

New Zealand's long-term care arrangements, and a cross-country comparison

From RPRC's Working Paper 2012-2:

**Financing of Long-term Care and Long-term Care Insurance for the Aged:
A Comparison of Seven OECD Countries, Dale, St John & Hanna**

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Long term care attracts international attention



*Providing adequate financial protection for those needing care is possible, in a way that does not unduly stretch public financing. **But getting these policies right needs to start now***
OECD 2011



Residential care 1905



RPRC Working Paper 2012-2: Public and Private Funding of Long-term Care (LTC)

- Funding & provision of in-home and residential LTC
- Total 'Pensions environment' in 7 countries
 - State age-pension contributes to costs of LTC





Australia: 3,010,000 aged 65+ 12.9% of total population (2012)

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- Tax-funded, flat-rate, means-tested age pension
- Superannuation Guarantee (SG): tax-subsidised, mandatory private saving via employer-levy of 9% gross earnings – most tax-free withdrawals are lump-sum e.g. only 100 annuities purchased in 2011
- Generous means-test for age pension: cut-off levels range from AU\$696,250 in assets for single homeowner to AU\$1,032,500 in assets for a non-homeowning couple
- LTC met by means-tested assistance plus private payment



France: 10,600,000 aged 65+, 16.4% of total population (2011) Success story for Long-term Care Insurance (LTCI) and annuities

- Age pension from age 60 is a social insurance scheme: publicly run, work-related, defined benefit pension based on adjusted earnings over best 25 years; requires 15% contribution from annual earnings up to €34,600
- Compulsory health insurance funds in-home LTC
- Residential LTC via means-tested, needs-based social insurance plus private contribution
- Large private market for LTCI (3 million policy-holders in 2007)



Germany: 16,700,000 aged 65+ 20.3% of total population (2011)

- Four compulsory PAYG/payroll tax insurance schemes: Health, Unemployment, Nursing Care, Age Pension
- Public health-care insurance automatically enters you into public LTC Insurance scheme, a universal, non means-tested, PAYG social insurance system
- 9% of population have a privately provided LTCI scheme offering greater benefits than state scheme



Japan: 27,400,000 aged 65+ 23.1% of total population (2010)

- Age pension is PAYG, compulsory employee contribution from ages 20 and 60. Entitlement to benefits after 25 years' contributions.
- By 1995, elderly share of total health-care costs was 31% and is projected to reach 50% by 2025.
- Universal public access to LTC funded by payroll tax of 9% shared by employer and employee.
- Significant means-tested private contribution still required for residential LTC.



UK: 9,500,000 aged 65+ 15.7% of total population (2011)

- Combination of social insurance and social assistance for health, unemployment, age pension
- Age pension: flat-rate , age 65 (men), 61 (women), with 30 years' paid contributions; funded by 11.9% of employee's earnings greater than £144 a week (April 2012) plus private contributions to retirement pension
- Means-tested safety-net requires co-payments towards LTC from those with assets above a low threshold



**US: 39,500,000 aged 65+
12.8% of 308,745,538 (2010)**

- Net variable annuity sales approx \$34 billion (2011) but as with Australia's SG, most drawn as lump sum
- U.S. Department of Health reports that 70% of people who reach age 65 will need LTC services at some point in their lives.
- Medicare, Medicaid cover some LTC.
- Private LTC costs around \$100,000 p.a.
- 10% of population aged 60+ carry private LTCI
- US public + private expenditure on LTC services and support was US\$203 to US\$243 billion in 2009



New Zealand: 605,800 aged 65+ 13.9% of total population (2012)

Age pension: NZ Superannuation (NZS) universal, flat-rate, generous, from age 65 (cost \$9 billion in 2011)

Annuities: few available **LTCl:** none available

In-home LTC: DHB-funded, universal (cost \$224 m in 2010)

Residential Care: means-tested state subsidy + NZS + private charge

Residential Care Subsidy: DHB funded (19,055 subsidies in 2010 cost \$800 m)



Exemptions under the asset test for Residential Care Subsidy

Years	Single person	Married couple, one in care	Married couple, both in care
1994 - 1998	\$6,500	\$40,000 + house and car	\$13,000
1998 - 2005	\$15,000	\$45,000 + house and car	\$30,000
From July 2005	\$150,000*	\$55,000* + house and car or \$150,000 total assets	\$150,000*
As at July 2011	\$210,000	\$115,000 + house and car or \$210,000 of total assets	\$210,000
As at 1 July 2012	\$213,297	\$116,806 + house and car or \$213,297 of total assets.	\$213,297

Thankyou