

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

R. Anton Braun<sup>1</sup>

<sup>1</sup>Federal Reserve Bank of Atlanta

US-Japan Now– Economic Impacts of Aging

March 7, 2016

\*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!