

Long-term care spending and unit costs

Compared to other areas of health care, spending on LTC has seen the highest growth in recent years (see indicator “Health expenditure by type of service” in Chapter 7). Population ageing leads to more people needing ongoing health and social care; rising incomes increase expectations of the quality of life in old age; the supply of informal care is potentially shrinking; and productivity gains are difficult to achieve in such a labour-intensive sector. All these factors create upward cost pressures, and substantial further increases in LTC spending in OECD countries are projected for the coming years.

In 2019, 1.5% of gross domestic product (GDP) was allocated to LTC (including both the health and social component) across OECD countries (Figure 10.24). At 4.1% of GDP, the highest spender was the Netherlands, followed by Norway (3.7%), Denmark (3.6%) and Sweden (3.4%). At the other end of the scale, Mexico, Chile, Greece and Turkey only spent between 0.1% and 0.2% of their GDP on the delivery of LTC services. This variation partly mirrors differences in the population structure, but mostly reflects the stage of development of formal LTC systems, as opposed to more informal arrangements based mainly on care provided by unpaid family members. Some level of underestimation can exist for those countries unable to record spending on social LTC. Across OECD countries, four out of five dollars spent on LTC come from public sources.

The way LTC is organised in countries affects the composition of LTC spending and can also have an impact on overall spending. Across OECD countries, more than half of health and social LTC spending in 2019 occurred in nursing homes (Figure 10.25). In most OECD countries, these providers account for the majority of LTC spending. On average, around one-fifth of all LTC spending was on professional (health) care provision at home. Other LTC providers are hospitals, households – if a care allowance exists that remunerates the informal provision of such services – and LTC providers with a clear social focus. Each accounts for an average of 9% of total LTC spending. The importance of these modes of provision varies widely across countries, reflecting differences in the organisation of LTC and policy priorities.

Public schemes play a crucial role in maintaining the costs of care for older people with LTC needs at affordable levels. Without public financial support, the total costs of LTC would be higher than median incomes among older people in most OECD countries and EU Member States. On average across OECD countries, institutional care for severe needs would cost

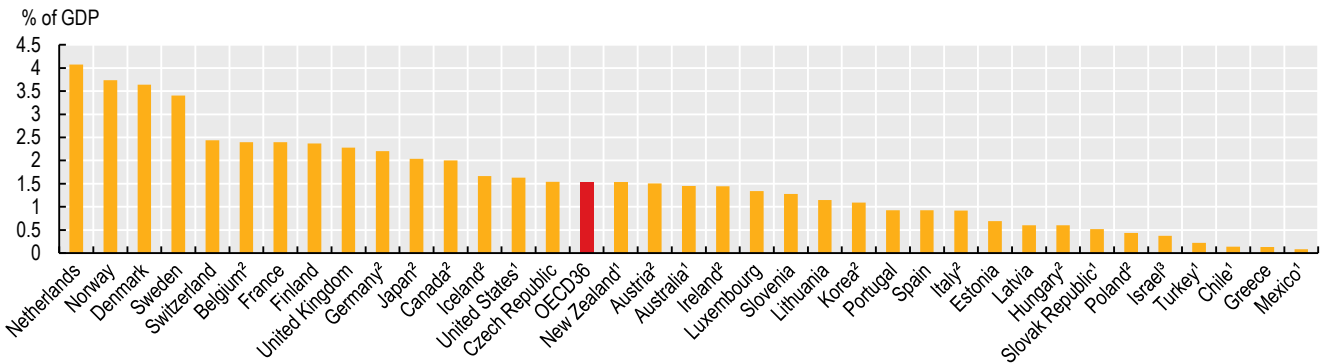
more than twice the median income among older people (see Figure 10.26). Compared to median incomes among older individuals, total costs of care were highest in Finland and Sweden and lowest in Croatia and Slovenia, among countries providing data in 2020. Only in these latter two countries would an older person with median income be able to afford the total costs of institutional care for severe needs from their income alone. Public social protection systems provide support to older people with LTC needs so that they are able to afford care. It is because of public support that the costs older people ultimately face are far below what is shown in Figure 10.26 for Finland and Sweden (Oliveira Hashiguchi and Llana-Nozal, 2020[12]).

Definition and comparability

LTC spending comprises both health and social services to LTC-dependent people who need care on an ongoing basis. Based on the System of Health Accounts (OECD/Eurostat/WHO, 2017[13]), the health component of LTC spending relates to nursing care and personal care services (help with ADL). It also covers palliative care and care provided in LTC institutions (including costs for room and board) or at home. LTC social expenditure primarily covers help with IADL. Progress has been made in improving the general comparability of LTC spending in recent years, but there is still some variation in reporting practices between the health and social components of some LTC activities. In some countries, social LTC is (partly) included under health LTC; in others, only health LTC is reported. There is also some variation in the comprehensiveness of reporting privately funded LTC expenditure. For those countries that do not report any LTC spending, or where substantial components are missing, an attempt was made to estimate them (OECD, 2020[14]).

LTC institutions refer to nursing and residential care facilities that provide accommodation and LTC as a package. They are specially designed institutions where the predominant service component is LTC for dependent people with moderate to severe functional restrictions. An older person with severe needs is defined as someone who requires 41.25 hours of care per week. A detailed description of their needs can be found in Muir (2017[15]).

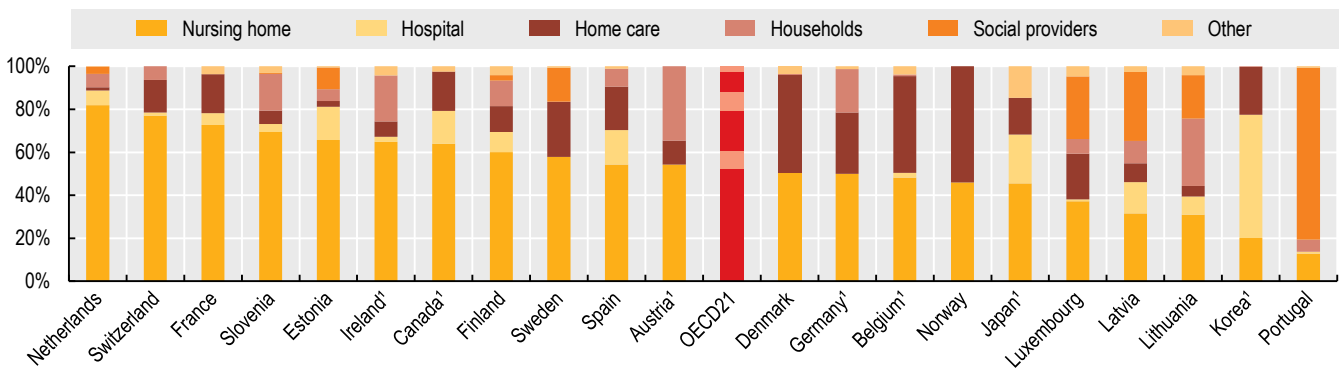
Figure 10.24. Total long-term care spending as a share of GDP, 2019 (or nearest year)



1. Estimated by OECD Secretariat. 2. Countries not reporting spending for LTC (social). In many countries this component is therefore missing from total LTC, but in some countries it is partly included under LTC (health). 3. Country not reporting spending for LTC (health).
 Source: OECD Health Statistics 2021; OECD (2020[14]), "Focus on spending on long-term care", <https://www.oecd.org/health/health-systems/Spending-on-long-term-care-Brief-November-2020.pdf>.

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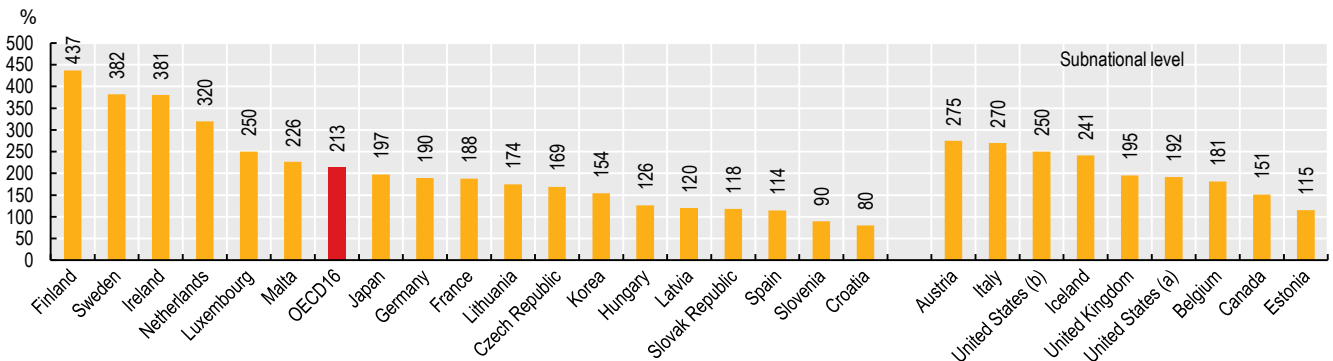
Figure 10.25. Total long-term care spending, by provider, 2019 (or nearest year)



1. Countries not reporting social LTC. The category "Social providers" refers to providers where the primary focus is on help with IADL or other social care.
 Source: OECD Health Statistics 2021.

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Figure 10.26. Costs of institutional long-term care for an older person with severe needs, as a share of the median income among people of retirement age and older, 2020 (or nearest year)



Note: Data for Belgium refer to Flanders, for Iceland refer to Reykjavik, for Canada refer to Ontario, for Estonia refer to Tallinn, for Austria refer to Vienna, for the United States refer to (a) California and (b) Illinois, for Italy refer to South Tyrol and for the United Kingdom refer to England.
 Source: OECD Long-Term Care Social Protection questionnaire (2020) and OECD Income Distribution Database (2020).

StatLink <https://stat.link/gc2h59>



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