ARC CENTRE OF EXCELLENCE IN POPULATION AGEING RESEARCH

Long Term Care in China: Rural Challenges and Urban Reforms

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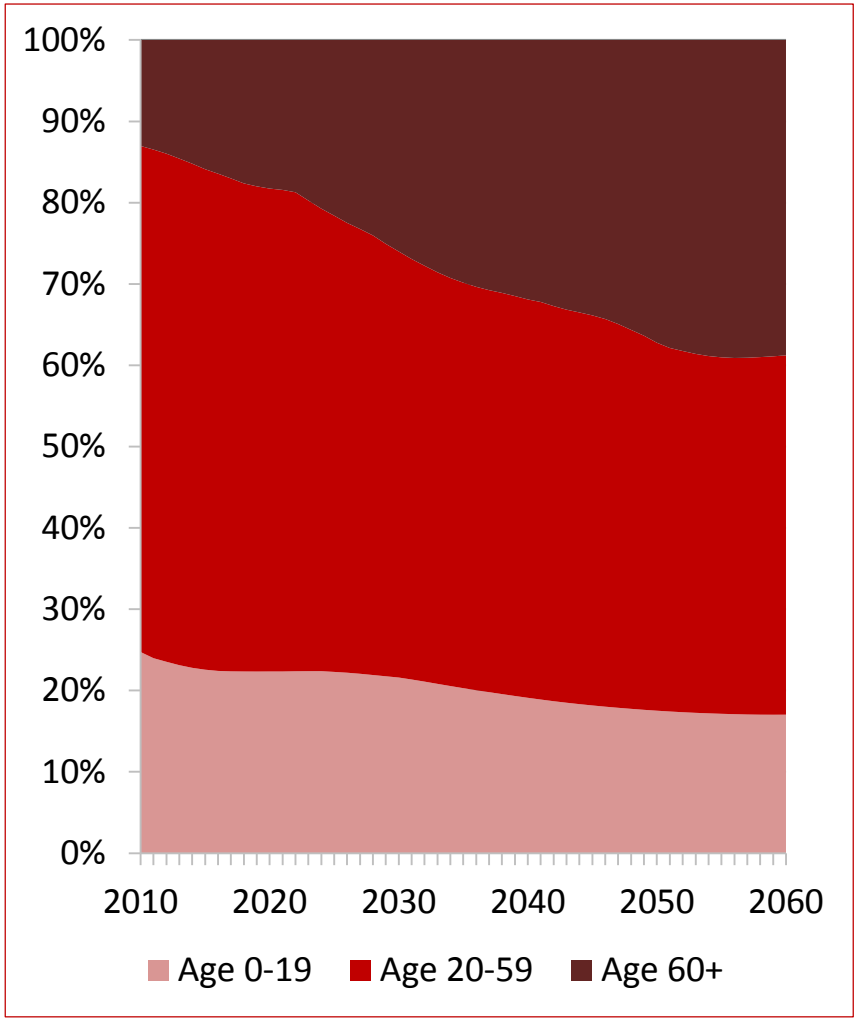
Outline

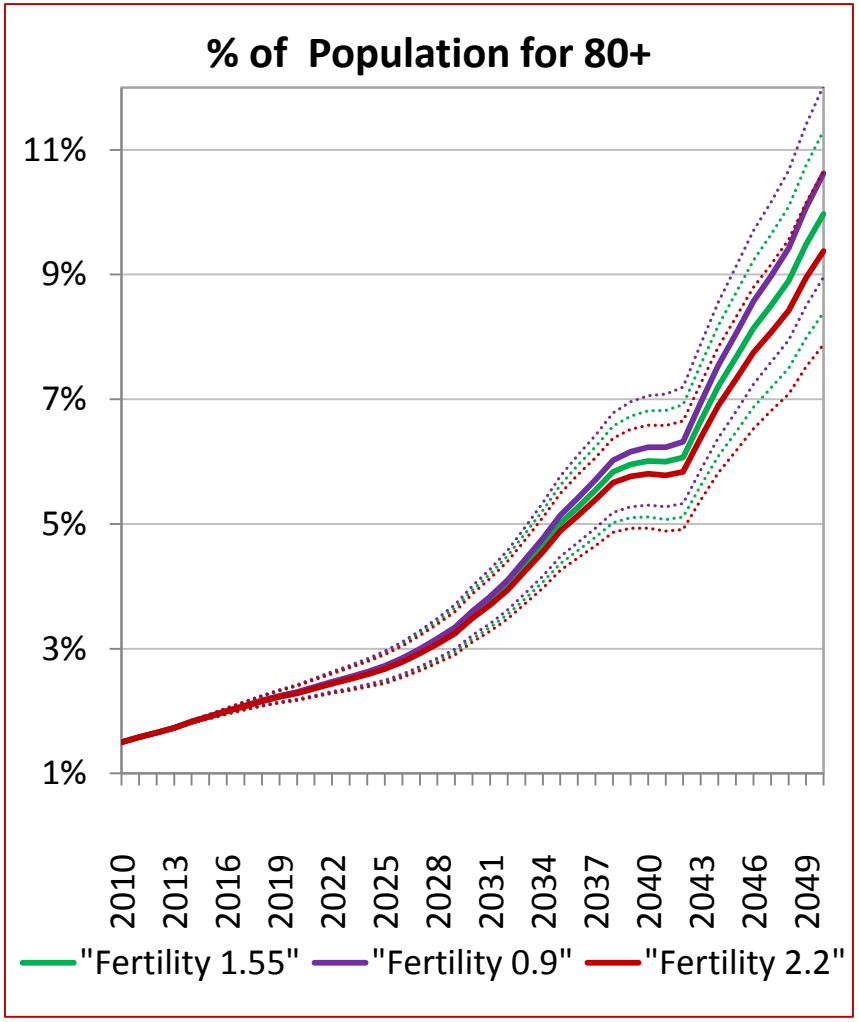
- China's overall Long Term Care (LTC) Demand
- Current and projected Rural China LTC
- Urban reform: Qingdao's LTC medical insurance
- Conclusion

Overall LTC Demand

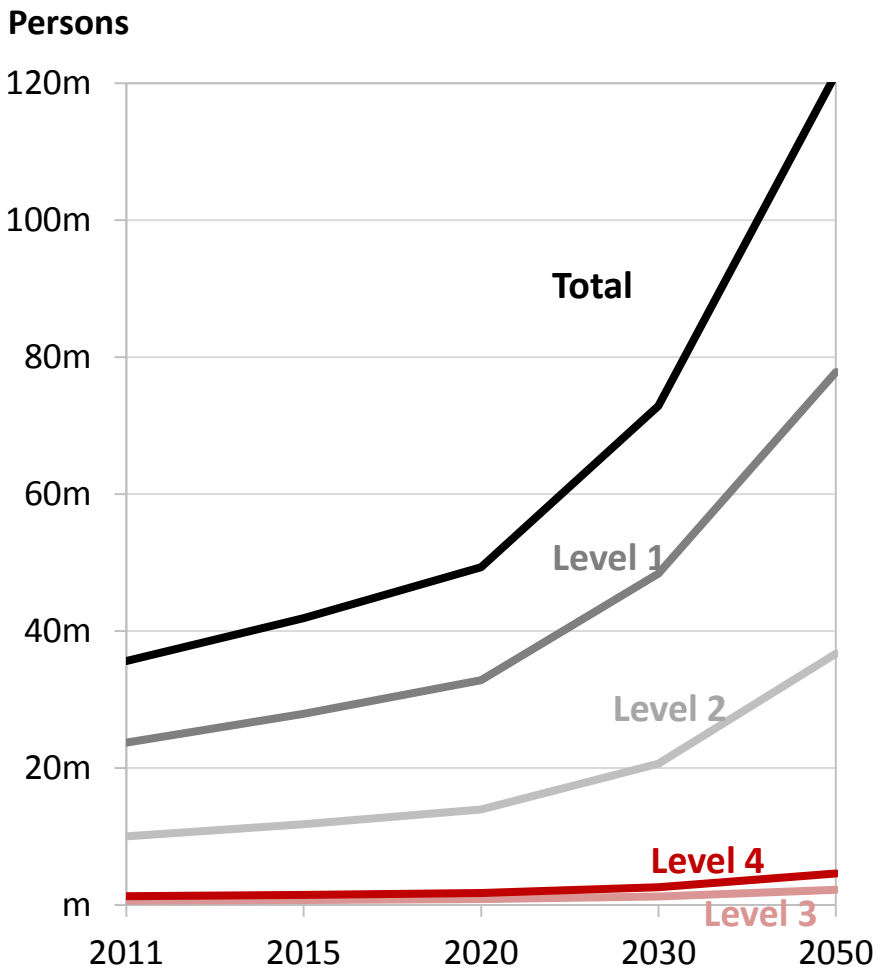
- Ageing Demographics
- With constant disable prevalence ratio of 8.9% of 65+,
  - 12 million people in 2010
  - 26 million in 2030 (Zhu and Jia 2009)

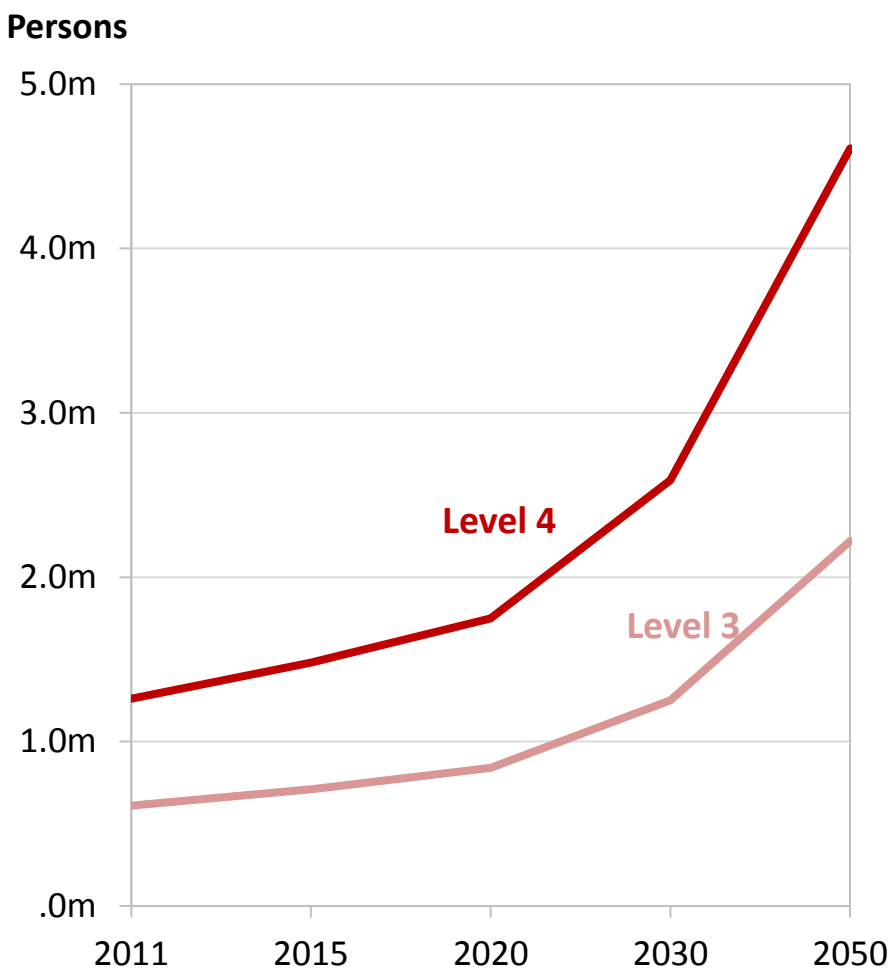
Overall LTC Demand





Projected overall LTC demand





- China’s overall Long Term Care (LTC) Demand
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Long Term Care in Rural China

- Traditionally: "*Wubaohu*"
  - "Five Guarantee" program (food, clothing, housing, medical care and burial after death); if no income, family support and ability to work
- After 2000 an expanded concept of LTC
  - Institutionalized Wubao villages (like retirement village), Mutual-Aid associations, cash allowance programs, integration into urban LTC services

Wubaohu – Rural China's LTC Hub

In 2013, formal LTC "Wubaohu" in rural China:

- 5.4 million (86% 60+, 5% of rural 60+)
- 1/3 living in centralized retirement village
- 2/3 in-home receiving subsidy
- 18% are females
- 17% are disabled

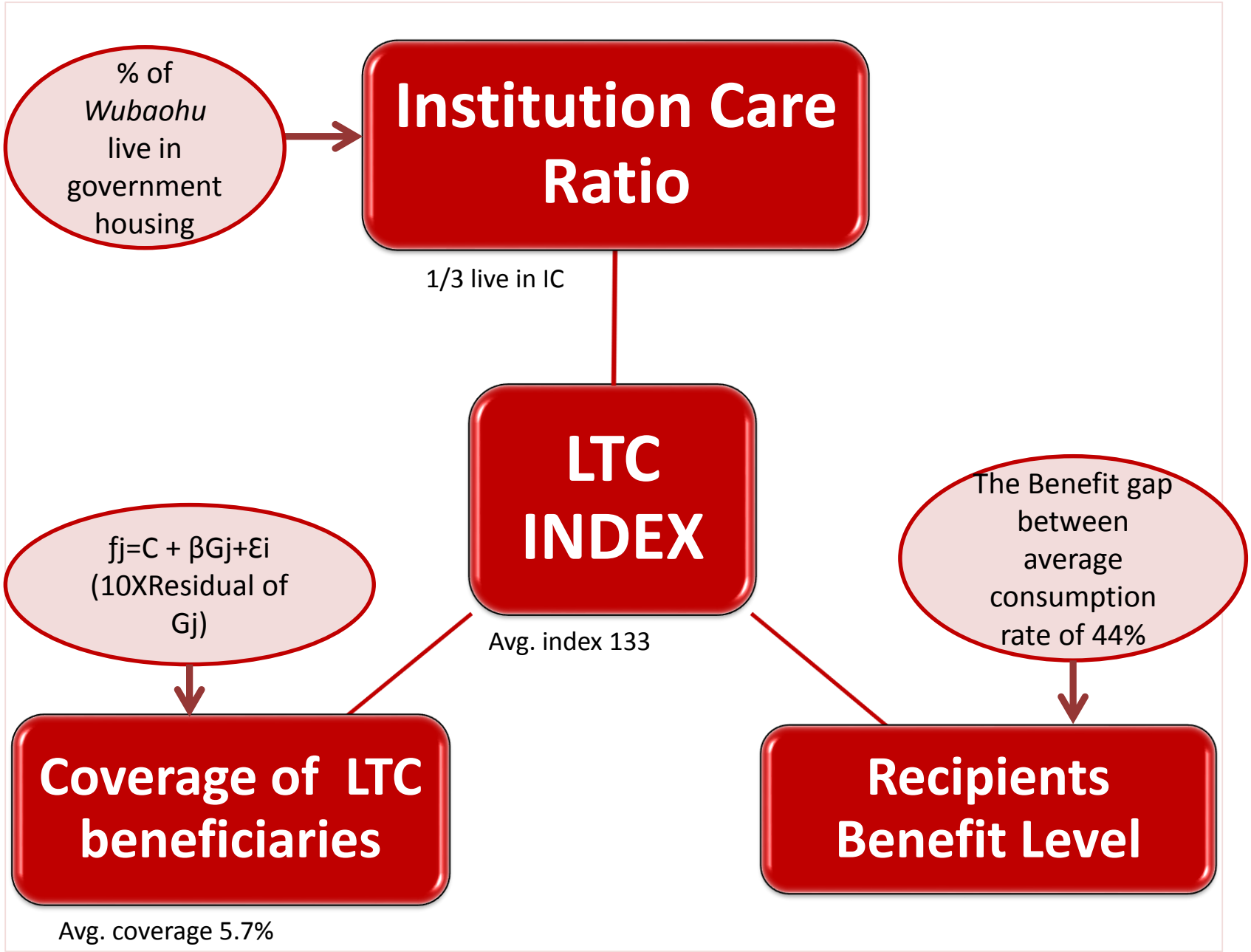
➔ Do we really understand the LTC status in rural China?

Understanding Rural LTC Status

Rural LTC is funded mostly by local government, regional difference is huge:

- Local government investment in rural public housing: first step for institutional care
- Ratio of beneficiaries to the elders, based on needs and differs due to economic status
- Level of benefit and service provided

➔ ***An index might help to understand the different status***


% of *Wubaohu* live in government housing
Institution Care Ratio
1/3 live in IC
LTC INDEX
Avg. index 133
fj=C + βGj+Ɛi (10XResidual of Gj)
The Benefit gap between average consumption rate of 44%
Coverage of LTC beneficiaries
Avg. coverage 5.7%
Recipients Benefit Level

Rural LTC Index – Top 5

Region	Index	Centralized care ratio	Wubaohu ratio of 60+ rural	Benefit (%Net Consumption)
Zhejiang	**187**	98%	1%	43%
Xizang (Tibet)	**183**	52%	9%	67%
Jiangxi	**173**	57%	7%	48%
Heilongjiang	**164**	47%	8%	43%
Chongqing	**163**	39%	6%	74%

Rural LTC Index – Top/bottom 5

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Jiangxi	**173**	57%	7%	48%
Heilongjiang	**164**	47%	8%	43%
Chongqing	**163**	39%	6%	74%
Guizhou	**82**	21%	4%	39%
Gansu	**96**	9%	5%	51%
Yunnan	**103**	16%	6%	35%
Fujian	**105**	10%	4%	45%
Ningxia	**117**	26%	5%	47%

Initiatives to improve LTC policy

- Current average benefit (44% of local consumption) is not adequate for proper LTC service (compared to urban about 70%)
- Need more central govt. transfer to poor regions to establish nursing homes facilities
- Need to integrate with Minimum Living Allowance scheme for cash benefit

➔Need reform to transform *Wubaohu* system into LTC policy

Possible Rural LTC Budget (2013)

Staff Ratio	Carer 1:5 care recipients			Carer 1:10 care recipients		
Benefit per recipient (% of net avg. consumption)	60%	80%	100%	60%	80%	100%
Subsidy for labour and admin cost (RMB b)	14.9			7.5		
LTC Benefit (RMB b)	19.2	25.6	32.0	19.2	25.6	32.0
Total cost (RMB b)	34.1	40.5	46.9	26.7	33.1	39.5
Proportion of fiscal revenue in 2012	***0.29%***	***0.35%***	***0.40%***	***0.23%***	***0.28%***	***0.34%***
Per NRMS Member Contribution (RMB)	43	51	59	33	41	49

Possible Rural LTC Budget (2030)

- According to Ma (2013) projection, the demand will be ***24.5*** million in 2030
- Assuming half stay in rural China, the total cost will be ***0.56-0.83%*** of 2030 fiscal revenue based on 60-100% of net average consumption rates subsidies.

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Long Term Care in Urban China

- Traditionally:
  - publicly run nursing homes; low and high care; eligibility rationed by need; long waiting lists
- After 2000 and expanded concept of LTC:
  - infrastructure in local district areas for service hubs: home care packages, elder care centres, kitchen for elders, subsidy programs (both to recipients and service providers)
  - Pilots in all provinces

Long Tem Medical Care System-Qingdao

Integration of LTC into Basic Medical Insurance for Urban Employees and Residents:

- Motivation 1: High ICU cost can be integrated with geriatric care and financing (aspiration to PACE in US)
- Motivation 2: high medical fund balance (in 2012 over RMB 30b for employees, RMB 900m for urban residents – 4.5% of local GDP)

Qingdao in China Context in 2013

	China	Qingdao
GDP per capita	USD 6,700	USD 14,250
Population 60+	15.5%	18.9%
Urbanization rate	53.7%	67.7%
Urban employee contribution rate	6% +2%	9% +2%
Rural-urban resident insurance public contrib.	RMB 280 per head	RMB 320 per head
Health Care management	Urban-Social Security Rural – Ministry of Health	All merged to Bureau of HR and Social Security

LTMC -- Reimbursement Rules

- For nursing home/in-home care, subsidy is RMB 60 per day per person
- For second and third grade hospitals, subsidy is RMB 170 and 200 per bed respectively
- 90-96% of medical cost of acute and LTC covered by LTMC; individuals pay 10% at most

Operation of LTMC 2012-13

- LTMC policy placed 10,970 persons
  - 9,199 people in- home,
  - 1,284 in qualified nursing institutions,
  - 487 in secondary and third grade hospitals
- Total cost about RMB 108 million
- Average cost *RMB 65.5* per day (*57%* of 2013 local average wage) with average beneficiary enjoys half year as net days of service

Insurance Rate for LTC Service

Calculating of LTC premium

Current reimbursement 57% of avg. wage, if all of 80,000 LTC population receive benefit (0.88% of total population), then contribution rate ***r*** to support LMTC should be:

$$(Pq)wr=P\Theta C \qquad r= \Theta C/(wq)=(\Theta/q)x(C/w)$$

P: population, q: % who make wage contribution, w: wage, Θ: % of population need LTC, C/w: per care recipient cost as % of wage (here is 57% of 2013 wage)

Possible LTC premium

- if 40% population contributes: premium would be 0.6% of wage, the current basic insurance contribution would need to transfer 0.6% of wage out of the total contribution

Insurance Rate for LTMC Service

If we change the *wage* in the formula to GDP *per capita*, then the premium for insurance would be 0.3% of GDP *per capita* (if 4% elders 60+ enjoy the benefit and 40% population pays), translates into ***0.13%*** of GDP for total LTMC cost today. The total cost will be about ***0.3% of GDP*** in 2030

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Total China LTC Cost Estimation

- Qingdao LTMC solves the medical cost for disabled elders which estimate at ***0.13%*** of GDP today
- Qingdao home care package and community care in 2012 was RMB 75 million, which was 0.1% of GDP

  ➔***Total urban cost : 0.23% of GDP***
- **Plus** previous rural estimation of 0.23% of fiscal revenue (which translate into ***0.05% of GDP***)

➔Total estimation of LTC cost would be about ***0.28%*** of GDP today and about ***0.6%*** in 2030

Issues and Challenges-Rural

- Local government improves home and community LTC services to needy elders
- Reform the current *Wubaohu* system
  - separate the poverty alleviation of financial and housing support from LTC,
  - develop proper LTC management and governance according to urban practice

Issues and Challenges-Urban

- Training and maintaining LTC workforce
- Encouraging high institutional care by integration LTC into medical insurance
- Developing private LTC industry by defining standards and frameworks

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