# Developing long-term care insurance in France - public-private partnerships limitations

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# Long Term Care : macro viewpoint

- Definition : LTC can be defined as an elderly person's need for assistance in completing the essential activities of day-to-day life

- Total spending for LTC : public + private
  = 2% GDP in 2011 (€40 billion)

- Private LTC :
  = about 0,5% of LTC costs (€200 million)
  = about 0,1% of GDP

# Public-private split

- Private LTCI = a complement to a basic ‘floor’ of universal public coverage
  – meant to reduce gaps in coverage for dependent older people who are not poor enough to have their costs fully covered by the public “APA” allowance or by means-tested social assistance

- APA (personalized allowance for autonomy): introduced in 2002; universal benefit for French people 60 or older needing LTC services
  > Steeply income adjusted
  > Benefits are determined by local authorities according to an individual’s assessed level of need (national grid)
  > 1,2 million people covered

# The French market for private LTC insurance : macro viewpoint

- 5,7 million policyholders in 2012 (out of a total population of 66 million): world's $2^{nd}$ biggest market

- A growing market :
  - the individual market grew by 40% from 2002 to 2012
  - growth was even higher for group (employer-based) products

- A possible explanation: cultural factor

  French people are already used to supplemental private medical insurance at younger and older ages (96% of population)

# The French market for private LTCI

- Policies characteristics: eligibility :
  - based on the person’s ability to carry out certain daily activities without the aid of another person (ADL and IADL most often or national public “AGGIR” grid)
  - Cost ⇔Age and extent of coverage

- Policy premiums:
  - €345/year in average (€29/month): severe and partial dependency – 1/3 of the contracts
  - €322/year in average (€27/month): severe dependency only – 2/3 of the contracts
  - employer-based policies (24% of the contracts): €74/year, with 40-50 % of the cost borne by the employer

# The French market for private LTCI

- French policies pay out cash
  - €540 average monthly payouts
    - > €563 for people with ‘severe’ dependency
    - > €292 for those with ‘partial’ dependency
    - > employer-based policies : €150 average monthly benefits

… but policies are often considered too complex (Deloitte, 2012)

# The French market for private LTCI

- French insurers enjoy relatively healthy finances
  - in 2010 LTCI insurers took in €538 million in premiums but paid out only €166 million in claims (+ reserve requirements)

- A manageable risk ?
  - A true risk for insurance companies to face solvency problems in the short or long term (insurability?)
  - Still relatively few data (and not shared) about:
    - > The probability of becoming dependent
    - > The duration of dependence
    - > The cost of dependence

# Further development for French LTCI sector ? weaknesses

- Classical reasons identified by the economists behind the limited size of the LTC insurance market (Plisson, 2011):
  - Reasons inherent to the risk (insurability, anti-selection, moral hazard, etc…)
  - Individuals' short-sighted vision of the risk
  - Institutional background (eligibility criteria for public financing, tax regime of the policy)
  - Insurers (distribution of inappropriate products or asset management)

# Further development for French LTCI products ? weaknesses

- In most cases, only severe dependency is covered (partial dependency: recent and more expensive) – 2/3 of the contracts

- 75% are covered through group policies (mandatory) that pay out an average benefit of only €150/month
  - low benefits amounts
  - coverage only lasts during the current year: will these people carry these policies over to their post-retirements years, when they are at greatest risk ?

# Further development for French LTCI products ? weaknesses

- Vesting periods :
  - 1 year ⇔ physical disability due to disease
  - 3 years ⇔ cognitive impairment

- 90-day waiting period before benefits can be paid

- De Malleray recommends more uniform definitions of risk and inflation protections

# Toward a public and private partnership (PPP) in France ?

# 2010 working groups: Secretary of State in charge of the Social Affairs

- **In order to study the possibility of a public-private partnership** and to propose a first step towards cooperation between public sector and private organizations, the National Solidarity Fund for Autonomy (CNSA) was asked to organize one of two working groups created in February 2010 by the Secretary of State in charge of *Social Affairs*
- **Composition:** representatives of insurance organizations, socio-medical services of the regional *social services*, as well as representatives of the various governmental offices involved and representatives of the *National Retirement Fund*.

# 2010 CNSA working group

**In its undertakings, the group concentrated on:**

- Defining and ranking the expected objectives of a “common reference tools of loss of autonomy”

- Defining the conditions of a common driver, or of conjoint governance, between public authorities and insurance organisations, to guaranty the effectiveness of the reference tools and professional practices

- Identifying the conditions for a mutual recognition of the evaluations undertaken by each party on the basis of these reference tools.

# 2010 CNSA working group

- Results of the working group in 2010:
  - first step towards dialogue
  - production of a glossary and of a dozen of recommendations
  - in the hypothesis of private LTC insurance policies becoming mandatory for all French citizens (no longer in discussion)

# Toward a PPP in France ?

- No political support for mandatory private insurance since 2012: a shift towards improving public coverage
- The recent legislation proposed by Mr. Hollande focuses on the increase of « APA » benefits for people living at home (€350M)
  - by lowering copayment requirements for those with greater needs
  - by topping up benefit amounts

    +€400 for GIR1 (new ceiling: €1704)

    +€250 for GIR2 (new ceiling: €1368)

    +€150 for GIR3 (new ceiling: €989)

    +€100 for GIR4 (new ceiling: €659)

# Private market regulation

Very few regulation so far:

- Professional for-profit insurers Federation (FFSA) guidelines (« label ») – 2013 : some progress but still insufficient (and not mandatory)

  => Aimed at promoting minimal level of benefits and at guarantying annuities

- With the new bill:
  - insurance companies will need to stick to specifications (to be presented by the government at the end of 2014) in order to have their policies benefit from tax deduction
  - these specifications will especially regulate eligibility criteria (so far determined by each insurance company)

# Obstacles to PPP

- Different tools and methods:
  - For the evaluation of personal situations
    - > each organization proceeds with its own evaluation (no mutualisation)
  - For determination of eligibility to the benefits
    - > eligibility tools are not identical, are used by different professionals, without exchange of information between them

# Obstacles to PPP

- Two different logics (*too* different logics !):
  - Public benefits: a logic of total response to current needs, in the framework of aid eligibility defined by the law = logic of compensation of « chronic disability »
  - Insurance organisations: a logic of benefit eligibility, based on contractual terms established beforehand = logic of long term financing and services

Thank you very much

for your attention !

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