc.)
Cultural advantages

• Elders are revered and respected
• Reciprocity of care as part of filial duties under Confucianism
• Under the Constitution and by law, family has the primary responsibility to care for its elders
• Social policy is an attempt to shape and to be shaped by these perspectives
Public programs

• Currently social insurance programs are not universal
  – About 20% of population have health insurance
  – Only 30% of population have pension

• Government assistance for about 5 million Wu Bao elders
Current services & supports

- Majority of care provided by family members
- Home-bed services by visiting doctors & nurses
- Bao Mu (care mother) for personal care
- Nursing facility beds for only approximately 1% of older population
Current services & supports (continued)

• Care structures vary greatly between urban & rural areas
• Institutional care is practically non-existent in rural areas
• Public & private nursing facilities expansion in urban areas
Financing long-term care

4 pillars of funding

- Private funds
- Private insurance
- Social insurance
- Social assistance
Sources of funding for social programs

• General revenue
  – Employee & employer taxes
  – Turnover taxes (value-added, consumption, business)
  – Tax on savings/investments
• Private individual and employer payments
• Social assistance programs typically funded by government general revenue
“One generation plants the tree. Another gets the shade.”

Chinese Proverb
Social & private insurance challenges

• Benefit design
  – Coordination with other programs

• Participation
  – Who can participate?
  – Potential for adverse selection if voluntary

• Funding

• Program sustainability
  – Benefit utilization trend
  – Future investment returns
Service coordination & alternatives

- Coordination between:
  - Central & local governments
  - Social service & medical care
  - Formal & informal care
  - Financing & Services
- Strengthen network of community care services
- Community support exchange (e.g. time banking)
- Caregiver recruiting & training
- Telecommunication & technology (e.g. robotics)
Integration with other social programs

• Part of health care program?
  – Different risk characteristics & funding horizon

• Part of pension program?
  – Consistent with individualized coverage
  – Currently pension program is not universal
Move-forward process

• Articulate a national policy on aging & long-term care
  – Address coordination issues
  – Lessons from other countries
• Develop an implementation plan
  – Research & data collection
  – Alternatives
  – Timeline
“An inch of time is an inch of gold, but you can’t buy that inch of time with an inch of gold.”

Chinese Proverb
China’s advantages

• Emphasis on familial responsibility & respect for elders
• Thrifty & risk-averse nature of Chinese people
• Economic growth
• China’s ideology is easier to establish a workable program than in other countries
• Developing social programs not yet set in stone
“If you live to the age of 100 you have it made, because very few die past the age of 100.”

George Burns
(1896 - 1996)