

Social Long-term Care Insurance in Japan and the U.S.

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US-Japan Now– Economic Impacts of Aging

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*These are my own views and not necessarily those of the Federal Reserve
System.

Graying of Japan

- Falling fertility rates
- Higher life expectancy

Fertility Rates and Life Expectancy

Year*	1947	1955	1985	2015	2045
Total Fertility rate	4.54	2.37	1.75	1.38	1.35
Life Expectancy (females)	54	67.8	80.5	87.1	89.9
Life Expectancy (males)	50.1	63.6	74.8	80.3	83.2

*Results for years Beyond 1985 are medium projections from IPSS.

Taken together they imply a smaller population and a higher old-age dependency ratio in future years.

U.S. is experiencing similar patterns but less intense.

Longer life expectancies are associated with longer periods of frailty

- Assistance bathing
- Assistance preparing meals
- Assistance cleaning
- Dementia.

Who cares for the old and frail?

- The family and local community have traditionally provided this assistance.
- Even now over half of long-term care (LTC) services are provided by family members.
- Most of this care is provided by females in the U.S. and Japan.

Who is most likely to need LTC assistance?

- Women!
- Women have longer life-expectancies than men.
- Women face an elevated risk of dementia:
- 70% of those suffering from dementia are female.
- Minorities also face elevated risks of dementia.

Who provides for those who are old, sick, poor and alone?

- Social insurance provides assistance in both Japan and the U.S.
- In the U.S. Medicaid provides long-term care assistance for those with low assets.
- In Japan (social) LTC insurance provides for those who find themselves in this situation.

Big differences between coverage of public LTC insurance in U.S. and Japan

- U.S.
 - Only those with very low assets \$2000 qualify for Medicaid.
 - For everybody else most long-term care expenses are paid for out-of-pocket.
 - Annual cost of LTC is over \$80,000.
 - Risk of a LTC stay is high: 0.38 for females and 0.21 for males.
- Japan
 - Everybody over 40 pays an LTC insurance premium (even those with low means).
 - Universal: everybody is entitled to LTC benefits.
 - Copayments vary from 10% to 20% and coverage is capped.
 - Annual out-of-pocket expenses are also capped.

How does Japan's social LTC insurance program work?

- Social LTC insurance in Japan is new (started in 2000).
- Benefits are administered at the community level and premia vary by community.
- Big effort on keeping people out of nursing homes.
 - Home care services (assistance taking a bath)
 - Community services (day care at community centers).
- Who gets what benefits:
 - Community LTC care specialist make initial determination of needs.
 - Assessment is reviewed by a committee (including the doctor).
 - Outcome is a cap on community and home benefits.
 - Community benefit plan manager helps the recipient come up with a specific plan for using the benefits.

Issues with Japan's social LTC insurance

- Cost management: Use of LTC insurance is growing rapidly as Japan ages.
- Shortage of community LTC facilities.
- Coordinating LTC and medical benefits: Many needing LTC still end up on hospitals.
- City versus countryside.

Thank You!