INTERNATIONAL LONG-TERM CARE REFORM:
A DEMOGRAPHIC, ECONOMIC, AND POLICY OVERVIEW*

ABSTRACT. Advanced industrial countries around the world are making or contemplating major reforms of their systems for financing and organizing long-term care for the elderly. The paper describes major reform efforts including: the pursuit of cost efficiencies from further differentiation of the acute and long-term care delivery systems, promotion of home and community-based care alternatives to traditional institutions, and 'systems integration' involving consolidation of responsibility for long-term care at one level of government. The paper concludes by discussing the special relevance to the long-term care reform debate in the U.S. of recent British and German decisions to, respectively, decentralize versus centralize responsibility for long-term care.

Key Words: long-term care financing, long-term care delivery system reform, international long-term care reform

Advanced industrial societies around the world are in a state of ferment with regard to their long-term care financing and delivery systems. Several countries are at the beginning or in the midst of implementing major reforms; others have had high level commissions studying long-term care reform options and making recommendations but are still undecided what changes, if any, to make. American policymakers may be able to get a better understanding of and perspective on options for reform of the U.S. long-term care system by learning about the changes that other advanced industrial countries are making or considering making and how the recent history of long-term care policy in these other countries has influenced current thinking about the directions that reform should take.

Countries in the midst of major systems change that began in the mid to late 1980s include Australia and Japan. Countries that have recently decided to implement major systems change but are only at the very beginning stages of the restructuring process include New Zealand, Germany, and the United Kingdom. The Netherlands is very seriously contemplating major systems change but has not yet made a firm commitment (Baldock and Evers 1991). Although Sweden and Finland do not consider it necessary to restructure quite so fundamentally their long-term care services systems, these two countries have recently introduced significant reforms in how the responsibility for long-term care is organized with respect to the local, regional, and national levels of government as well as between the public and private sectors. In the past several years, the United States and France have each had high level governmental study commissions address the future of long-term care policy. Although no policy decisions have been reached, policymakers in both the U.S. and France are concerned that

* This paper should not be construed in any way as reflecting or representing official views of the U.S. Department of Health and Human Services.
their existing systems are inadequate to meet projected future needs. Indeed, at the present time, Canada appears virtually unique among the advanced industrial nations of the world in that both the Canadian public and Canadian policymakers seem quite satisfied with the long-term care financing and delivery system that Canada put in place during the mid to late 1970s and further evolved during the 1980s.

IMPETUS FOR LONG-TERM CARE FINANCING AND DELIVERY SYSTEM REFORMS

The advanced industrial countries that are undertaking or contemplating major restructuring or significant reform of their long-term care systems are doing so mostly out of concern about rising costs. These include rapidly escalating health care costs and increasing social welfare costs generally, but especially those attributed to growth in the elderly population in both absolute numbers and relative to other age cohorts in the population as a whole.

The concern about costs does not mean that policymakers in advanced industrial countries are uninterested in making systems changes oriented at improving the well-being of persons in need of long-term care. Indeed, they very much want to provide better quality care, in the form and in the settings that disabled elderly persons prefer. The philosophical rhetoric of long-term care reform is much the same in all the advanced industrial countries in emphasizing the preference of older persons for home care and sheltered housing as opposed to nursing homes and other ‘institutional’ care settings. Nevertheless, the cost pressure most governments find themselves under is such that all reforms being contemplated to improve the well-being of the disabled elderly must also be justifiable in terms of improved efficiency and cost effectiveness and, if at all possible, cost savings or cost containment.

In the United States, we have become increasingly alarmed at the rising share of our Gross Domestic Product that is being consumed by health and health-related expenditures, both public and private. We also worry about the increasing percentage of the federal budget that is accounted for by social entitlements (including health care programs such as Medicare and Medicaid, Social Security pension and disability payments, as well as income support or ‘welfare’ benefits) and the role of these costs in the ongoing growth of the federal budget deficit. Americans are ambivalent about the evolution of the U.S. into a more comprehensive ‘social welfare state’. This is partly because most Americans are opposed to higher tax rates even though, relative to the citizens of many other advanced industrial societies, we are not highly taxed.

In the European countries, cost pressures take a somewhat different form. The typical percentage of GDP devoted to health care is significantly lower than in the U.S. but there is still serious concern about the rate at which health care costs are increasing. Moreover, because of their more highly developed structures of publicly-financed health insurance benefits, income transfers, and social services, many European governments have a sense that they have already