

Long-term Care Arrangements in Japan, Germany and USA

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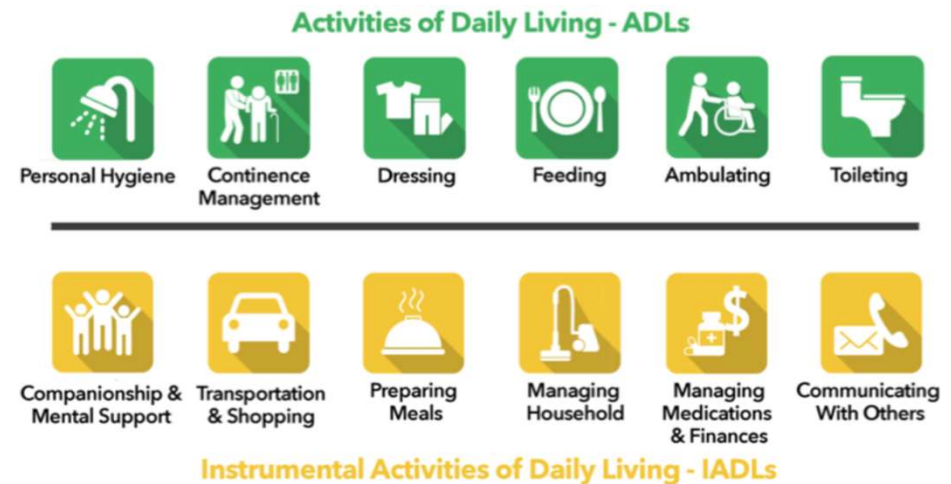
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Motivation

- Japan is aging rapidly. Fiscal costs of aging are significant
- Associated with aging is a higher demand for long-term care (LTC) services.
 - Who needs long-term care services?
 - Who provides long term care serves?
 - How are long-term services financed?
- What measures can we take to support LTC in Japan?

Demand for long-term-care services

- **Long-term-care differs from acute care**
 - **Acute care:** Assistance and medical care from an intense, transient health event.
 - Example: hospital care due to a broken leg or heart attack.
 - Goal: cure or recovery.
 - **Long-term care:** assistance with everyday living (ADL, IADL) and medical care associated with a health event that has a gradual onset but is persistent.
 - Example: help with dressing due to Alzheimers Disease.
 - Goal: slow the pace of deterioration/improve the quality of life.
- **Long-term care event defined:** three or more ADLs (Fu, Iizuka, Noguchi, 2023 relate to Japan's public LTC definitions).



Who needs long-term care ADL services in Japan?

69% of Japanese of age 65 will need long term care before they die.

Risk of a long-term care event increases with age.

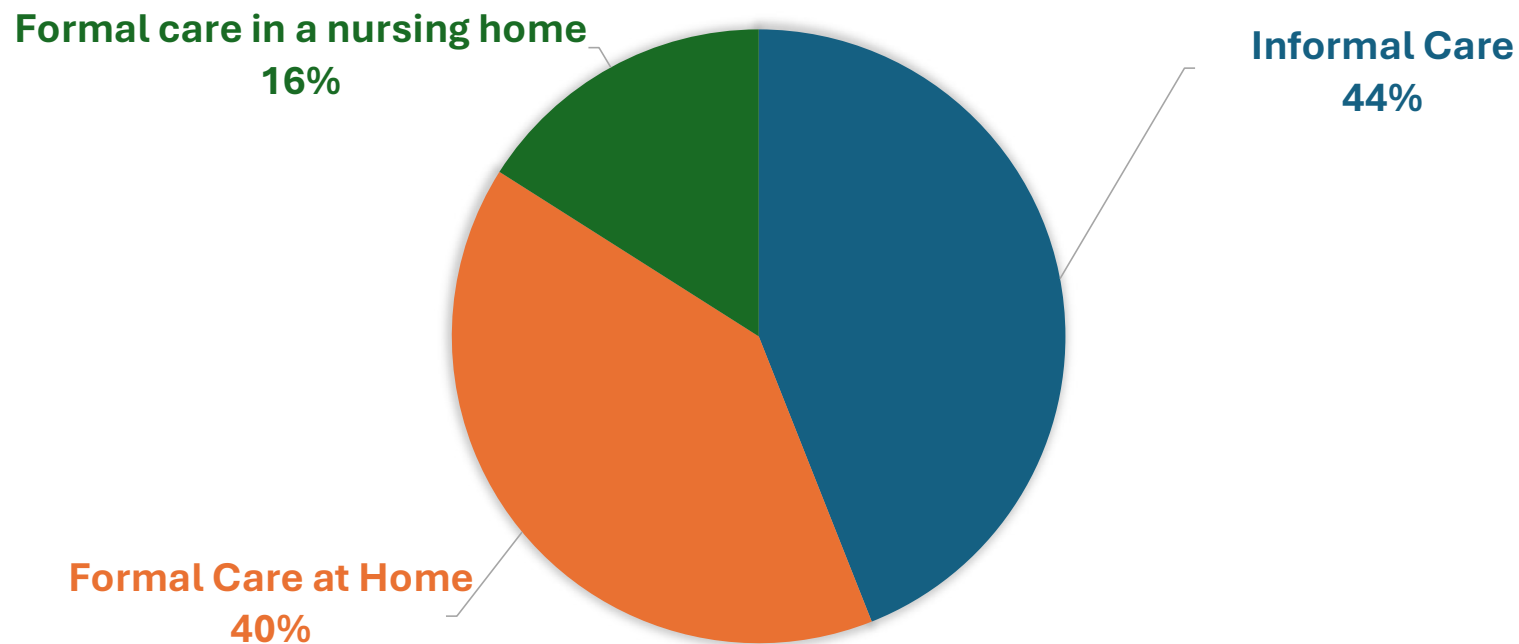
Women are more likely to need care than men.

Men: 65.5% Women: 72.1%

Average years of care needed given a long-term care event is longer for women than men.

Men: 8.7 years Women: 12 years

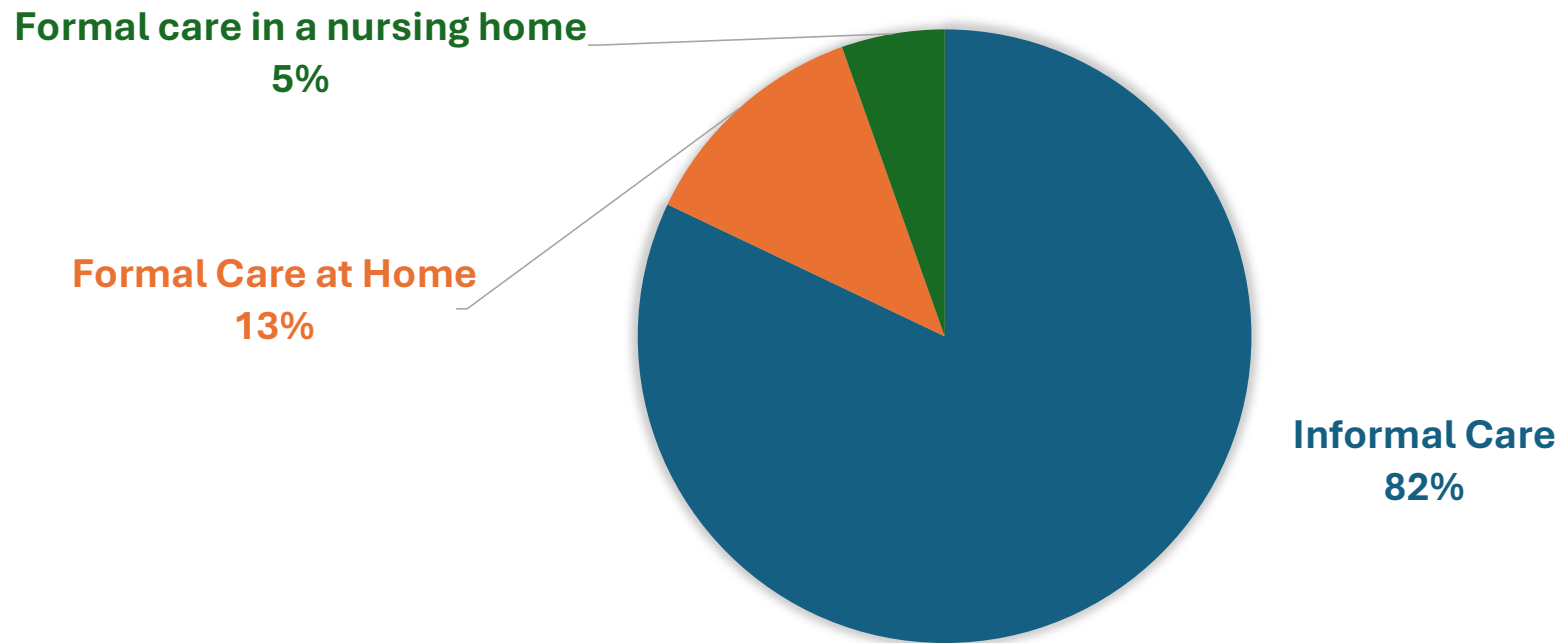
Who provides ADL long-term-care services in Japan?



Source: Fu, Iizuka, Noguchi (NBER WP 31829, 2023)

Note: 65+ year old individuals. For individuals who receive both informal and formal care at home half are assigned to informal and half are assigned to formal care at home.

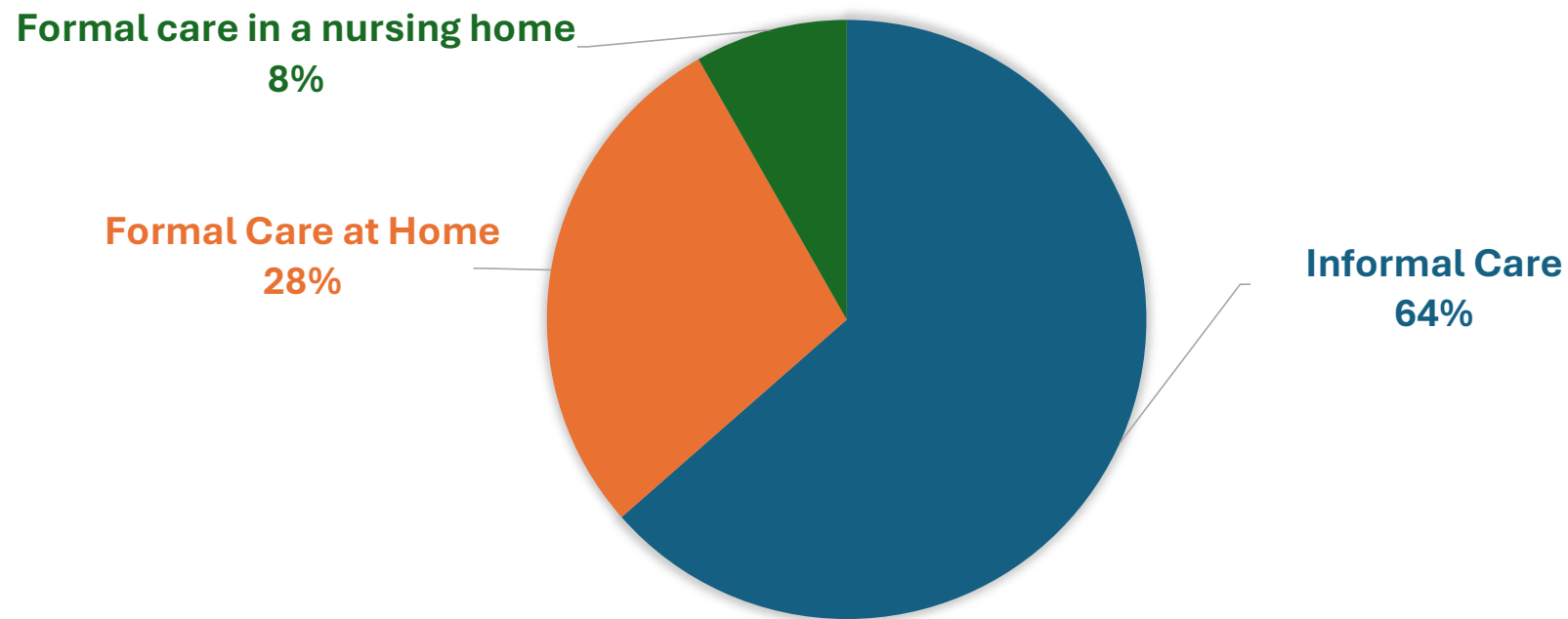
Who provides ADL long-term-care services in USA?



Source: Gruber and McGarry (NBER WP 31881, 2023)

Note: 65+ year old individuals. Half of individuals who receive both informal and formal care at home are assigned to informal and half are assigned to formal care at home.

Who provides ADL long-term care services in Germany?



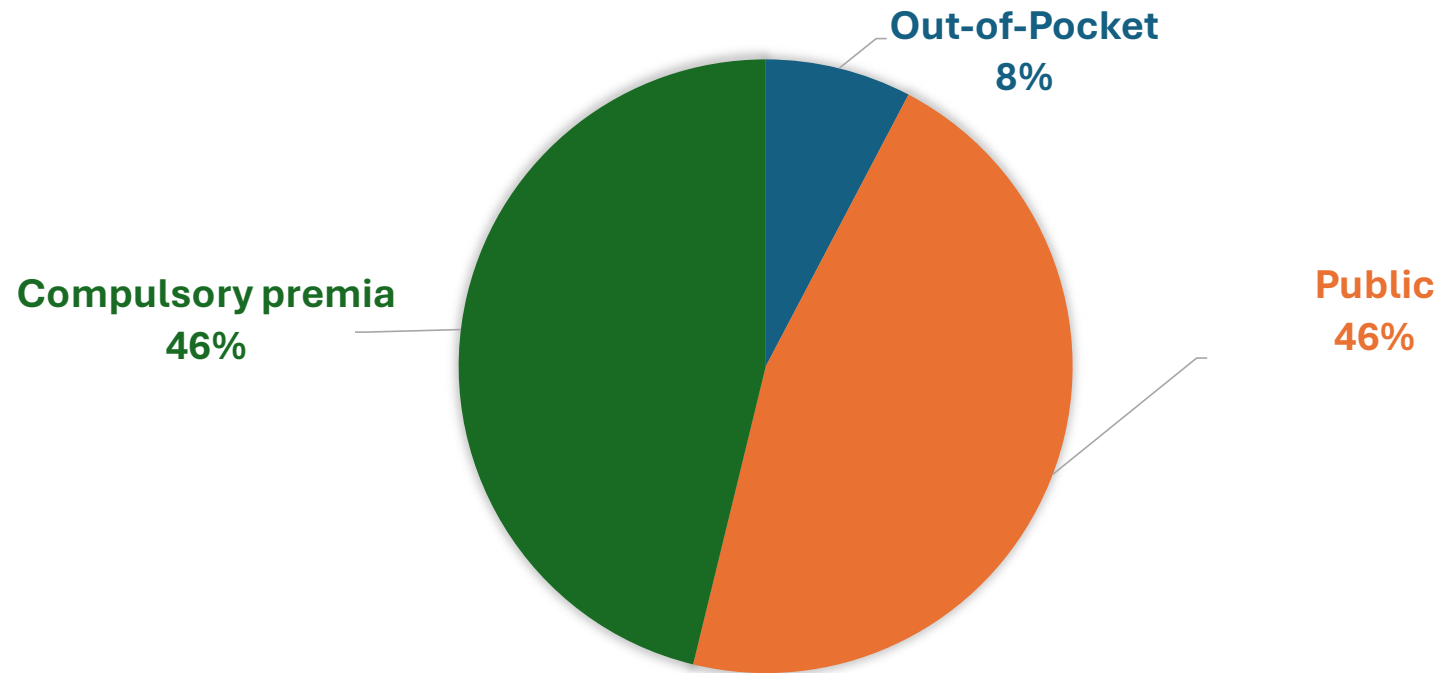
Source: Geyer et al. (NBER WP 31870, 2023)

Note: 65+ year old individuals. Public insurance in Germany pays family members to provide home care.

Summary: Long-term care ADL assistance

- Most ADL assistance is provided informally in Germany and USA. Share of informal care is small in Japan (44 percent).
- Japan provides more formal care at home compared to Germany and USA.
- Japan provides more formal care in nursing homes than Germany and USA.

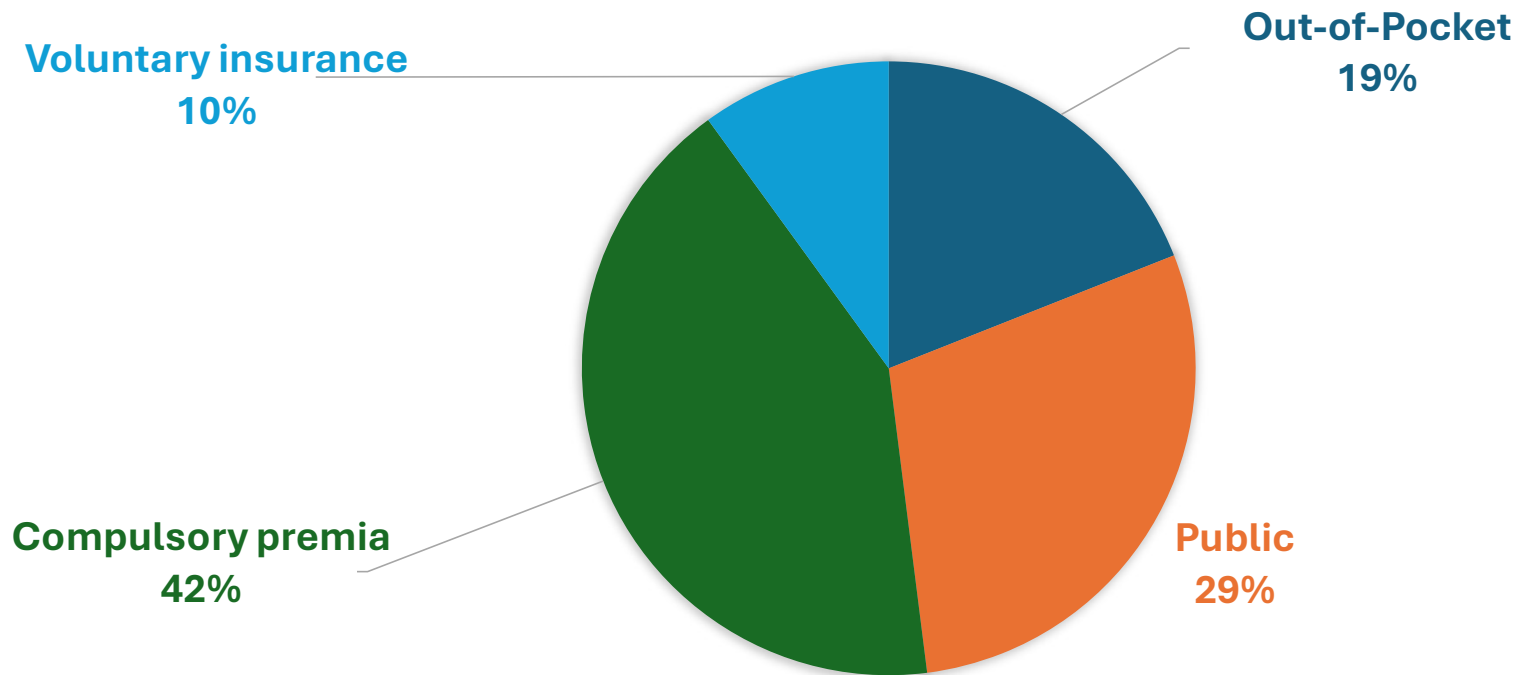
How are *total* long-term care services financed in Japan?



Source: Fu, Iizuka, Noguchi (NBER WP 31829, 2023)

Note: 65+ year old individuals. These figures include ADL assistance and medical services.

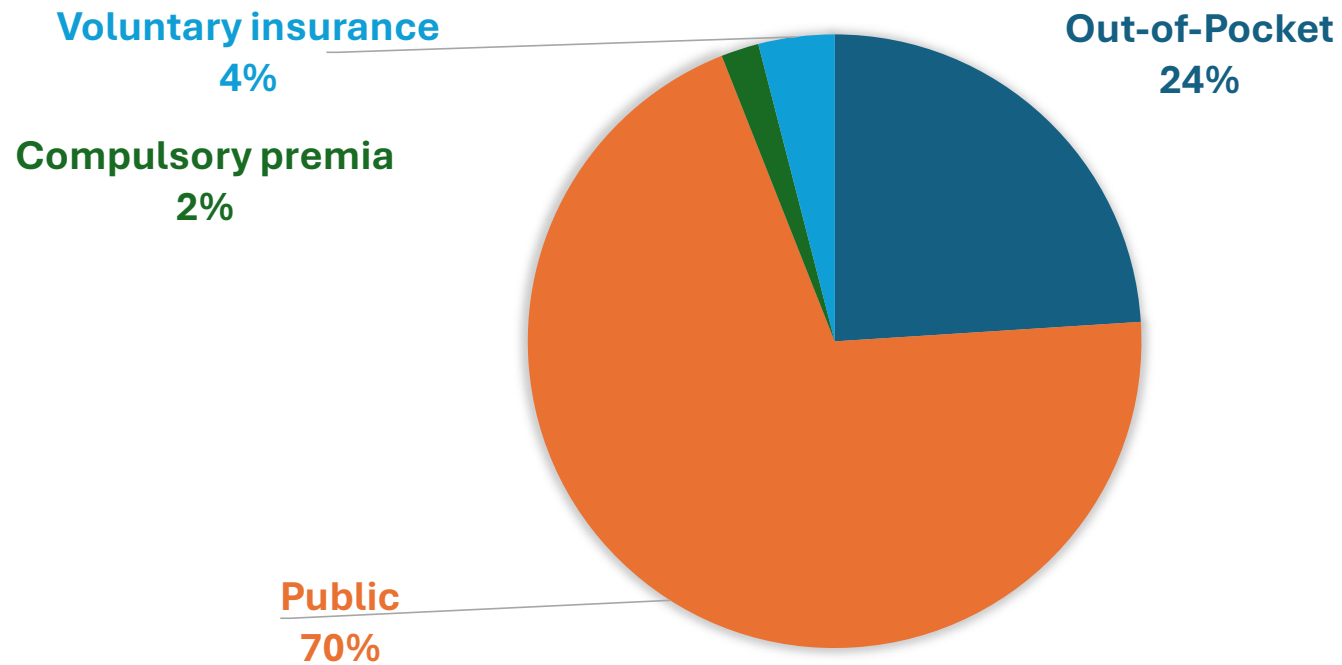
How are *total* long-term care services financed in USA?



Source: Gruber and McGarry (NBER WP 31881, 2023)

Note: 65+ year old individuals. These figures include ADL assistance and medical services.

How are *total* long-term care services financed in Germany?



Source: Geyer et al. (NBER WP 31870, 2023)

Note: 65+ year old individuals. These figures include ADL assistance and medical services.

Why does Japan have universal public LTCI for ADLs?

- Traditional arrangement: eldest son and spouse provided ADL services in exchange for inheriting the property.
- Traditional arrangement weakened in 1980s-1990s. Many elderly ended up in hospitals. Copayments for hospital stays were zero!
- Japan's public long-term care insurance is **preventative**: designed to keep people out of hospitals. ADL care in a hospital is particularly expensive!
- Public policy issue: public LTC expenditures for ADLs are large and increasing rapidly.

Total long-term-care services (65+ age group)

- Medical care
 - Universal public insurance in Japan, Germany and USA.
- ADL care
 - Public insurance
 - Universal public insurance in Japan and Germany.
 - USA means-tested public insurance. Only destitute quality in USA.
 - Incomplete coverage for formal ADL care in nursing homes in all three countries.
 - Incomplete coverage for formal ADL care at home in all three countries.
 - Private insurance market is small in all three countries.
 - Japan offers no financial incentives to informal care providers. Germany and USA have financial incentives for informal care.

Nursing home ADL services are particularly costly

Country	Monthly cost	Copay rate	Monthly Out of pocket
Japan	220,000 Yen	7-35%	15,283-76,416 yen
USA	9,000 USD	100%	9,000 USD
Germany	5,630 Euro	41%	2,252 Euro

- Japan superb at controlling NH costs.
- Most Americans pay for nursing home expenses out-of-pocket (Medicaid benefits only available to destitute).
- Less affluent Germans pay less than 41% due to safety net.

Is public long-term care insurance for ADLs still too generous in Japan?

- Individual copayments for nursing home event
 - USA: 100%
 - Germany: 41%
 - Japan: 7%-35%.
- Public LTC insurance crowds out private insurance and saving (Braun, Kopecky, Koreshkova, 2019, Econometrica)
- Reducing public LTCI coverage would increase
 - Demand for private long-term care insurance.
 - Demand for informal ADL assistance from family members.
 - Saving of the elderly in the form of liquid assets.
- What can public policy do to promote the purchase of private LTC insurance and to support informal care providers?