

AN ASSESSMENT OF THE VIABILITY OF LONG-TERM CARE INSURANCE AS A MEANS OF FINANCING GERIATRIC CARE IN INDIA

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ABSTRACT

The study discusses the growing need for long-term care for older adults, as they face challenges in managing their day-to-day activities due to chronic health issues. Family members have traditionally been the primary caregivers for the elderly, but the migration of younger population to other places and countries in search of a better life has led to a major shortage of manpower and funds for long-term care. To address this issue, some of the advanced countries have introduced a new insurance product called Long Term Care Insurance (LTCI), which is different from traditional health insurance policies. LTCI is designed to cover long-term services and supports, including personal and custodial care in various settings, such as a person's home, community organization, or other facility. India too is experiencing similar demographic changes since the last few decades, it is reasonable to consider such kind of innovative products for the older adults.

Keywords: LTCI, Long-Term Care, Geriatric Care, Health Insurance, Social Security.

INTRODUCTION

The world's aging population has created an enormous need for Long Term Care (LTC) for older adults incapable of taking on their day-to-day routine activities and have a significant financial burden on their families (Barber et al., 2021). Aging is linked to several chronic health issues, necessitating the management of medications, assistance with everyday tasks, and consideration of psychological requirements. For ages, family members have been the dominant players in the long-term geriatric care system (Tripathy, 2014), particularly in Asian countries. However, the past few decades have experienced a significant shift of the younger population from their native places to other places and countries due to rampant industrialization and globalization. This shift has created a major problem in the long-term care of the older generation in terms of both manpower and money. Considering these aspects, a new insurance product, which was different from traditional health insurance, was introduced in Western and advanced countries. It was named Long Term Care Insurance (LTCI) (Sharma, 2016). This policy is different from traditional health insurance policies. While health insurance is focused more towards hospitalization and treatment of illness, long-term care insurance is designed to cover long-term services and supports, including personal and custodial care in a variety of settings such as the home of a person, a community organization, or other facility (Crowley et al., 2022).

Every individual needs to perform certain daily activities, such as bathing, washing, brushing, eating, drinking, walking, etc., to keep life moving. The problem arises when an individual needs help performing these daily activities. Long-term care insurance aims to enable those unable to accomplish their daily tasks to an income stream through insurance coverage for employing a nurse or a caregiver to help and support them (Painter, 2021). In contrast to paying

for medical expenses associated with specific illnesses, typical long-term care insurance also covers ongoing treatment provided to maintain the policyholder's health. The Insurance Regulatory and Development Authority of India (IRDAI) has also advocated for establishing such a product. The requirement for an ingenious insurance policy has increased because of the expansion of the healthcare sector in India and the recent developments brought about (Kumar, 2023). Though these insurance policies are expensive worldwide, they can be made affordable in India, given the rise in nuclear families and the population of older adults (Li et al., 2023). The present study tries to evaluate the usefulness of LTCI in the Indian family and healthcare support systems.

LITERATURE REVIEW

Over the past few decades, the population pyramid of India has acquired a relatively narrower base, becoming increasingly top-heavy. It should sound alarm bells for the country due to the unique relationship between its healthcare delivery systems and sociocultural structure. Conventionally, large joint families take care of older parents and relatives. But over the past few decades, smaller families have become the norm and the joint family systems have become increasingly nuclear (Choudhury, 1957 and Sehgal, 1992). While the average size of the Indian household was 5.5 in 1991, it is now estimated that 58% of households have less than 4 members (www.statista.com). The share of older individuals in the Indian population has also increased progressively. The old-age dependency ratio in India has grown from 12.2% in 1991 to 15.7% in 2021 and is expected to cross 20% by 2031 (www.statista.com). An increasing share of older individuals with a background of changing family structure, and limited social and financial support is expected to unfold harsh health policy challenges (Marshall et al., 2015). It is apparent that in the absence of long-term care facilities, in the context of a rapidly expanding older population, the Indian healthcare system might experience a collapse shortly (Deshmukh et al., 2015). Some developed countries have time-tested long-term care systems, which may be adapted and implemented to Indian sociocultural contexts (Rajalakshmi and Shinu, 2019).

Scholars have a growing awareness that LTCI delivers many benefits for society, caregivers, and older adults in general. The outcomes of the LTCI policy reveal that the burden on families caring for older adults has been reduced through social solidarity (Jeon and Kwon, 2017). The demand for formal care is intensifying due to an eroding traditional Chinese family support system in tandem with the prevalence of a smaller-sized family structure. Accordingly, LTCI could effectively replace informal care, saving time for children (Zhang et al., 2020), benefit all members of the household, along with both care recipients and caregivers, and produce a positive spillover effect on the labor participation of family caregivers (Broek and Grundy, 2020). More importantly, the LTCI, wherever implemented, has remarkably reduced the outpatient visits, length of stay, and expenses of older patients in hospitals (Chen and Ning, 2022). Notably, disabled older adults enjoy a superior quality of life because LTCI improves their self-rated health and mental health. For the groups of paramedics and social workers, more employment opportunities have emerged accompanying LTCI.

Objectives of the Study

Being a relatively newer concept in the Asian region, long-term care insurance is still in the nascent stage. It is important to understand the benefits of buying such an innovative insurance

policy not only to support long-term care but also to save the pocket from being drained off due to rising healthcare costs. The objectives of this study are stated below:

1. To understand the concept and working of long-term care insurance.
2. To understand the benefits of implementing LTCI in various countries.
3. To understand the need and market of LTCI in India.

Advent of Long-Term Care Insurance

Long-term care insurance came into existence in European and American countries, such as the Netherlands in the 1960s and the United States in the 1970s, but it only existed as a type of insurance under the Health insurance schemes. After health insurance, unemployment insurance, and other insurance systems, Germany took the lead in establishing the LTCI system in 1995, which became the sixth-largest independent insurance system after health insurance, unemployment insurance, and other insurance systems. To a significant extent, it deals with the demands of the elderly to meet their long-term care requirements and alleviates their financial hardships.

Among the Asian countries, Japan, South Korea, and Taiwan are the frontrunners where LTCI was introduced by the respective governments in the 1990s. Each country's LTCI design differs greatly from one another, displaying distinctive forms of institutional creativity. According to Estévez-Abe and Kim (2021), "Japan has the most developed public services in elderly care among East Asian countries, and South Korea and Taiwan have turned to the Japanese case as a model in formulating their own policies. Japan sought inspiration from German and Scandinavian models, South Korea was able to also include Japanese experiences. Taiwan in turn could draw from a multitude of options (Maags, 2020). China officially launched the LTCI program in 15 locations and released recommendations for enacting a policy in 2016. In addition to China's *five social insurances system* (pension insurance, medical insurance, work-related accident insurance, unemployment insurance, and childbirth insurance), LTCI is to as a *sixth social insurance* (Chen et al., 2021). In addition to allowing participants to purchase specialized nursing services from the private sector, LTCI seeks to provide disabled and older individuals with inexpensive basic services (primarily basic life care services and basic nursing services). As per the records, around 426,000 persons were getting benefits from China's LTCI pilot program as of June 2019 out of 88.54 million people covered by the programme. China added 14 more cities to the LTCI test programme in 2020. However, the few studies that have been conducted found that LTCI was associated with an improvement in quality of life and physical pain and a reduction in healthcare utilization and expenditures. LTCI was associated with a reduction in the time that informal caregivers spent caring for the beneficiary and general satisfaction with the program was also high (Chen et al., 2021).

Need for financing Long Term Care in India

Following the advent of economic liberalization in 1991, the Indian economy has undergone several changes. Economic reforms resulted in changes that were not only economic but also had a wide-ranging impact on society. Globalization is integrating not only economies but also people's lifestyles and socioeconomic behavior. With the advancement of technology, this integration has been further increased. Today, Indian society has more in common with Western societies than ever before. Hence, the need for long-term care insurance among the Indians is greater today than ever before. It should not be overlooked, however, that we cannot

meet India's long-term care insurance needs until we comprehend the numerous advantages and downsides of this insurance policy. The need for long-term care would necessitate a thorough comprehension of the available insurance plans. Insurance firms in India provide a variety of health insurance packages. Individuals' hospitalization needs are usually met by these products. Health insurance products are more focused on diseases and the costs associated with treatment and cannot be a substitute for long-term care insurance, which has a distinct objective.

Here are some of the reasons why India requires long-term care insurance:

Diminishing joint family system: The Indian family system is changing dramatically. A joint family system emerged pre-eminently to cater to certain felt needs, both in times of happiness and grief. But consequent upon the forces of industrialization, urbanization, and modernization, it is gradually disintegrating. In search of modern life and amenities, India has increasingly shifted from the joint family structure to the nuclear family system throughout time. In absolute terms, the number of nuclear families climbed from 135 million in 2001 to 179 million in 2021, but at a slower rate than the overall population. The South Indian family structure data reveals 69 percent of people stay in nuclear families while the figure is 38 percent in North India.

Increased older population: The experience in nations where long-term care plans have been successfully implemented over time reveals that the end customer of this product is mostly the older population. This product is used by a part of the relatively young population, but the percentage is not considerable.

The report prepared by Helpage India, a major NGO, is eye-opening. While India remains the world's youngest country, another factor that is frequently forgotten is that India is also experiencing a huge increase in the population of elderly people. Helpage India's report lays it all out. According to the research, by 2031, the country's elderly population will number 194 million. The elderly are currently categorized into three groups, viz., the young old (60-70), the middle-aged old (70-80), and the eldest old (80 and up). The increased life expectancy has increased the senior population. While India's entire population will expand by 40% between 2006 and 2050, the population of individuals aged 60 and more will climb by 270%.

Increased chronic diseases: The impact of general public health conditions has been one of the drawbacks of socioeconomic advancement. Many illnesses are considered to directly affect human life by limiting activities of everyday living. Hypertension, diabetes, and cancer are a few instances.

A WHO survey states that while 33 percent of Indians living in cities and 25 percent of Indians living in rural areas have high blood pressure, only 25 percent of the former and 42 percent of the latter are aware of this fact. Surprisingly, just 25 percent of Indians living in rural areas and 38 percent in urban areas have received therapy. The good news is that one-tenth of Indians living in rural areas and one-fifth of those living in urban areas have normal blood pressure. Even though it is quite common in India, nothing is known about it, and there is little therapy or management available. Its poor control is explained by socioeconomic factors including literacy, poverty, residence area, physiological aspects like obesity, and some genetic reasons.

Among the biggest worldwide health emergencies of the twenty-first century is diabetes. The second-highest percentage of diabetes worldwide is found in India. An estimated 74 million Indians were diagnosed with diabetes in 2021 and by 2045, this number is predicted to increase to over 124 million. Rapid changes in the socioeconomic landscape, together with urbanization and industrialization, are some of the main causes of the diabetes pandemic.

There are almost 1.4 million new cancer cases in the year 2022, and the numbers are likely to rise to two million every year by 2040. Unfortunately, in India, it is diagnosed very late which is the reason that only 30 percent of cancer patients survive five years after diagnosis. Cancer is not treated in most district-level hospitals, and often the patients and their families sell their homes, lands, and assets to come to cities for treatment. There aren't enough radiotherapy machines, trained technicians, oncologists, or cancer nurses in India. Our cancer patients struggle to get adequate palliative treatment when they are sick. At the governance level, cancer is clubbed with diabetes, heart disease, and stroke vying in a common program that gets only 20 percent of the health expenditure despite being the cause of 60 percent of all deaths. While the rate of cancer deaths is decreasing, post-cancer care is increasing. This will necessitate a lengthy period of support, as well as significant expenses. This need can be met with long-term care insurance.

Increased affordability: There is a cost associated with LTCI that not everyone can afford. The American Association for Long-Term Care Insurance estimates that in 2022, a married couple in their 60s had a budget between \$2,200 and \$4,000 per year for their long-term care insurance, however actual premium costs would vary significantly based on benefits. The costs are significantly greater when compared to the UK, Germany, and other nations. Because of this, for these items to work properly in many countries, official action is necessary.

Looking at the design and possible benefits of these policies, the costs of LTCI are likely to be more as compared to the existing insurance products. Since the per capita income in India has improved over the past few decades, there may be a possible market for LTCI if the number of people in the middle and upper middle classes rises significantly. In 2022–2023 India's per capita net national income (NNI) at current prices is INR 172,000, about 100% more than in 2014–15 when it was INR 86,647. As of 2021-22, more than 30 percent of the households have an annual income between 5 lakhs to 30 lakhs which is a narrative of India's growing income (www.statista.com). Initially, most Indians may not be able to purchase long-term care insurance, but in a nation with more than 140 million population and a developing middle and upper class, it will be possible to reach a significant number of individuals who can avail of the benefits of this product.

Challenges of Long-term Care Insurance in India

The LTCI system, being a novel insurance product that coexists with medical and endowment insurance, has encountered varying degrees of difficulties and challenges during its development in various countries. If implemented in India, the following challenges may affect the LTCI system's long-term stability and sustainability:

Financing LTCI: The arrangement of consistent financing is a major challenge in the sustainable development of the LTCI model. Many countries including the United States, Netherlands, Germany, and Japan have faced major issues in uninterrupted financial assistance from the state. Germany's public LTCI has undergone several reforms, as has Japan (Tamiya et al., 2011; Kato, 2018), focusing on solving the financing problem through higher contribution rates and the creation of a "population reserve Fund" since 1995 (Rothgang, 2010; Nadash et al., 2018). Hence, before implementing the government must think about proper allocation of funds and subsidies to run the scheme successfully in a sustainable manner.

Coordination issues: Many welfare schemes have been launched in India by the central and state governments since independence. But, unfortunately, poverty alleviation, many of the women and child development, farmer's welfare, women safety, employment, biodiversity,

wildlife protection, and even medical assistance schemes had to be either closed or curtailed due to the differences between the central and the state governments (Basu et al., 2020; Singh et al., 2024). Running a completely new idea that exists only in a few developed countries will be a challenge for the government. Ensuring proper coordination between the healthcare system and the insurance system, which is likely to be overburdened, will be another challenge for the government (Dev et al., 2020).

Marketing the product: Due to the old familial system that still exists in India, it will not be easy to sell long-term care insurance among Indian families. Moreover, a culture of property inheritance in lieu of looking after the older generation will also stop people from buying this new generation policy. In a country where people are reluctant to buy regular insurance policies, it will be really difficult to pitch and sell an innovative product in which the benefits are at least 25-30 years away (Ray et al., 2020); (Vaishnav et al., 2022). Well-designed products, continuous skilling of the sales team, motivating the customer as well as the sales personnel, and ensuring a beneficial environment for both will surely enhance the chances of revenue generation (Chakravorty et al., 2021).

CONCLUSION

It is a matter of concern that the need for taking care of older people living alone is expected to increase in India. This is due to several factors such as a decrease in the number of children per family, families living further apart, and weakening of informal social support systems. It is important that we take necessary steps to address this issue and ensure that our elderly population receives the care and support they need. Older people in India tend to live in rural regions more often, which can lead to an increased strain on access to health care and income insecurity. There is no provision for organized long-term care financing for chronically sick older adults, except for the upper middle class and the rich who can afford to provide good care at home or hospitals with some professional help. This makes it crucial for India to develop policies addressing their health-related financial concerns. Instead of the traditional fragmented approach, which caters to the individual health challenges of the older population through disease-based programs, a comprehensive approach to older population health care is required. Hence, there is a need for an innovative and cost-effective insurance product for senior citizens that caters effectively to their needs. Despite issues and challenges, the time has come to introduce long-term care insurance in India. India is on a rapid growth path and is likely to become a developed nation in the next few years if policies and programs are properly implemented. The rapidly aging population in India needs this product as part of the support system. With increasing income levels, support from the government, and the implementation of a good tax support mechanism, LTCI will be a boon for long-term care in India.

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