



# Designing Universal LTSS Programs

## Lessons from Germany and Other Countries

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# Outline

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- Why should we care about this topic?
- Overview of LTSS approaches abroad
- Divergent approaches to shared challenges
- Case study: Lessons from Germany
- Q&A

# Why Should We Care about Experience of LTSS Programs Abroad?

- U.S. policymakers weighing LTSS innovation in response to:
  - Aging population
  - Decline of stay-at-home caregiver
  - Insufficiency of residual approach
- Most OECD countries face similar set of challenges
  - Decades of experience from which to draw insights
  - Discrete learnings, cognizant of context

# Overview of LTSS Programs Abroad

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- Four types of approaches to LTSS financing and coverage:
  - Social insurance
  - Universal comprehensive
  - Residual
  - Hybrid

# Social Insurance Approach

- Netherlands (1968), Germany (1995), Japan (2000), South Korea (2008), WA State (2022)
- Funded in whole or part by dedicated contributions by workers and/or their employers, as well as pensioners
- Near-universal coverage
- Modest benefits – families expected to pick up the rest (subsidiarity)
  - Exception: Netherlands (1968) has most generous system in the world (3.7% of GDP in 2017)
- Social assistance kicks in where families can't afford remaining cost

# Universal Comprehensive Coverage

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- Denmark, Sweden (late 1940s)
- Funded by general revenues
- Universal coverage
- Generous benefits, no or minimal financial participation by beneficiaries

# Residual (Means-Tested) Programs

- U.S. (1965): Medicaid LTSS; England (1948, reformed 2015)
- Funded from general revenues
- Covers only those with low income and assets
- Predicated on assumption that broad middle class can purchase LTSS through the private market (private insurance or out of pocket at time care needed)

# Hybrid Approaches

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- France (2002)
- Funded by general revenues with small social insurance component
- Universal coverage
- No means test, but benefits decrease as income increases



# Learning, not Importing

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- National approaches to LTSS cluster around the first three types
  - Political culture and political economy drive how countries cluster in these types
    - Gøsta Esping-Andersen (1990): worlds of welfare capitalism
    - Ebbinghaus and Manow (2001): institutional complementarities

# Divergent approaches to shared challenges:

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- Coverage
- Transition cohorts
- Start and duration of coverage
- Financing
- Integration
- Benefit type and setting

# Case Study: Lessons from Germany

Learnings from successes in the German system:

- Fixing a market failure is uncontroversial and can win broad public support (and support for premiums)
- Robust benefits are possible with modest fiscal footprint
- Contributory programs can achieve near-universal coverage
- Covering seniors out of the gate wins political support, eases LTC burden on social assistance budgets
- Requiring premiums from seniors permanently broadens the tax base

# Case Study: Lessons from Germany

Learnings from successes in the German system (2/2):

- Flexible public programs can increase families' choices and options
  - Cash, in-kind, or combination
- Designing the insurance benefit structure in isolation is insufficient to serve the program goal of benefit adequacy
  - Holistic policy design needs to focus on limiting not only the cost of the public program but also out-of-pocket costs for beneficiaries
- Benefits can be targeted to match care need

# Case Study: Lessons from Germany

Learnings from challenges in the German system:

- Meeting beneficiary LTC needs, addressing care workforce shortage, ensuring quality jobs and quality care, and controlling costs (and hence contribution rate) are often competing challenges
- LTC workforce shortage is a complex challenge in Germany and abroad
- Relying on family members to quit their jobs is not feasible for most families and has major disadvantages
  - Robust care leave policy is needed, and traditional paid family leave may not be enough – dedicated LTC leave policy may be needed

# Case Study: Lessons from Germany

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Learnings from challenges in the German system (2/2):

- PAYGO financing approach makes changes to premiums/benefits necessary to deal with age wave (hence creation of LTC Provision Fund in 2015)
- A statutory mechanism is needed to ensure that benefits roughly keep pace with rising cost of care
- Cash benefits bring risk of reinforcing inequalities

## Questions & Answers

