

Observation of Long-term Care Insurance Policy in China: Compare Long-term Care Insurance Policies in the Japan

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Abstract:

Based on China's 2011 demographic census, individuals aged 60 and above constitute approximately 13.26% of the national population, while those aged 65 and older account for about 8.87%. In the coming years, China will encounter significant challenges related to elderly care. Concurrently, this occurs within the context of ongoing socio-economic development. The policy, law and implementation effects of Insurance for long-term care in China and Japan. This article will use literature analysis to compare the long-term care insurance (LTCI) policies of China and Japan, and analyze the current situation of LTCI in China as well as the challenges it faces. This paper reveals that the aging degree of Chinese society is gradually increasing and is expected to reach a peak around 2060. Although the existing LTCI system in China has increased the sources of funds in terms of financing channels, it still faces problems such as the widening wealth disparity and the incapacity to standardize the LTCI market. Compared with China, Japan's system is more complete, simple and clear. Learning from Japan's LTCI financing model and nursing standards system will assist China in effectively addressing future aging challenges and alleviating the pressure on social pension systems.

Keywords: Long-term care insurance; public health; public policy; aging society.

1. Introduction

Population aging, according to international standards, refers to a situation where the percentage of individuals aged 65 and over reaches 7% of the whole populace, or when the proportion of the population aged 60 years or older nears 10%, the area or

nation has entered an aging society [1]. Based on the 2011 population census in China, individuals aged 60 and above constitute approximately 13.26% of the national population, while those aged 65 and older represent about 8.87%. China will face tremendous pressure regarding elderly care in the future. At the same time, with the development of the socio-eco-

conomic landscape. The elderly's demand for retirement care will include physical and mental well-being as essential components. As a result, China has drawn on Japan's policies of long-term care to introduce LTCI and other elderly care policies and programs, to ensure the quality of life for the elderly and alleviate the social pressure of elderly care. LTCI refers to the insurance that covers the costs incurred when an individual, due to aging, medical conditions, or disability, is unable to care for themselves and requires medical treatment at home or in a nursing facility, with dedicated caregivers. In China's social insurance system, it is the sixth type of social insurance. This article aims to analyze the current situation and loopholes of LTCI in China. Compared with Japan's LTCI policy, the development prospect and improvement measures of China's LTCI are analyzed.

2. Current Situation in China and Problems

2.1 The Development of LTCI in China

In 2016, the Ministry of Human Resources and Social Security of China collaboratively issued the Guiding Opinions on the Pilot Implementation of the LTCI System (hereinafter referred to as the Guiding Opinions). The guidance clearly delineates 15 cities, including Shihezi and Qingdao in Shandong, as the inaugural cohort of pilot areas for LTCI. This marks the official commencement of China's LTC system into its pilot phase. In addition, in 2020, the National Healthcare Security Administration and the Ministry of Finance jointly issued the Guiding Opinions on Expanding the Pilot Program for LTCI System (hereinafter referred to as the Expansion Opinions) to continue expanding the pilot program for the LTCI system [2]. Since China launched the pilot program for

LTCI in 2016, the healthcare security departments and finance departments of various local governments have all referenced the policies of pilot regions for introducing laws, regulations, and public policies related to elderly care and medical security financial policies. The policies and regulations established in the 15 prioritized pilot areas serve as a model for the nationwide implementation of LTCI, offering significant practical evidence.

2.2 Current Situation

2.2.1 Coverage

As of the conclusion of 2019, the cumulative balance of China's employee medical insurance pooled fund for the LTCI pilot program, which lasted three years, was 1.4128 trillion yuan, while the balance of individual accounts was 842.6 billion yuan. The cumulative balance of the coordinated fund has exceeded the fund expenditure for the year (1.2663 trillion yuan) [3].

Under the guidance of national policy, the insured population in the pilot areas for LTCI is generally divided into four categories, as shown in Table 1: (1) Only urban workers are considered as insured subjects, such as in Chengde City of Hebei Province, Anqing City of Anhui Province, and Qiqihar City of Heilongjiang Province, etc. (2) Jointly cover urban workers and residents, such as in Changchun City, Jilin Province. (3) Only for urban and rural residents (the difference in the level of economic development between urban and rural regions will cause the difference in the level of security and cost between regions), such as Qingdao City in Shandong Province, Nantong City and Suzhou City in Jiangsu Province. (4) Coverage for special age groups: in 2016, Shanghai has implemented specialized medical insurance and LTCI programs specifically designed for seniors aged 60 and above [4].

Table 1. Coverage of Pilot Areas: Four Major Categories

City	Coverage
Chengde City in Hebei Province, Qiqihar City in Heilongjiang Province, Ningbo City in Zhejiang Province, Anqing City in Anhui Province, Shangrao City in Jiangxi Province, Jingmen City in Hubei Province, Guangzhou City in Guangdong Province, Chongqing City, Chengdu City in Sichuan Province.	Only covers urban workers.
Changchun City in Jilin Province	Covering urban and rural residents as well as urban workers.
Nantong City in Jiangsu Province, Suzhou City, and Qingdao City in Shandong Province.	Only covers urban and rural residents.
Shanghai	Elderly people aged 60 and above.

2.2.2 Financing method

Strong and stable social public policies require a stable

and progressive diversified funding policy. At the initial stage of the pilot, the 15 pilot areas all adopted the form of dividing operational funds from the national medical security fund pool to implement pilot projects quickly and stably and effectively enhance the scope of insured individuals. After the end of the pilot phase, all regions will gradually strengthen the common economic responsibility of individuals, employers, social enterprises and the government, diversify financing channels, and reduce the pressure on government medical fund expenditure and national tax pressure.

2.2.3 Pilot result

China's LTCI has achieved successful practical experience in the pilot stage, which is a breakthrough in the Chinese government's pension policy. The Chinese government has drawn on the policies of countries like the United States, Germany, and Japan to establish a pension security policy suitable for Chinese society, alleviating the financial burden on elderly individuals in need of extended care and reducing the economic issues faced by seniors due to illness. At the same time, it fosters the advancement of the elderly care service industry, promotes the formation of institutions such as senior care facilities and assisted living homes, promotes innovation and entrepreneurship, and establishes more labor positions to alleviate the problem of completion of the social youth labor force. For example, in 2012, Qingdao City piloted long-term care services, increasing from the initial 140 to over 600 by the end of 2016 [5].

2.3 Challenge and Problems

2.3.1 Wealth gap

From the above coverage, it can be seen that LTCI in China has coverage that only includes urban workers in some regions and only includes urban and rural residents in others, in some developed cities, there are age-specific divisions for social security, such as in Shanghai. However, generally developed cities or urban security accounts for more than rural areas, which can obviously see the unequal distribution of medical resources. As a result, wealthy urban families will enjoy both the benefits of urban health insurance and new LTCI, but for some elderly individuals left behind in remote rural areas, the LTCI policy will not be able to cover them or provide them with protection. For example, the study conducted by Zhu and Österle revealed that by the end of 2017, fewer than 2% of individuals aged 60 and over in Qingdao were benefiting from LTCI, despite the fact that LTCI in Qingdao offered relatively broader coverage compared to other cities [6].

2.3.2 Unstable fundraising

Currently, China is implementing different fundraising plans based on the characteristics of various regions and differences in economic levels, aiming to primarily encourage shared economic responsibility among individuals, the government, and society, and to achieve diversification of fundraising channels. However, for now, most cities still rely heavily on the national health security fund, and the level of financing by social organizations and enterprises is uneven and unstable, unable to share the country's economic pressure. In the future, as aging becomes more severe, China will face a more pressing issue regarding pension security funds, which is likely to lead to long-term government deficits and more serious socio-economic problems.

2.3.3 Service agencies are in disarray

The boundaries between LTCI policies and commercial LTCI are unclear. The laws and regulations regarding LTCI in the commercial sector are incomplete. Commercial insurance, as a supplement to social policy, holds significant importance; however, the legislation for LTCI in China is incomplete. The government's insufficient supervision of the medical service institutions docking with insurance institutions has led to frequent incidents of elderly people being cheated and violently treated by nursing workers after the pilot stage, which has greatly affected the quality of elderly care for citizens and reduced the credibility of the government.

3. Japan's Long Term Insurance Policy and Advantages

3.1 Population Aging

Japan's aging population began in 1990. In 2010, the population of those aged 65 to 74 reached its peak and remained stable for a period of time, while the population aged 75 and above increased to about 14 million. In Japan, the number of people aged 65 to 74 is also expected to peak between 2035 and 2040, while the total count of individuals aged 75 and above will rise to about 21 million. In the two to four years after the end of World War II, a record number of babies were born in Japan, a phenomenon known in Japanese society as the "baby boom generation". The demand for care among residents in society generally begins at the age of 65, and when people reach 80, the need for resident care will experience explosive growth [7]. The government of Japan plans to further extend its LTCI program, with the objective of significantly enhancing preventive care and alleviating the increase in medical expenditures. A comprehensive analysis suggests that long-term care spending may reach

as high as 25.8 trillion JPY (approximately 2,580 billion USD) by the year 2040 [8]. It is evident that the demand for nursing care in Japanese society is continuously increasing, and due to the influence of the “first generation of baby boomers,” it is expected that by 2030, Japanese society will witness this generation reaching the age of 80, becoming elderly individuals who truly require long-term care. At that time, the long-term care demand in Japanese society will reach its peak. If proactive policy planning is not implemented, the immense pressure of elderly care may overwhelm the normal functioning of society.

3.2 Current Situation

In 1997, Japan implemented the LTCI Law, known as the Kaigo Hoken Ho, the objective is to tackle the social pressures stemming from the rising demand for care associated with an aging population, while simultaneously alleviating the chronic burdens that aging places on societal functioning. The law was officially implemented in 2000, and over the ten years of its implementation, the number of insured individuals continued to rise, receiving widespread praise from many elderly people in Japan.

3.2.1 Coverage

Unlike China, Japan’s LTCI coverage is nationally unified and primarily divided into two categories based on age: (1) Elderly individuals aged 65 and above, and (2) middle-aged individuals aged 40 to 64. The insurance rates paid by the two groups are different due to the different probabilities of personal economic and health risks.

3.2.2 Financing method

The financing channels of LTCI in Japan are relatively simple and clear, and are mainly shared between individuals and the government. The specific ratio is 27% for middle-aged and elderly people aged 40-64, 23% for elderly people aged 65, 25% for the central government, and the rest paid equally by the local governments of cities, villages and prefectures. While prefectures assist municipalities in implementing the system, the central government determines the system’s general course [9].

3.2.3 Payment method

Japan uses service payment, which is divided into two levels of support and five levels of care according to the physical and mental conditions of the elderly [10]. Different hours of service and different nursing services require different costs. After the age of 65, if there is a care need, individuals only pay 10% of the cost, and the remaining 90% is covered by LTCI premiums [10].

3.3 Advantages

3.3.1 Equal treatment

Japan has a unified LTCI service level, and the payment method is divided according to the project level. The benefits are divided according to the selected items, which is relatively fair and equal, significantly reducing the disparity in benefits caused by the amount of premiums paid. The uniform service level regulation can not only regulate the payment amount and the quality of LTCI services to a certain extent, but also polish the economic burden faced by elderly residents.

3.3.2 Wide coverage

Japan will categorize the population to be covered by age groups, rather than by occupation or residency. Classifying by age allows for a broader coverage, better balancing social equity and more comprehensively meeting the long-term care needs of the elderly, thus avoiding the unfairness brought about by socioeconomic inequalities.

3.3.3 Financing stability

Japan adopts a unified national fund payment policy, with a stable source of funds and a strong sense of personal responsibility. In Japan, individuals and the state jointly contribute to the financing strategy, social enterprises and social organizations do not participate and the government pays a fixed proportion of funds. A unified payment policy is beneficial for alleviating the economic pressure on the government and enhancing residents’ sense of social responsibility.

4. The Implications of Japanese Policy for China

4.1 Strengthen Macro Decision-making Design and Improve China’s LTCI Policy

At the beginning of the establishment of LTCI, China did not set up relevant insurance laws and re-design institutional policies like Japan. Instead, it experimented with the policy system by piloting it in several regional governments, verified the feasibility of the system in the pilot stage, and then extended the system to the whole country and designed relevant laws to standardize it. China’s “point-to-surface” practical approach aligns with the country’s unique circumstances of having too many local governments. It can experiment with LTCI policies that are suitable for its national conditions before the peak of aging in Chinese society arrives. Due to the excessive number of local provinces and cities in China, the wealth gap caused by economic differences is inevitable. Accord-

ing to the National Bureau of Statistics, in 2020, the per capita disposable income for urban residents was 43,800 yuan, whereas that for rural residents stood at only 17,100 yuan. This indicates a disparity of 2.56 times between these two groups. If a unified LTCI policy is not established, regulating funding channels, benefit standards, and disability level assessments, it may lead to unnecessary social conflicts, which would be detrimental to the long-term development of the LTCI system in China and its response to the aging crisis.

4.2 Enhance Government Awareness and Enhance the Sense of Responsibility of Civil Society

Currently, China's decision-making regarding the construction of a LTCI system has only been mentioned in the national policy guidance documents of 2016 and 2020: "Utilize 1-2 years to accumulate experience and basically form a strategic goal for the policy framework of a LTCI system. As for the two phases with almost identical goals, the planned achievement date has been postponed by about five years, and it has not yet been realized, with a tendency for further delays. China's aging peak is approaching, and if the central government does not continue to increase its attention and supervise the implementation of policies and systems, it will not be able to formulate a social crisis that can cope with many provinces and cities and 1.4 billion people before the aging peak. In Japan, it took three years from the establishment of the law to the implementation of the whole country, and the government forced the people to take the initiative to cooperate, alleviating a social crisis in a short period of time. As of April 2022, the number of insured people aged 65 and over in Japan's LTCI reached 35.9 million, an increase of 65.8% since the beginning of the policy, indicating that the policy has been widely promoted and widely accepted by Japanese society [10]. In addition, the Chinese community also needs to actively respond to the call of the government and introduce LTCI policies to middle-aged and elderly people, so that they can understand and actively cooperate with the government reform. At the close of 2022, the population aged 60 and above in our country reached a total of 280 million, accounting for 19.8% of the total population, and we are about to enter the stage of moderate aging society. With the rapid increase of the elderly population, the number of disabled elderly people is also increasing rapidly, and the demand for long-term care has become a social focus. According to the National Healthcare Administration of China, the number of long-term care insurance enrollees will reach 169 million by the end of 2022. But nearly half of the elderly are still not

covered by the system.

4.3 Reform of Financing and Payment Methods to Make Policies More Sustainable

A good and diverse fundraising channel can provide a stable foundation for the implementation of policies, while a sound and equitable distribution method can offer better quality of life for the beneficiaries of those policies. According to the guidance on public policy in China, it states: "The funding for LTCI is primarily based on contributions from both employers and individuals, which should generally be shared in proportion." Among them, the fund distribution of urban workers' medical insurance in China is mainly borne by social work units, and the ratio of social enterprises and individuals is 3-5 times, but the ratio of the two in the international community is 1:1, and China is still far from it. The Japanese government has unified the coverage of its policies by grouping them according to age, and it has stipulated that the funding sources will primarily be shared between individuals and the government, with both having fixed contribution rates.

4.4 Strengthen the Supervision of Service Quality and Improve the Quality of Service Personnel

Currently, China does not have a comprehensive legal framework for the supervision and regulation of commercial LTCI. Commercial insurance companies collaborate with private medical enterprises and private caregiver organizations, where one party provides clients and the other offers medical services. For our esteemed elderly community, care needs begin to emerge at the age of 65, and after 70, it marks the peak period for long-term care needs. Long-term care is a long-term project, and as one ages, the number of care programs will gradually increase, along with the duration of care. However, in China, there is still no clear legal supervision of the cooperation between commercial insurance institutions and private medical institutions and private nursing organizations, and there is a large social blind area. Incidents such as nursing workers beating the elderly and neglecting the basic physiological needs of the elderly continues to occur. In order to implement LTCI in China sustainably and enhance the recognition of residents, It is equally essential to enhance the oversight of service quality and elevate the standards of service personnel.

5. Conclusion

By understanding and comparing the aging population background and LTCI policies of China and Japan, this

paper analyzes the challenges faced by China's LTCI and gives macro suggestions on China's LTCI policies. It has been found that China's population aging is about 30 years slower compared to Japan. However, there are still issues with the LTCI policy, such as a lack of uniformity in the system, unstable funding channels, and uncontrollable service quality. By drawing lessons from Japan's long-term care.

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