

# Local Experience and Reflection on China's Long-term Care Insurance System

Based on Gilbert's Social Welfare Policy Analysis Framework\*

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**Abstract**—Long-term care insurance (LTCI) is an inevitable choice to deal with the aging of the population and the disability of the elderly. In the exploration practice of China's long-term care insurance system, cities such as Qingdao, Changchun and Nantong took the lead in the test, and each had its own gains and losses. Based on the supplemented Gilbert's social welfare policy analysis framework, this paper deconstructs the long-term care insurance system in China's pilot areas from five aspects: distribution basis, distribution content, service delivery, funding sources, and risk management, and reflects on the experience and problems in local practice to enlighten the road to the advancement of China's long-term care insurance system.

**Keywords**—long-term care insurance; Gilbert's social welfare policy analysis; local experience; reflection

## I. INTRODUCTION

The aging of the population is one of the most important social changes faced by developed and developing countries around the world, including China. Since entering the aging society in 2000, the number of elderly people in China has increased. In 2015, the size of the elderly population aged 60 and over in China has reached 222 million, accounting for 16.1% of the total population. Under the aging background, the size of the elderly disabled group is also expanding. According to the survey, the total number of disabled and semi-disabled elderly in China reached 40.63 million, accounting for 18.3% of the elderly population. The proportion of urban and rural elderly who self-reported a need for care was 15.3%, with an increase of 9 percentage points over 2000. The disability trend of the elderly population has led to an increase in the scale of social long-term care and a gradual escalation. Although China has established a relatively complete social insurance system, long-term care costs are not covered. The imperfect development of the aged care service industry has caused long-term "social hospitalization" of some chronic geriatric patients, resulting in inefficiency in the utilization of medical resources. How to build a long-term care security system to provide effective nursing services for the elderly has become a difficult problem that China has to face. In July 2016, the Ministry of

Human Resources and Social Security issued the "Guiding Opinions on Piloting the Long-term Care Insurance System", and plans to use the pilot period of 1-2 years to explore and establish a social insurance system that provides care or financial protection for medical care that is closely related to basic life in social life-assisted mutual aid method to raise funds for the basic life of long-term disabled people. Some cities in China took the lead in piloting, and accumulated some experience and certain problems in the exploration of the long-term care insurance system. Deconstructing and reflecting on local practices will help other cities in the system to learn from each other's strengths and advance the process of China's long-term care insurance system.

## II. THE LOCAL EXPLORATION OF THE LONG-TERM CARE INSURANCE SYSTEM

American scholar Neil Gilbert believes that social welfare policies are not precisely defined, and even no definition is generally accepted. However, in the content related to the subject, the boundaries can be marked to form a common discussion. On the basis of previous studies, Gilbert proposed the framework of welfare policy analysis, namely the "four-dimensional and three-tier" method: distribution basis, distribution content, service delivery, and financing methods constitute the four dimensions of social welfare policy, each dimension is examined from three levels: (1) the choice scope; (2) the social value that supports them; and (3) theories or assumptions that support them. Dai Weidong supplemented the social welfare policy analysis framework based on the characteristics of the long-term care insurance system, and formed the seven-dimensional three-tier welfare analysis framework by introducing social choice, risk control and operational steps. In terms of the operational steps, the establishment of China's long-term care insurance system is not formed by one step, but a pilot first, gradually promoting, and eventually achieving national integration. As for social choices, long-term care insurance in all regions consistently is implemented in the form of social insurance. Therefore, this paper only selects the five dimensions of distribution basis, distribution content, service delivery, funding source and risk control to analyze the long-term care insurance system in each region.

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### A. Distribution Basis: LTCI Insurance Scope

The basis of the distribution of social welfare is the principle that is followed when social welfare is allocated to a specific group. For LTCI, it is the choice of the insurance scope. The insured personnel of Jinan and Rizhao are limited to the employees of this city, and the insurance coverage is small. Qingdao, Changchun and Nantong all adopt the model of "Caring Insurance Follows Medical Insurance". The insurance covers all employees who are covered by basic medical insurance and basic medical insurance for residents. However, the implementation of the system in Nantong City is only within the urban area (Chongchuan District, Gangzha District, and the Municipal Economic and Technological Development Zone), so the insurance coverage is smaller than that in Qingdao and Changchun.

### B. Distribution Content: LTCI Care Service

According to Gilbert's social welfare policy theory, there are two basic forms of welfare distribution: cash and in-kind. The difference between long-term care insurance and other insurances is that the distribution content is not limited to cash

but also can be paid in kind, and the way of payment in kind is more consistent with the original intention of the system. The LTCI in the pilot cities were implemented in the means of care services, but the types of care provided in each pilot area were different, as shown in "Table I". In addition, in terms of the same type of care, the objects served in the regions are not exactly the same. Changchun City LTCI is mainly targeted at completely disabled groups, so its nursing services are mainly implemented by visiting designated medical institutions, pensions or nursing institutions. Different from Nantong, Jinan and Rizhao, different types of nursing services are provided based on the severity of illness and the degree of acuteness. The special medical care of Qingdao is mainly for the elderly with severe disability. The Institutional medical care is mainly for the elderly who need hospice care. The community patrol care is mainly aimed at the elderly in rural areas. There is little difference in the content of nursing services in each pilot area, and medical care is carried out in accordance with the relevant provisions of the Inpatient Basic Care Service Project (Trial) (Wei Yi Zheng Fa [2010] No. 9) and the "Clinical Nursing Practice Guide".

TABLE I. TYPES OF CARE FOR LONG-TERM CARE INSURANCE IN PILOT CITIES

Qingdao	Changchun	Nantong	Jinan	Rizhao
Special medical care	Special medical care	Special medical care	Special medical care	Special medical care
Institutional medical care	Institutional medical care	Institutional medical care	Institutional medical care	Institutional medical care
Home nursing care		Home nursing care	Home nursing care	Home nursing care
Community patrol care				Community patrol care

### C. Service Delivery: Management of LTCI Service Organization and Supply

Whether service delivery is effective is the key to achieving LTCI goals. How to effectively deliver care services to those who have care needs to ensure that disabled people can effectively access the corresponding care services, the practice varies from region to region. In the management model of long-term care insurance, each region adopts third-party custody model.

1) *Admission mechanism*: A market that operates efficiently and orderly is inseparable from a strict access mechanism, and the nursing market is no exception. The long-term care insurance system began with the government's leadership. Therefore, various types of medical, pension and nursing institutions with relevant qualifications organized by the government constitute the main force of service supply. The long-term care insurance system in each region not only requires the nursing institution to have the designated qualifications for the basic medical insurance of the city, but also sets various thresholds for the nursing institutions that provide different types of care in terms of personnel, equipment and scale. However, the long-term care services market is not entirely government-led. Qingdao, Jinan and Rizhao allowed the non-medical qualification nursing institutions to establish a "medical support complex" with their nearest fixed medical institutions for basic medical insurance, and apply for a designated nursing institution qualification by agreement. Nantong City allows large-scale

and qualified enterprises to apply for fixed-point care services and provide home care services. Changchun City has the widest openness, not only hospitals, nursing homes, but also various public training centers and activity centers that can be encouraged to actively carry out disability care services by means of rectification, replacement or conversion.

2) *Service management*: Service management is the prerequisite for ensuring the quality of care services and the rational allocation of care resources. There are some requirements on the care content and related service for long-term care services in each region. In terms of care content, as mentioned above, each region has its own regulations. In the related nursing service, Changchun, Jinan and Rizhao City respectively require staffing and service frequency. In order to ensure the quality of medical care services for insured persons, in Changchun, in principle, the number of medical care managed by each professional care worker should be no less than 3 and no more than 5 persons. Rizhao City treats patients at home with medical care, medical doctors visit at least 3 times a month, nurse practitioners at least 2 times a week, and medical staff provide at least 3 hours of service per month. For community patrol patients, medical doctors visit at least once a week. Qingdao and Nantong City have no explicit provisions in this regard.

3) *Cost management*: Cost management is not only the initial goal of the establishment of the LTCI system but also the guarantee of the continuous operation of the system. There are three main aspects to the cost management of service organizations: First, the prescribed charging standards. Each

city stipulates standards for the fees for nursing service items, and the standards vary. Rizhao City requires that it be implemented in accordance with standards not higher than the price department. Jinan City stipulates that it must be strictly implemented according to the national and provincial policies and prices for drugs and medical charges. The expenses of labor service fees, nursing equipment usage fees, and nursing daily necessities in Changchun City shall be determined by the municipal medical insurance agency in accordance with the city's sample average price or the procurement price of the government procurement platform. Second, for the settlement method of "fixed-in-time, over-spending and non-payment", all pilot cities have adopted this settlement method to control expenses to a certain amount in order to prevent care institutions from providing excessive long-term care services. The differences are the amount of each region and the level of refinement. Rizhao City not only sets a certain number of standards for different types of care, but also sets limits for different levels of service providers with the same services. For example, for medical care at the first, second and third levels of designated care institutions; the daily fee limit is 120 yuan, 170 yuan, 200 yuan one person, which is more detailed than other regions. Third, attach the social security information system to establish a cost audit and monitoring system, and require medical institutions to upload a cost breakdown of all expenses during treatment.

#### D. Source of Funds: LTCI Financing and Payment

The fund raising and payment is the core link of the long-term care insurance system, we should not only ensure the level of insurance payment, but also take into account the adequacy of funding sources. The smooth operation of both parties can guarantee the sustainability of the LTCI system.

1) *Fund raising*: regardless of the scope of insurance, the pilot city nursing insurance funds mainly come from the transfer of the basic medical insurance fund and the one-off or

phased supplement provided by the welfare public welfare fund, as shown in "Table II", except that Nantong City requires residents to bear 30 yuan per year for long-term care insurance premiums, no other individuals are charged in other regions. Although the sources of financing are mainly medical insurance funds, the allocation methods in different regions are different and can be divided into two categories. The first category is represented by Changchun and Qingdao, and is allocated on a fixed scale. From the employee medical insurance fund, the total monthly payment base was transferred to 0.5%, of which 0.2% and 0.3% respectively were transferred from individual and pool accounts in Changchun City. But that was transferred totally from individual accounts in Qingdao City. In addition, in Qingdao City, it also transferred 20% of the employee medical insurance fund's annual balance to the employee care insurance fund, which is a flexible part. The resident care insurance fund in Qingdao is transferred from the resident social medical insurance fund in accordance with 10% of the total amount of social medical insurance premiums paid by the residents in that year, and the proportion is also allocated. The second category is allocated at a fixed amount. Changchun's residential care insurance fund (30 yuan), Nantong's staff and residents' care insurance fund (100 yuan, no distinction between employees and residents), Jinan (115 yuan) and Rizhao (100 yuan) employee care insurance fund were allocated in this way, the payment amount of Jinan and Rizhao is based on the average income level of the local employees in the previous year, and is set at a level of 0.2-0.3%. If it is compared with the size of the medical insurance fund, it accounts for about 3.5%. Taking Rizhao City as an example, in 2015, its per capita employee medical insurance premium was about 2,786 yuan, and 100 yuan of employee care insurance premiums accounted for 3.6% of per capita employee medical insurance premiums.

TABLE II. SOURCE OF FUNDING FOR LONG-TERM CARE INSURANCE IN PILOT CITIES

Pilot Cities	Source of Funding
Qingdao	Transfer of the basic medical insurance fund (0.5%, from individual account) + Financial subsidy
Changchun	Transfer of the basic medical insurance fund (individual account 0.2%+pool account 0.3%)+ Financial subsidy (according to the income and expenditure situation)
Nantong	Personal payment (30 yuan) + Medical insurance pooling fund (30 yuan) + Financial subsidy (40 yuan) + Social donation + Welfare Fund
Jinan	Employee's basic medical insurance pooling fund (100 yuan) + Financial subsidy (5 yuan) + Welfare Fund (10 yuan) + Social donation
Rizhao	Employee's basic medical insurance pooling fund (80 yuan)+ Financial subsidy (10 yuan) + Welfare Fund (10 yuan)

2) *Payment of benefits*: The pilot cities have basically the same approach in the payment of long-term care insurance. The form of payment is all service payment. The scope of payment is in compliance with the prescribed medical care expenses, in which Jinan and Rizhao also include the cost of medicines related to care and meeting the requirements of the basic medical insurance drug list. The long-term care insurance benefits do not set withdrawal point, and the nursing insurance fund is reimbursed for a certain percentage.

The insured person must bear a certain proportion in order to prevent moral hazard. In Changchun and Jinan City, the proportion of compensation for insured employees is 90%, and the compensation rate for insured residents is 80%. The payment ratios of Qingdao, Nantong and Rizhao City are based on the type of care services received by individuals. The nursing care fee in the old-age care institutions and homes in Qingdao is 96% paid by the nursing insurance; the fee of "special medical care" is 90% paid by nursing

insurance. If Nantong City receives care services at a nursing home in a designated medical institution, it will pay 60%. If the nursing service is taken care of by the aged care provider, 50% will be paid. For the home care service, the care insurance fund sub-services are paid according to the monthly limit standard, and the monthly limit is tentatively set at 1,200 yuan. Rizhao City stipulates that 92% of the medical care expenses of insured person receiving institutional care and home care are paid by nursing insurance; the care expenses for medical care are 90% paid by the nursing insurance.

#### *E. Risk Management: LTCI Adverse Selection and Moral Hazard*

Adverse selection and moral hazard are the two major risks in long-term care insurance operations. How to effectively manage these two types of risks and control the cost of aged care security, the practice of pilot cities has its own merits. For the control of adverse selection, Jinan and Qingdao all require fixed-point nursing institutions to apply for the online application of the social security integration system through the "application form", "rating scale", medical record data, evaluation video, etc., Jinan also requires the designated medical institution shall publicize the examination and evaluation of the eligible applicants within a certain scope and accept social supervision, and the publicity shall not be less than 7 days. In dealing with moral hazard, each region not only adopts a settlement method of "fixed-in-time, over-spending and non-payment" to prevent the waste of medical resources caused by over long-term care services provided by the medical service organizations, but also implements a reserve margin system, that is, insurance agencies only pay the nursing institutions a certain proportion of medical care fees, and the remaining unpaid proportion will be reserved as the service quality guarantee. At the end of the year, it will be settled according to the assessment. For example, the ratio of guarantees in Changchun and Jinan is 10%. In addition, some cities regularly assess patients to avoid unnecessary hospitalization. Rizhao and Jinan City conduct a self-care ability assessment every 3 months, and the insured personnel who have improved or stabilized their condition and those who are no longer eligible must go through the procedures for withdrawal.

### III. THE LOCAL PRACTICAL EXPERIENCE OF THE LONG-TERM CARE INSURANCE SYSTEM

#### *A. Reasonable Choices for the Form of "Independence" and "Dependency"*

Whether to establish a long-term care insurance system alone or based on the existing basic medical insurance system, all the pilot areas choose the latter without exception. According to the principle of path dependence, a long-term care insurance system is established based on the existing basic medical insurance system, and long-term care insurance is used as an extension of basic medical insurance. Existing idle resources can be used to solve the financial problems of nursing insurance, and at the same time, the existing information management system of medical insurance can be used to avoid unnecessary fixed cost expenditure.

#### *B. The Rational Transition of "Selectiveness" and "Inclusiveness" of the Insured Object*

"Selectiveness" and "inclusiveness" are the two concepts of insurance scope. The former is through the form of legislation to make most of the nationals be included in the scope of insurance. The latter generally has restrictions on the age and income of the qualifications for insurance. The pilot cities choose between "selectiveness" and "inclusiveness" according to local conditions. On the one hand, due to the dual structure of urban and rural social medical insurance system, agricultural registered permanent residents have not entered the scope of insurance, and on the other hand, there is no threshold on the age or income for insurance. Although in the long run, long-term care insurance will inevitably achieve provincial-level coordination and even national co-ordination in the region, achieving urban-rural integration and staff and residents' overall plan. However, at the beginning of the current system operation, multiple pressures such as capital, services and talents were rolled out. The practice of the pilot city is not only simple to implement and easy to manage, but also avoids the high operating costs of the system and ensures a smooth transition of the system.

#### *C. The Effective Balance Between "Marketization" and "Centralization" of Nursing Institutions*

Under the centrally control and guidance of the government, nursing institutions can ensure the supply of nursing services, and adopt market-oriented operations to guide diversified participation and meet the increasing demand for nursing services, actively promoting competition in the nursing market. The choice of the pilot area is "semi-marketization". On the basis of the application for the designated care service institutions, such as qualified hospitals and nursing homes that allow medical insurance, encourage qualified enterprises, qualified hospitals and nursing homes to participate in care services by medical support complex, replacement or transformation. At present, the "siphon effect" of the "super hospital" represented by public hospitals has aggravated the primary medical care environment due to its advantages in medical equipment and talents. The beds in private hospitals and primary health care institutions are largely idle, and medical talents are in short supply. In 2014, the average use rate of hospital beds in public hospitals in China was as high as 92.8%, while the average occupancy rate of private hospitals was only 63.1%. Grassroots health care institutions have more than 1.3 million hospital beds, and the average usage rate is less than 60%. Based on this, the practice of the pilot city not only eased the supply pressure of the nursing service of the designated hospital, but also reduced the survival pressure of the primary health institutions and private hospitals, and optimized the allocation of medical resources.

#### *D. The Two-pronged Approach of "Demand Side" and "Supply Side" of Risk Management*

Many strategies for risk management in pilot cities are worth learning. On the demand side, a set of combination punches such as "benefit review", "payment system" and "regular assessment" are formulated to influence the risk decision of the insured. In the pilot area, not only the rigorous



benefit review procedures and periodic assessments are established to block the insured with adverse selection tendencies, but also the information inquiry platform is established to strengthen the information sharing of the insured and provide important reference information for underwriting. At the same time, the "in part of the payment" and "differential payment ratio" guides the insured's reasonable medical behavior. For example, in some areas, the proportion of reimbursement for the expenses of receiving care in the care institutions and homes is higher than that for special medical care expenses, and encourages and guides the insured persons to use the low-cost primary medical care resources for long-term medical care. Financial incentives for different services are designed based on the different resource allocations between different long-term medical care types. On the supply side, the fixed-point care organization adopts a "fixed-in-time, over-spending and non-payment" method to control its excessive use of medical resources. At the same time, the quality of service provided by the designated nursing institutions is regulated by means of reserve margin system.

#### IV. PROBLEMS OF THE LOCAL PRACTICE OF THE LONG-TERM CARE INSURANCE SYSTEM

##### A. *The Assessment Institution Is Absent and the Assessment Behavior Is Not Independent*

The disability assessment agency conducts a health review on the insured and determines the level and extent of their care needs. It is both a prerequisite for the insured to receive the care and an objective basis for the type of care. There is no special disability assessment agency or review committee to conduct the disability assessment of the insured in long-term care insurance system pilot cities. Instead, it is conducted by the medical insurance agency such as Changchun, or by a medical assessment team of the designated health care service such as Jinan. The author believes that the results of assessment conducted by nursing service institutions or insurance operators will involve their own interests. The athletes will also be the referees. Whether from the objectivity of the evaluation results or the independence of the assessment behavior, there is a lack of consideration.

##### B. *The Financing Mechanism Is Unreasonable and Funds Cannot Be Guaranteed*

The pluralism of the financing model is actually a reaction to the pluralism of responsibility. Old-age care is not only the responsibility of the government and society, but also the family. Therefore, in the fund raising mode, the "public assistance + mutual assistance + self-help" financing method should be adopted. In contrast to the financing mechanism of pilot cities in China, the financing methods public assistance + mutual assistance" in Jinan and Rizhao obviously violate the idea of divisibility and pluralism. In addition, except for Nantong City, which requires individual payment, most of the financing sources in other regions are mainly medical insurance funds. However, based on the rapid growth of China's medical insurance expenditures and the fact that the number of beneficiaries has grown too fast due to the trend of

aging and disability, the sustainability of the binary financing model in some pilot areas is still unknown.

##### C. *The Distribution Content Is Single, and the "Extrusion" Behavior Is Uncontrollable*

In the long-term care insurance system piloted in China, the method of service payment has been selected for the distribution of content. Although this practice is in line with the original intention of the system, it directly protects the disabled people's access to care services, but it brings other risks. With service as the sole assignment, once the insurance benefit liability occurs, the formal care received by the long-term care insurance "squeeze out" the informal care provided by the family member. This practice runs counter to the international consensus that encourages informal care for the family, and it also increases the pressure on health care institutions and human resources.

#### V. CONCLUSION

The construction of China's long-term care insurance system is a major measure to deal with social risks and serve people's livelihood. Through the analysis of the basic composition of the long-term care insurance system in the pilot area and its gains and losses, the author believes that the construction of the long-term care insurance system in China should at least grasp the following points. First, nursing talent is the foundation of the system. The basis for the effective operation of the long-term care insurance system is the service provider – nursing talent. At present, the quantity and quality of nursing staff in China are far behind the actual needs. Although the proportion of doctors per thousand persons in China has reached the level of many countries in the world, the number of nurses is far from enough. China's 2015 medical care ratio is 1:1.07, still far below the world average. At the same time, most of the nursing staff has lower academic qualifications. The proportion of nurses with junior college education or below still accounts for 37.5%, and there is very little systematic education on aged nursing. The quality of nursing talent directly affects the quality of nursing services accepted by the elderly. In view of this, the training of nursing talents has become an urgent task in the construction of China's long-term care insurance system. Second, the system construction is the guarantee of the system. Most of the previous studies on solving the problem of long-term care needs are limited to long-term care insurance itself, and the author believes that only care insurance is not enough. To truly guarantee the operation of the system, it is necessary to form a four-in-one long-term care and protection system jointly supported by funds, services, talents and supervision, which is jointly participated by the government, insurance companies, nursing institutions and evaluation agencies. The absence of any participant cannot guarantee the effectiveness of the system. Third, welfare is diversified, and old-age support is the goal of the system. In the system construction, only by insisting on diversified nursing responsibilities, diversified sources of funds, and diversified distribution content, can we avoid the predicament of the welfare state, gather the power of society, solve the difficulties of nursing, and truly realize that the aged have someone to care and something to rely on.

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