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# Long Term Care

Managing expected cost on society, and  
experience worldwide

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- Definition of long-term care
- Demographic background
- LTC in Malaysia
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# What is long-term care?

## What is Long-Term Care

- The OECD ... a wide set of services to people who, due to their reduced degree of functional capacity, physical or cognitive, have prolonged difficulties with performing activities of daily living .....
- WHO ... the system of activities undertaken by informal caregivers and/or professionals to ensure that a person who is not fully capable of self care can maintain the highest possible quality of life, according to his or her individual preferences, with the greatest possible degree of independence, autonomy, personal fulfillment and human dignity.
- Australian Department of Health and Ageing ... care for chronic illness or disability for which hospital care is no longer deemed appropriate ....
- .... people unable to perform daily basic functions e.g. washing, eating, dressing, bathing etc. .... following an onset of chronic illnesses or disabilities (e.g. a stroke or an accident) ... post hospital and acute care ... or simply due to cognitive (e.g. dementia) or age-related conditions ... and will need to depend upon caregivers to provide assistance to perform basic activities .... whether at home or in a residential institution ...

# Components of the Costs of Long-Term Care

## Who should pay and what they should pay for?



Healthcare component

- Physicians
- Specialists
- Medical
- Drugs
- Procedures
- Surgeries
- Ambulances
- Nursing



Accommodation & living expenses

- Beds
- Maintenance
- Meals
- Facilities
- Social activities



Personal care

- The additional cost of being looked after because of frailty or disability

## Long Term Care Risks

- The challenge in managing this risk is that we won't know specifically what the condition will be nor its magnitude (until shortly after impact). An extended care could last several weeks, months or even years.
- Some 68% of women and 48% of men at 65 years of age will require some aged care services at some time in their remaining life. Department of Health and Ageing, Australia
- The lifetime probability of becoming disabled in at least two activities of daily living or of being cognitively impaired is 68% for Americans aged 65 and older. [ AARP. Beyond 50.2003: A Report to the Nation on Independent Living and Disability, 2003, (11 Jan 2005).
- Approximately 43% of those turning age 65 can expect to spend some time in a long-term facility; about half of them will require care for three years or more, and 20% will spend five years or longer in a nursing home. Financial Gerontology, Journal of the American Society of Actuaries & ChFC, May 1997

## Long Term Care Risks

- Manulife and Genworth:
  - Long term care claims has an average claim duration of 4 ½ years
  - 15% of claims are paid for nursing home services (with an average claim duration of 180 days)

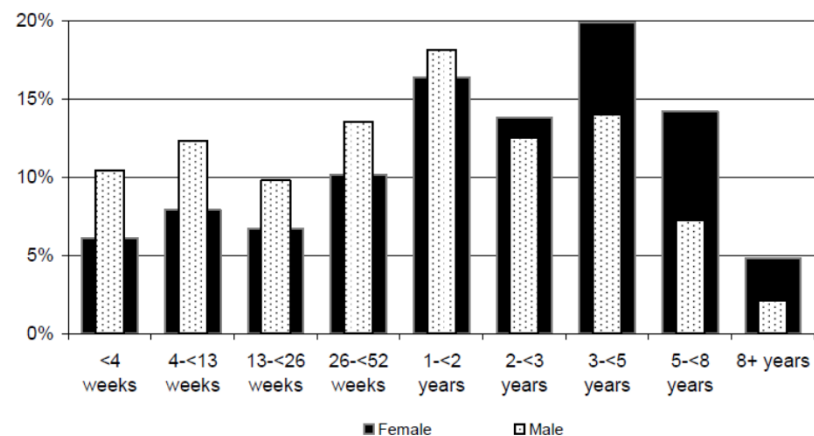
- Distribution on length of stays 2008 LTCI Book  
*Average Length of Stays (in Nursing Homes)*

|                    |       |
|--------------------|-------|
| 5 years or more    | 12.0% |
| 3 to 5 years       | 12.0% |
| 1 to 3 years       | 30.3% |
| 6 to 12 months     | 14.2% |
| 3 to 6 months      | 10.0% |
| less than 3 months | 20.0% |

### Average length of stays by category

|                        |           |
|------------------------|-----------|
| Female                 | 2.6 years |
| Male                   | 2.3 years |
| Married                | 1.6 years |
| Single / Never Married | 3.8 years |
| Widowed                | 2.3 years |
| Divorced / Separated   | 2.7 years |

Figure 6.2 Duration of stay in residential care<sup>a</sup>



<sup>a</sup> Per cent of people who were in residential care for at least some of the period July 1997 to December 2009.

Source: DoHA Aged Care Data Warehouse, supplied by DoHA on 24 September 2010.



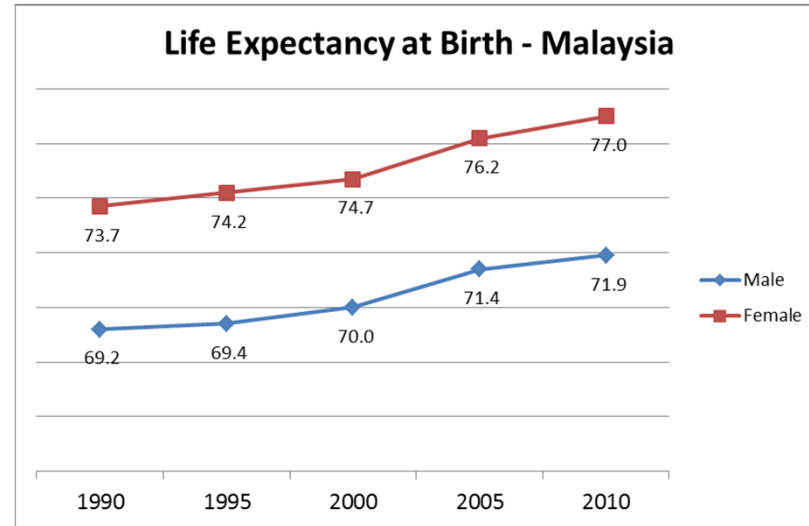
# Demographic Background



## People Living Longer!

This is something to celebrate

- Malaysian born today can expect to live to 71.9 years (male) and 77.0 years (female)
- Malaysian who attains age 65 is expected to live for another 14.1 years to 79.1 years (for male) and another 16.2 years to 81.2 years (for female) 2008-2010 Abridged Life Tables Statistics Department
- This represents an increase of 0.9 years for male and 1.5 years for female compared to figures in the 2000 data



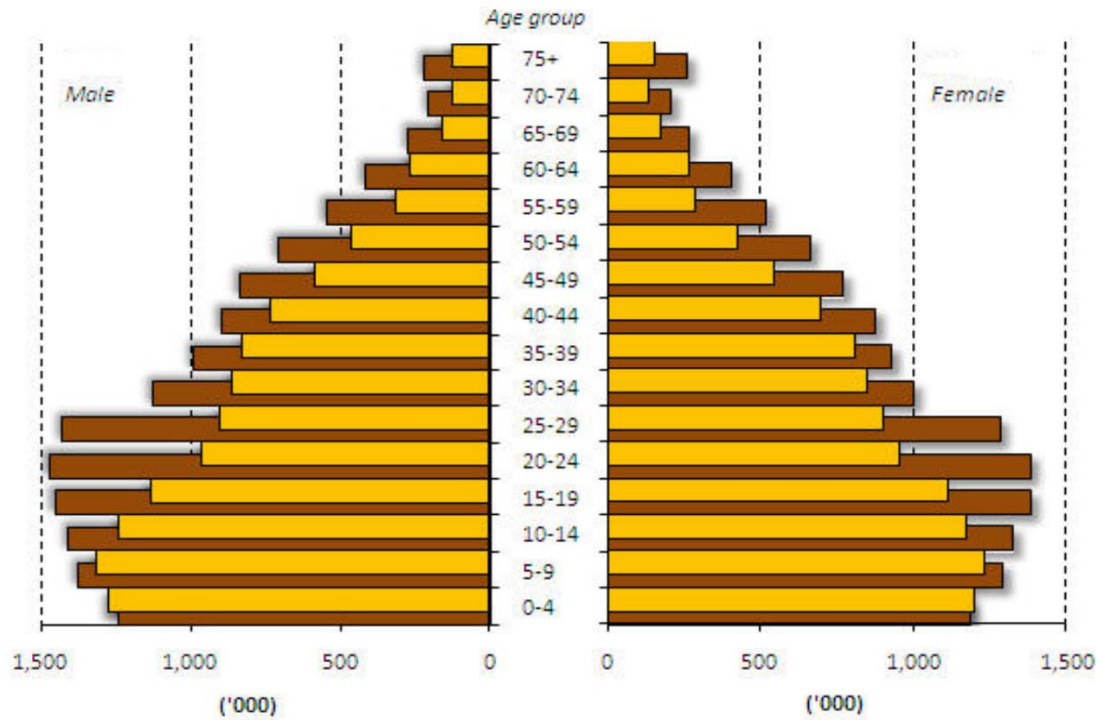
Source of data: Demographic Indicators, Department of Statistics, Malaysia

| Life expectancy at age (in years) | 55   | 60   | 65   |
|-----------------------------------|------|------|------|
| Male                              | 21.1 | 17.6 | 14.1 |
| Female                            | 24.5 | 20.2 | 16.2 |

Source of data: 2008-2010 Abridged Life Tables Statistics Department

# Malaysian Population Pyramid

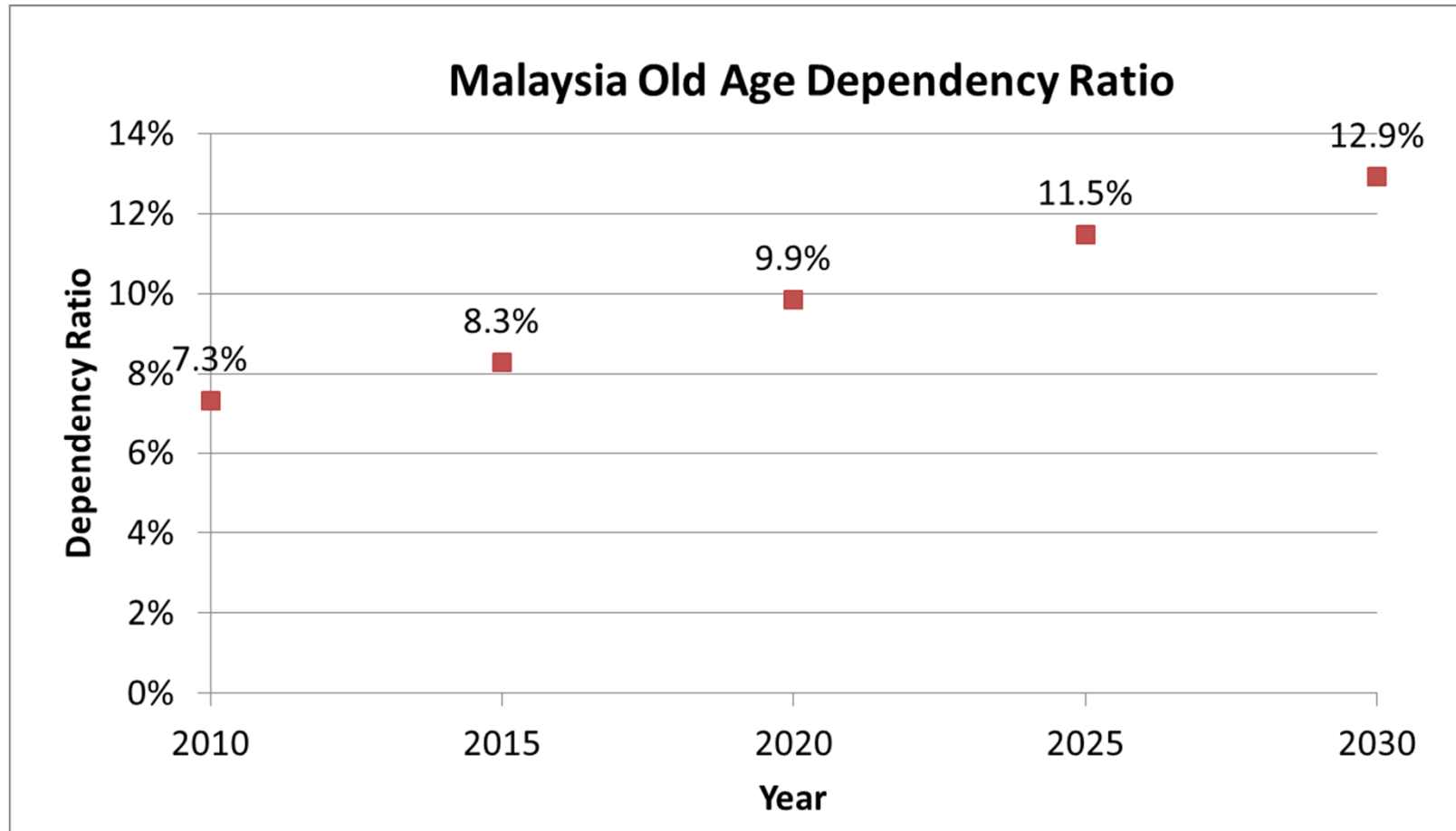
Malaysia 2000 and 2010 – population 28.5 million



Source of data: 2010 Census, Department of Statistics, Malaysia

- Proportion of Malaysian aged 65 years and above increased to 5.1% in 2010 from 3.9% in 2000 and is expected to rise to 7.5% of total population by 2020
- Proportion of Malaysian aged 15 years and below decreased to 27.6% in 2010 compared with 33.3% in 2000

## Old Age Dependency Ratio



Source: 2010 Projection Data Department of Statistics, Government of Malaysia

## Looking to the future...

*Working Malaysians (aged 15 to 64) for every person aged 65+ compared with the UK*



**Source:** Population Projection, Department of Statistics, Government of Malaysia  
ETUI Policy Brief, 2011



# LTC in Malaysia

## SOCOSO

### What Does SOCOSO Provide?

- SOCOSO provides medical benefit, permanent disablement benefit, rehabilitation benefit, attendance allowance and invalidity pension to its members who are disabled
- Invalidity pension
  - 24 hour coverage to a member against invalidity due to any cause not connected with his employment (e.g. of chronic ailments or diseases that could be considered for invalidity are heart attack, renal or kidney failure, cancer, mental illness, chronic asthma provided he/she has not completed the age 55 at the time his notice of invalidity is received by SOCOSO
  - Invalidity Pension will be paid for as long as the employee suffers from invalidity or until he dies, whichever is earlier
  - For employees who die while receiving invalidity pension, the pension will be converted to survivor's pension irrespective of his/her age at the time of death
- Constant attendance allowance
  - The Insured who has been certified to be suffering from Invalidity and needs constant care from another person is eligible for Constant Attendance Allowance
  - This allowance will be given to the insured person. The rate of this allowance is 40% of the Invalidity Pension benefit rate and subject to a maximum monthly payment of RM500



## SOCSO

### What Does SOCSO Provide?

- Rehabilitation benefits are provided free of charge by SOCSO to an employee who suffers from permanent disablement. Physical rehabilitation includes:
  - Physiotherapy, occupational therapy, reconstructive surgery, supply of artificial limbs such as artificial leg, hand, eye and dentures, supply (as well as repair and replace) of other orthotic equipments such as wheelchairs, crutches, hearing aids, spectacles, calipers, and orthopedic shoes
- While SOCSO does provide elements of LTC services to its members, the scheme coverage is limited to disability incidence whilst in employment and before attainment of age 55.

## Rumah Ehsan and Other Rumahs Social Welfare Department

- Rumah Ehsan is the only government run nursing homes in the country (managed by the Social Welfare Department) providing LTC services to destitute patients who are not infected by infectious diseases, whose children or relatives cannot be traced or are incapable of caring for the patient, who cannot perform ADLs, without income and mean of support and of age 60 years and above
- Currently, there are only two homes located in Kuala Kubu Baru, Selangor and Dungun, Terengganu with a maximum capacity for 110 patients each.
- The homes provide:
  - Care and shelter
  - Medical treatment and health care
  - Guidance and counselling
  - Physiotherapy services
  - Religious guidance and prayer facilities
  - Recreational activities
- The homes are fully funded by the Government
- We then have Rumah Sri Kenangan which is similar to Rumah Ehsan except that the residents are ones who can handle ADLs
  - There are about 8 facilities around the Peninsular Malaysia housing approximately 8,700 patients
- Rumah Sejahtera is an old folks home providing similar facilities to Rumah Sri Kenangan
  - There are about 104 homes around the Peninsular with approximately 1000 residents



## General Hospitals

### Ministry of Health

#### ▪ Kuala Lumpur General Hospital

- Operation since 2003 with initial bed strength of 10 beds
- Managed by geriatricians, medical officer, a team of nurses, medical assistants and attendants
- Members of the team include a physiotherapist and an occupational therapist
- Both outpatient and inpatient service are provided including domiciliary service
- The main challenge faced by this unit is insufficient number of beds to accommodate new patients, overstayed patients (largely because they are being abandoned by their children or unable to trace children's address or contact number)

#### ▪ UM Medical Centre

- The 30 bedded wards specialized in caring for the geriatric patients since 1 March 1999
- A rehabilitation unit provides wide range of physiotherapy and occupational therapy facilities
- The ward and toilet facilities are specially designed to assist the frail elderly patients in their daily living activities
- The nursing care provided are assessing and planning needs for the elderly patients and giving care of assisting patient in carrying out activities of daily living (ADL)
- Care education and teaching are carried out to prepare families to care from patient on discharge

▪ .

## Private Sector Facilities

- Nursing and old folks homes are available all over the country with large concentration in the Klang Valley, Ipoh, Penang and Johor.
- The average cost to stay in the nursing homes around Klang Valley is RM1,800 a month which covers non-skilled care and ADL services. Additional charges are required for skilled, acute care, medications etc.
- Funding is from out-of-pocket expenses
- Columbia Asia Extended Care Hospital, Shah Alam
  - 65 bedded facilities which provides 24-hour comprehensive nursing care and rehabilitation services.
  - Patients requiring long term nursing care with conditions of stroke, dementia, Parkinson's disease, fractures, head and spinal injuries may benefit from this facility. Nursing care is also provided for patients who are terminally ill.
  - Basic cost of a month stay ranges from RM2,250 to RM6,300 depending on the room type and level of personal care needed. This excludes skilled care cost and medicine.

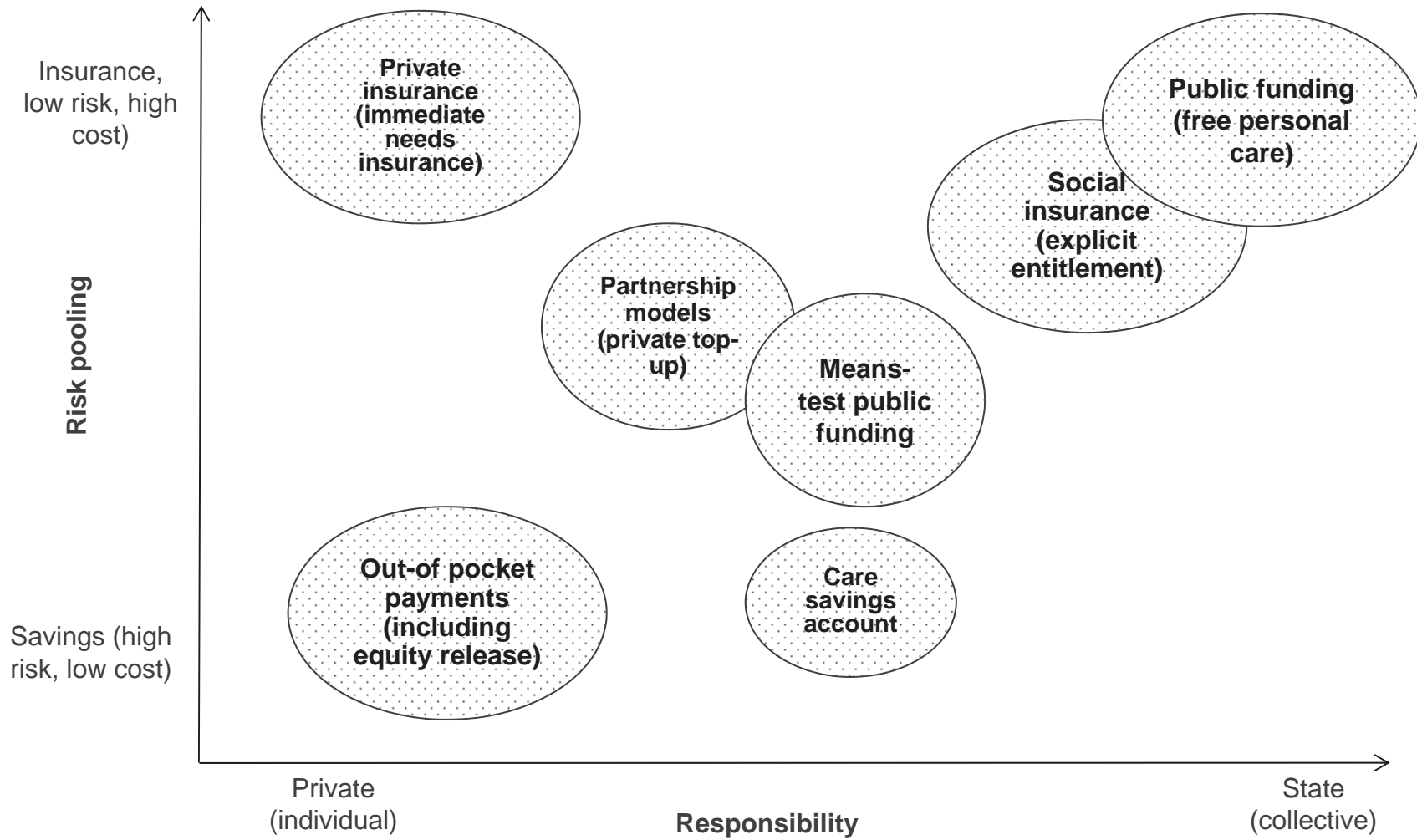




Experience Worldwide

# Funding Model

## International practice



# Cross country experience

## General overview



- Germany, Japan, South Korea, Sweden and Denmark have high level of social security coverage for LTC program which provides assistance in the form of financial and/or services to those who are categorised as needing LTC
  - Germany, Japan, South Korea have payroll taxes for LTC
  - Denmark and Sweden finance the cost from general tax revenue.

Some degree of universality but also means-tested/income related



- Some degree of universality but means-tested LTC benefits where significant part of LTC costs are borne by users – Australia and France.
  - Mixed funding where government through tax revenue and users through out-of-pocket expenses

Safety net – public funds targeted those that lack the financial resources



- UK, US, Singapore and Canada provide social assistance programs funded by general tax revenue for people who need LTC and at the same time poor. People with assets or income pay for significant part of the LTC expenditure.

## Funding LTC

### Summary of Approaches

- Public funding
  - General taxation
    - Nordic welfare states fully fund their universal LTC provision from general taxation
    - The UK, US and Australia public LTC expenditure are also funded predominantly through general taxation
  - Specific social security contributions towards LTC
    - Germany, Netherlands, Japan and South Korea have universal social insurance programs with dedicated LTC employee/employer contributions
  - Issues
    - High tax rates
    - Sustainability due to demographic pressure
    - While social insurance contribution is more transparent, funding is usually insufficient and require supports from general taxation

## Model of LTC System

- Private funding
  - Mandatory savings
    - Singapore uses a combination of accumulation of CPF savings and private insurance to provide for income in the event of LTC occurrence
    - Issues – inefficiencies including the tendency for people to save either too much or too little
  - Mandatory private insurance
    - Germany allows individuals who earn €49,500 a year to contract out of the public LTC insurance scheme and where those who are not members of the public LTC insurance scheme they are required to purchase private health insurance within the first month of taking up residence
  - Voluntary private insurance
    - Suffers from low take up rate and generally remains a minor source of LTC funding
    - The US with most extensive experience in voluntary insurance has only 5% of population aged 40 and over hold an LTC insurance policy
    - In Europe, France has the highest rate of voluntary private insurance but only 3% of population have LTC insurance policy

## Model of LTC System

- Private funding
  - Reverse mortgages
    - A potential source of funding for LTC/old age income particularly so where home ownership rates among older people are high
    - The US, UK and New Zealand have most experience with reverse mortgages though take up rates are still low
  - User payments
    - Out of pocket expenses
    - Co-payment





## Way Forward and Conclusions

## Funding Long Term Care

### Which way forward?

- What is the best system for Malaysia to provide for LTC coverage for its population?
- Should Malaysia adopt
  - community rated social insurance program?
  - Or should we encourage funding through risk-rated private insurance model?
  - Or perhaps a mixed of both?
- Should Malaysia continue to rely upon accumulated savings to provide for LTC e.g. through the EPF savings and adopt the Singapore CPF Eldershield program?
- Who shall pay for what and how much shall the costs be shared?

## Policy strategies

### Promoting LTC private insurance/takaful

- The main argument for promoting private LTC insurance is that it provides advance funding of LTC costs. This will shift a substantial share of the funding responsibility from the Government to the individuals.
- As Malaysia is still a relatively young nation, the spending on LTC is still within manageable figure. A young population provides ample time for the nation to pre-fund the future costs of LTC. Starting funding early will avoid meeting the cost at a much higher price spreading over fewer available funding sources.
- Even though the nation is young, segmentation of the population by race reveals significantly different stage of ageing. The Chinese population pyramid structure is fatter than those for the Malays and the Indians indicating a more advance stage of ageing structure which can translate to a potential demand for LTC services in the horizon.
- Pre-funding through private insurance will minimize government risk for future unexpected and uncontrolled expenditures on continuing care while providing potential to maximize availability and quality of care for the truly needy.
- Insurance and takaful companies are well placed to take up this role
  - They are highly regulated and under the risk-based capital regime public confidence on long term solvency of the insurers should be high
  - But there are challenges and issues affecting the supply and demand side of the insurance market

## Policy options

### Promoting LTC private insurance/takaful

- Apart from tax-incentives, there are various models that can be considered towards the provisions and financing of LTC in order to help spurring the growth of the private long-term care insurance market. The following basic designs are examples of what can be considered:
  - Allowing private insurers to sell simplified LTC benefit packages through the EPF
  - Creating a universal tax funded insurance program for the LTC benefits with a facility to contract-out. This indirectly creates awareness amongst the public.
  - Requiring individuals to finance a share of long-term care costs before receiving government benefits. For example, individuals would have to bear the first RM50,000 of care or meet the first 3 years of care before eligible for the government benefits. This ultimately assumes that people would purchase private insurance to meet the costs.
- In recent reports by experts to the British and the Australian Governments, recommendations have been made to protect people from catastrophic care cost by capping the lifetime contribution to long-term care costs that any individuals have to make.
  - Under such proposal, it was recognised that there would be room for voluntary personal insurance and other financial products to grow as the government would be taking on the long risk that individuals and insurers are less willing to accept
  - People can plan for their future LTC needs whilst having greater peace of mind

## Managing Uncertainty Together

### Conclusions

- The ageing of Malaysia's population will increase the dependency ratio and the burden of the dependant upon the working population. This is particularly true in the case of health services where the elderly consume a disproportionate share of resources. Any problem associated with ageing will be particularly acute in the health sector.
- The transfer of resources in the future from the working population to the elderly is often perceived as being inequitable as well as politically and economically difficult. Hence, it is important for the Government of today to initiate and implement measures to minimise the future economic burden brought about by the ageing society. Long term care is one of the risk!
- This risk comes with a high likelihood. The challenge in managing this risk is that we won't know specifically what the condition will be nor it's magnitude (until shortly after impact). An extended care could last several weeks, months or even decades

## Managing Uncertainty Together

### Conclusions

- The greatest challenge for public programs is dealing with fiscal pressures as more and more people rely on the government for care. In short:
  - Because people are living longer, they are requiring additional years of care
  - Modern technology enables people to survive more accidents, but it does not always enable full recovery, thus creating a new group of long term care patients
  - Demand for hospital services will increase, thus there will be pressure to minimize hospital stays
  - Hospital stays can be made shorter if more services can be made available at home
- **Sharing of risk and responsibilities:** Future shape of Malaysia social security system in general and long term care provision in particular should promote the sharing of responsibilities by all stakeholders. The extent to which this needs to be developed into what can be considered as adequate and sustainable model depends on the objectives of the system. There are important roles for the Government, employers, individuals, private insurers/takaful operators, family members and community. This is desirable from an equity and a sharing of risk point of view.



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