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Care Funding Puzzle – The Complexity of Social Finance

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Research background

This article is associated with an ongoing research grant no. 2011/03/B/HS4/05495 titled

"From the family to the market? The dilemma of financing care delivered to the disabled as an element of cost of disability",

financed by the Polish National Science Centre – 2012-2015

(2013) Rationality of Public Expenses Dedicated for Disability Policy in Poland (in Polish only) → (2015) Economy of Disability Policy

(2014) Evaluation of Disability Policy Goals – Recommendation For The Financial Analysis – for The State Fund for the Disabled and Rehabilitation in Warsaw.

Social Finance

All monetary streams, no matter the source, dedicated for social policy goals' achievment;

Specific coexistence of public/private/3rd sector (NGOs) sources within execution of socially important tasks

New approach towards public/social goals:

Performance budgeting *versus* allocation

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Achieving goals *versus* free-of-charge delivering

LTC and disability policy overlaps

Following a discussion over the problem of LTC financing, it is worth looking at the **former experience of disability policy** and welfare finance, which were the basis for the current solutions.

We can expect people not only to live longer but can expect them to live, excluding a few countries, in **temporarily worse health conditions**.

This is why, when researchers and decisions focus on LTC dedicated to older people, it should be taken into consideration, as not to neglect the problem of younger dependents and the **long-term assistance** (LTA) understood as support services delivered to people with limited ability in every sense.

HLY and life expectancy changes between 2000 and 2010 in selected European countries (gender division)

Country	Life expectancy change		HLY change	
	F	M	F	M
Austria	2,73%	3,49%	-10,74%	-7,89%
Belgium	2,24%	3,92%	-9,41%	-2,59%
Cyprus**	4,53%	4,81%	-7,76%	-4,82%
Czech Republic*	2,96%	3,80%	1,90%	-0,96%
Denmark	2,67%	3,38%	-0,81%	-0,95%
Finland	2,86%	3,54%	2,46%	3,91%
France	2,67%	3,88%	0,32%	2,83%
Germany	2,11%	3,76%	-9,13%	-8,39%
Great Britain	2,89%	4,00%	7,19%	6,04%
Greece	2,62%	3,60%	-0,73%	0,00%
Hungary**	2,90%	4,32%	1,38%	5,23%
Ireland	4,96%	6,12%	0,15%	4,11%
Italy	2,56%	3,81%	-7,27%	-3,01%
Malta*	3,88%	4,10%	8,98%	9,52%
Netherlands	2,88%	4,27%	0,00%	-0,16%
Poland*	3,22%	3,32%	-9,58%	-6,40%
Portugal	3,02%	4,40%	-9,00%	-1,50%
Spain	2,92%	4,26%	-7,79%	-3,16%
Sweden	1,85%	2,74%	14,86%	13,63%

LTC and disability policy overlaps

The OECD Economic Policy Paper (2013)by Ch. De la Maisonneuve and J. Martins:

A striking difference between spending on health and LTC is that the cost of LTC per beneficiary is roughly independent of age.

Health care spending improves the probability of survival at old age; it can also push up LTC spending.

This refers to all phases of life.

When designing any social policy sub-system, policymakers should not only include the holistic nature of a human-being in their ideas, but also a **holistic nature of public finance** (Rodrigues, Leichsenring, Winkelmann, 2014).

How can LTC be financed?

Social insurance
Tax
Private insurance
Self insurance

Separated/mixed method usually overlapping with health care funding

Obligatory burdens	
CONTRIBUTION	TAX
labor costs' connected not general coverage arousing expectations directly linked	strongly GDP dependant politically influenced (in general) universal simpler to introduced

„The level of expenditures does not depend on the method it is financed with but on the range and the level of benefits and services" . ??? !!!

	Taxes*	Contributions	State budget**	Local budgets	Individual participation
Austria	x		x	x	
Belgium	x	x	x		
Croatia	x		x		
Cyprus	x		x		
Czech Republic	x		x		x
Denmark	x		x	x	x
Estonia	x		x	x	x
Finland	x			x	x
France	x	x	x	x	
Germany	x	x	x	x	
Greece		x	x		x
Hungary	x	x	x	x	
Ireland	x		x		
Italy	x	x	x	x	
Latvia	x		x	x	
Lithuania	x		x	x	
Luxembourg		x	x		x
Malta		x	x		
Netherlands	x	x	x	x	x
Poland	x	x	x	x	
Portugal	x		x		
Romania		x	x		
Slovakia	x		x	x	
Slovenia	x	x	x	x	
Spain	x		x	x	x
Sweden	X**			x	
United Kingdom	x		x	x	

How is LTC financed

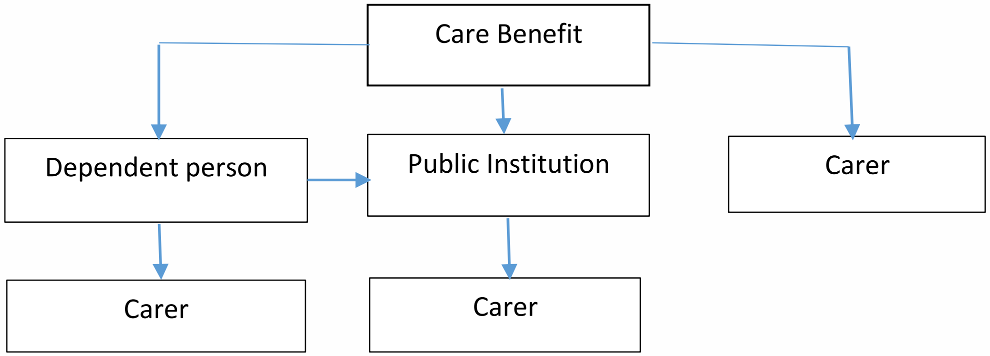
- Taxes are the most common instrument to collect funds for LTC;
- In several cases, the more significant instruments are local taxes, rather than central taxes;
- Use of taxation does not exclude an insurance method and contribution implementation;
- In Finland and Sweden, local authorities are independently responsible for LTC performance and local budgets are the only radix;
- In most European countries the expenses from the state budget are accompanied by local budgets and generally executed separately;
- In some European countries, the national legislation includes individual participation as an obligatory source of financing;
- In the case of mixed financing, there are some burdens (rather taxes than contributions) dedicated directly for selected services. In cases of general or universal systems, the decision of spending structure is transferred to the responsible subject.

Country OECD 2013, OECD 2011, EU 2012	Public LTC expenditure in 2010	Public HC expenditure in 2010	Public LTC expenditure (% GDP) in 2008	Private LTC expenditure (% GDP) in 2008	Public expenditure on LTC average for 2006-2010	Public expenditure on LTC expected increase to 2060
1	2	3	4	5	6	7
Austria	1,63	7,41	1,1	0,2	1,1	0,7
Belgium	2,35	6,31	1,7	0,2	1,7	0,7
Czech Republic	0,81	6,89	0,2	0	0,3	0,9
Denmark	4,5	7,44	1,8	0,2	2,2	0,6
Finland	2,51	8,02	1,8	0,4	0,8	0,5
France	2,16	8,02	1,7	0	1,1	0,6
Germany	1,43	8	0,9	0,4	0,9	0,7
Hungary	0,84	4,94	0,3	0	0,3	1
Luxembourg	0,98	3,75	1,4	0	0,9	0,7
Netherlands	3,82	6,99	3,5	0	2,3	0,8
Poland	0,73	4,94	0,4	0	0,4	1
Portugal	0,31	7,15	0,1	0	0,1	0,8
Slovakia	0,27	6,19	0,2	0	0	1,1
Slovenia	1,43	6,14	0,8	0,3	0,7	0,9
Spain	1,11	6,52	0,6	0,2	0,5	1
Sweden	3,88	7,48	3,6	0	0,7	0,5
United Kingdom	1,97	7,2	nd	nd	0,9	0,5

Benefits for carers

As there are different statuses or forms of carers and different ways of delivering benefits, in almost every European country the implemented solutions differ.

The safety net for carers reflects the social perception of their work importance, as well as the level of disability policy development.



Graph: Paying-for-care patches

LTC in Poland – factors affecting negatively

- Aging – much faster than UE average;
- "Contribution gap" – high migration, high unemployment, strong avoidance of permanent contracts connected with social contribution payment (23,8 % of GDP);
- "Care gap" – high migration of women (40-60 age) – the main source of well-skilled care services for Germany, Italy or UK; families structures polarisation.

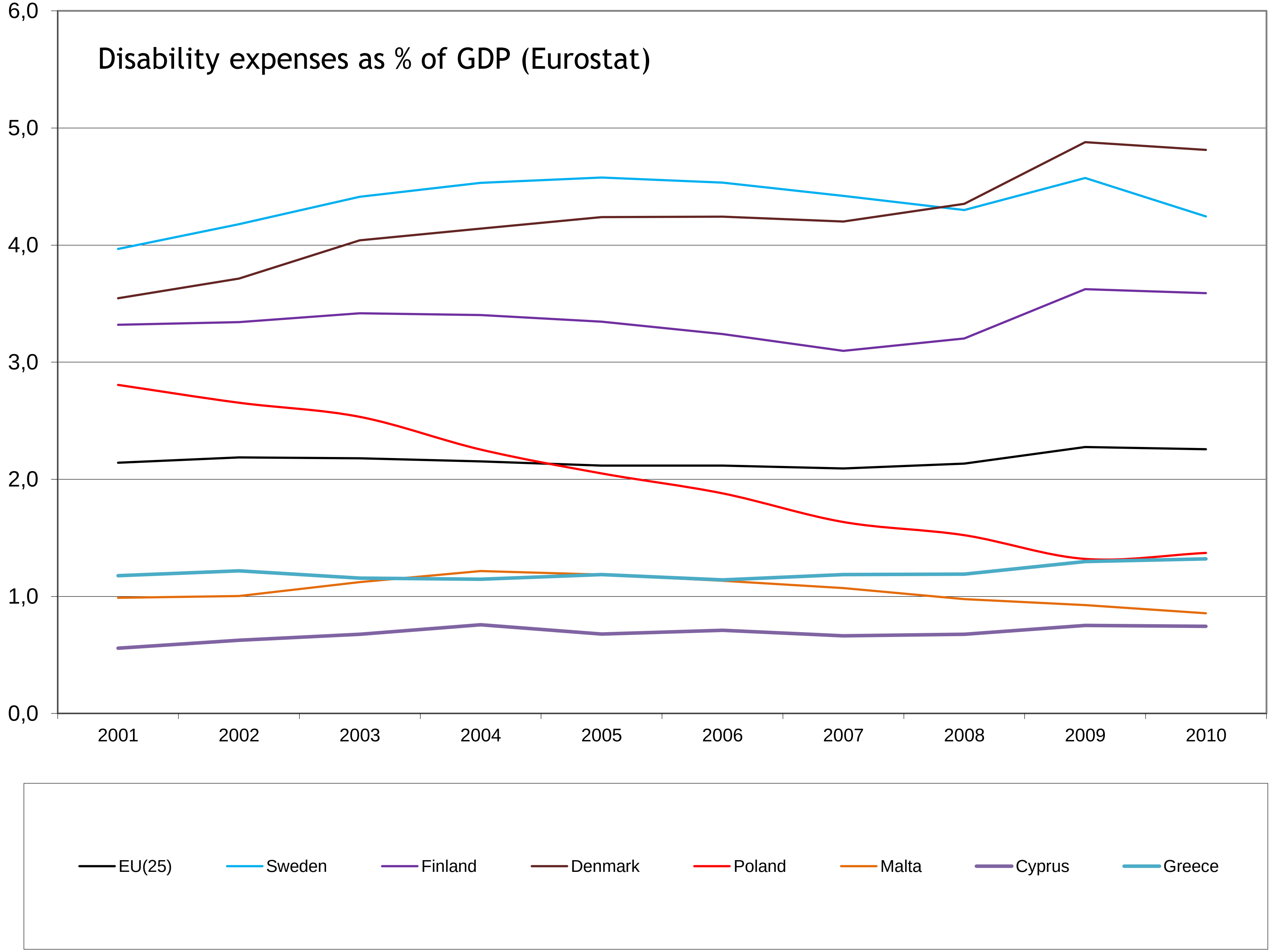
LTC in Poland - features

- There is no coherent system – the care services are delivered through health care system (managed on central) and social protection system (managed at local level);
- It is tax based;
- The care delivered is highly limited or/and inadequate;
- Family is the primary entity responsible for care delivery and, if not performing personally, responsible for care financing;
- The long term care obligation (especially over a child) is the main cause of poverty and social exclusion as well as financial deprivation;
- Low benefits for carers (with preferences for child carers), the carer is expected to resign from professional occupation rather than to maintain professionally active.

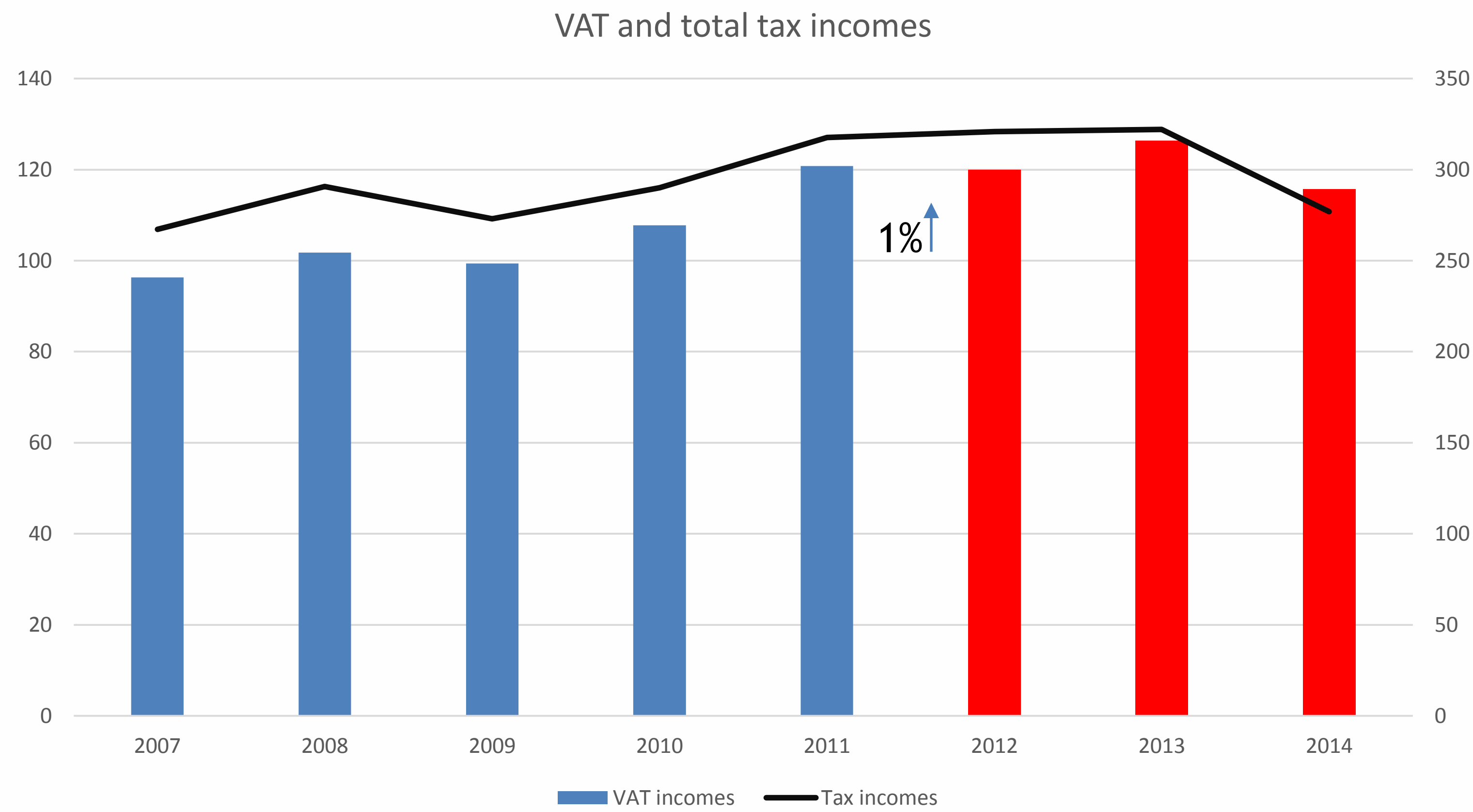
The level and the structure of disability policy expenses in Poland in 2010

Type of expenses	Structure of direct expenses	Structure of all expenses
Disability pensions	70,26%	63,92%
Social pensions	2,54%	2,31%
Labour support	6,28%	5,71%
Education	4,37%	3,97%
Rehabilitation	5,50%	5,00%
Social protection	9,60%	8,73%
Care benefits	0,71%	0,65%
NGOs support	0,74%	0,67%
Total integration expenses (1-8)	100,00%	90,98%
Sickness benefits		9,02%
Total (10-11)		100,00%

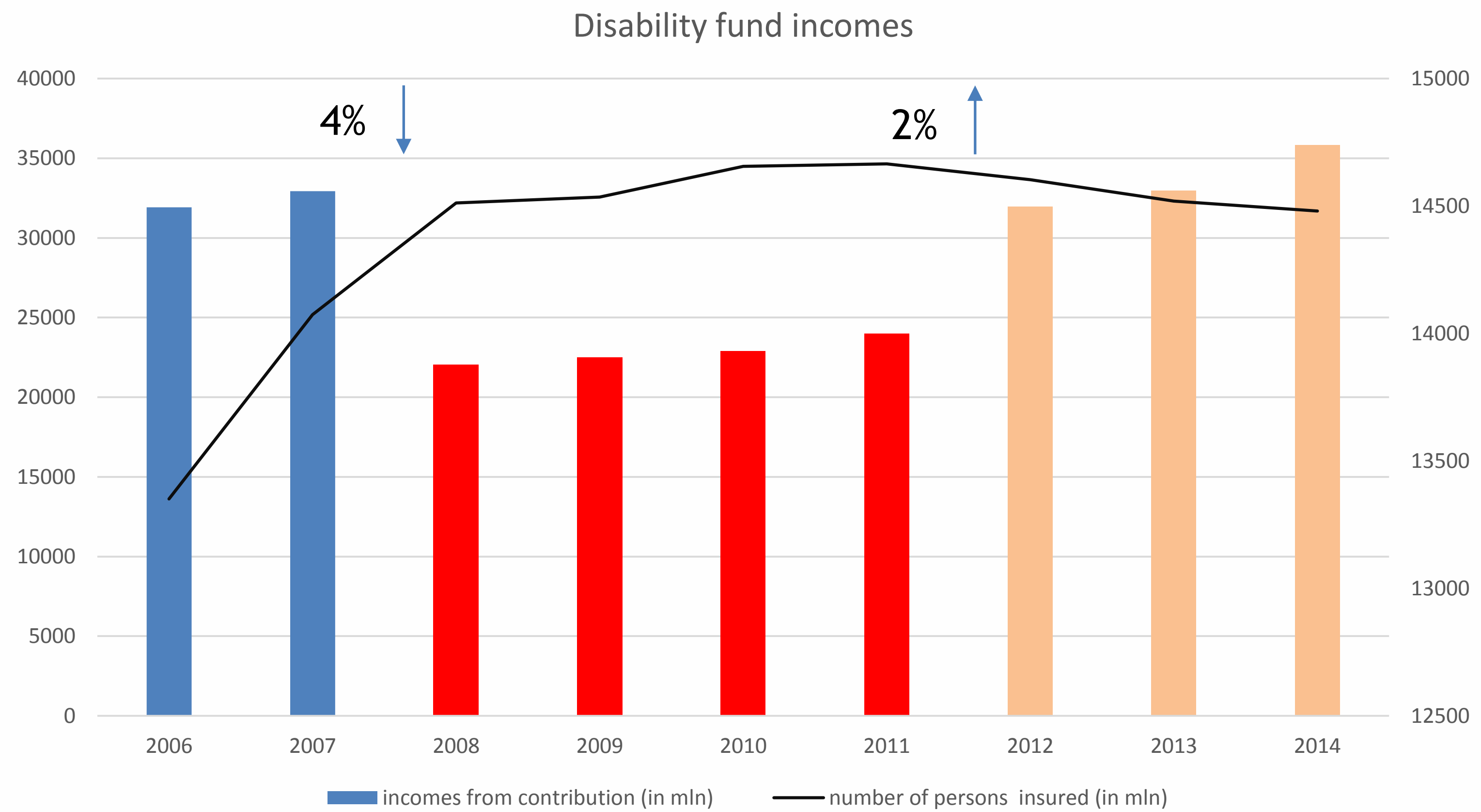
	as % of GDP	Per capita	per disabled person
Total integration expenses	4,86 %	512 EUR	4108 EUR
Total including sickness benefits	5,34 %	563 EUR	4516 EUR


Disability expenses as % of GDP (Eurostat)
6,0
5,0
4,0
3,0
2,0
1,0
0,0
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
EU(25)
Sweden
Finland
Denmark
Poland
Malta
Cyprus
Greece

Scenario I: Tax based model – VAT increase



Scenario II: social security contribution (disability pension fund)



Optimal scenario

Tax based system (up to 3 years)

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Insurance + tax relief

- **CONNECTION** - LTC as an element of (preferably) disability policy than (exclusively) senior policy
- **COMMODIFICATION** – simple, flexible contracts for carers (no matter the ties), tax preferences for LTC insurances
- **COORDINATION** - The State Fund for the Disabled and Rehabilitation as a central supervisory institution