

Intelligence MEMOS



From: Don Drummond and David Jones

To: Canada's Healthcare Observers

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Re: **LTC INSURANCE USEFUL, BUT MORE MOVES NEEDED NOW**

A new National Institute on Ageing [report](#) reviews the experience of six nations in providing long-term care insurance.

In the wake of the high COVID-19-related death rates in Canada's long-term care facilities and the aging of the population, the report is a helpful avenue of interrogation, providing a thorough analysis of how other countries have implemented LTC insurance models.

And we can sharpen the question: How will support and funding be managed to meet the doubling over the next 20 years of the number of Canadians 75 years of age and older? That is an increase of more than three million older seniors.

Publicly funded LTC costs, including traditional institutions along with home and community-based settings, will more than triple over the next 30 years, forecasts the institute. This aligns with a Queen's University [report](#) that also projects that –without a significant change in policy – LTC costs as a share of GDP (using the narrow definition of institutional care) could triple by 2041 from its 2018 level. This includes increasing the number of staff to international standards and improving infrastructure and safety protocols.

Firstly, while an insurance model could raise funds to help cover the costs, there would be complications. Along with improved access to services, there could be rising costs. There are considerations around levels of contributions, who is eligible, and what services are covered. Those who will soon be 75 years of age or older do not have time to amass significant incremental savings. A new plan could cross subsidize them but that would be yet another intergenerational transfer onto the shoulders of the young, already heavily burdened by public debt and climate change.

Secondly, we need to trim future cost growth. For this, a shift toward greater home care, and away from institutionalized care, offers a rare “win-win” in policy terms. Not only is there broad consensus, as [illustrated](#) by [these](#) three [studies](#), that an increase in home-based care would be preferred by individuals and more appropriate to meet care needs, but it also costs less.

Growth in digital/virtual health care and remote monitoring will also continue to increase the cost-effectiveness of home care over time. Of course, care must always take place in the most clinically appropriate location for the patient.

Thirdly, there are other quick and practical options that could be implemented while a new insurance model is contemplated. Specifically, a recent C.D. Howe Institute [report](#) sets out a number of outdated government pension rules that discourage older citizens from savings and which could be overhauled. For example, seniors should not have to draw down their registered retirement savings as of age 71, as they may need this money for many years thereafter.

Fourthly, federal and provincial governments need to reduce their net debt burdens, which combined have risen from 53 to 75 percent since 2007-08, so that the rising cost related to population aging can more easily be absorbed. Population aging will exert fiscal pressures through raising health spending and slowing revenue growth due to the depressing effects on the labour force and hence incomes.

Demographics are predictable, so the challenges of population aging should have been addressed decades ago. We failed that, so need to now act urgently.

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