

The Feasibility Study on Establishing Elderly Care Insurance in China

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Abstract

China population aging problem and change in family structure provide conditions for developing the elderly care insurance; however, due to the traditional family-supporting concept, weak insurance consciousness and deficiency of national, enterprise and personal ability to pay, all these make the elderly care insurance as a new product uncertain. Currently, by learning from advanced experience domestic and foreign and after increasing the publicity, China can intensify the consciousness of elderly care insurance, rapidly develop the elderly care service industry and design elderly care insurance products that fit Chinese national conditions, hence strengthening the legal construction of elderly care insurance. With economic development and enhancement of national insurance consciousness in the country, the elderly care insurance in China should employ the pattern combining social insurance with commercial insurance.

Keywords: population aging, care insurance, feasibility

1. Introduction

As population aging is the important issue the modern world faces, various problems the issue brings about such as old-age care, social security and elderly medical care have made many countries, and will make more countries confront heavy social pressure. Among these problems brought about by population aging, the most obvious is the elderly care problem. According to surveys, at present, there are one fourth of elderly people in China without children around taking care of them, which universally prevails in some developed countries. If a system aimed at the elderly can be established to realize the purpose of “proper care for the elderly” and “proper protection for the elderly”, they can perhaps enjoy a happy old age. Now, this insurance system has become true in a few countries, which is a new type of insurance fitting the aging society--the elderly care insurance. In Western countries, people describe it as the “silver cane” for the elderly in the vivid way.

Since 1970's, the elderly care service and insurance plan have ushered in rapid development in Western developed countries, whose core function is to provide professional care services and corresponding insurance financing plans for elderly people. The elderly care is of important significance in looking after the life of elderly people, ensuring their health and helping them comfortably live their remaining life. The elderly care refers to those long-term and extensive recovery and supporting services provided for patients suffering chronic physical illness, disability and perceptual disorders. Belonging to the category of health insurance, the elderly care insurance is also referred to as long-term care insurance. Briefly speaking, long-term care insurance means offering certain economic guarantee and compensation to long-term care insurance.

The proportion of people with advanced ages in China aging population is increasing, so is the nursing needs. In terms of the problem whether China needs to establish the elderly care insurance, extensive discussion has been made. At present, China enterprises are relatively severe in social insurance burden; therefore, it is probably difficult to increase the care insurance payment based on this; on the other hand, such problems as low income in Chinese children and care for poor elderly men are increasingly obvious. This paper believes that it is necessary for China to establish the elderly care insurance system fitting Chinese national situations. As a commonweal insurance type, care insurance can relieve the social pressure caused by population aging, and alleviate the economic and mental burden of individual families. From this sense, it can help governments share concerns and solve difficulties to develop care insurance, and this also serves as the powerful supplement of commercial insurance to social security system. However, it deserves further discussion about whether China possesses conditions to develop the elderly care insurance. As a result, this is of essential theoretical and practical significance to make the feasibility research on problem of elderly care insurance.

2. The Demands for Elderly Care Gener-ated by China Population Aging

Among a series of social problems brought about by the population aging trend, the most prominent is the elderly care problem. With the development of aging tendency, more and more elderly people need to be taken care of, and most of elderly people in China rely on themselves for supporting. If the elderly care insurance can be popularized, their remaining life can be guaranteed.

2.1 The Aging Population Aggravates Economic Burden of Society and Family

The implementation of China basic state policy-birth control gradually transforms our family from originally extended family to nuclear family with 3 members, hence narrowing the family scale. The appearance of such family structures as “four-two-one” and “four-two-two” makes modern middle-aged people shoulder the dual responsibility of looking after both elderly parents and young children. Besides, they also have to work and this makes the dependency coefficient of elderly people rise, hence causing children powerless to tend senior citizens. Such a generation is called “sandwich generation” by Americans; therefore, they are suffering the unprecedented mental and economic pressure. With insufficient long-term care for elderly people, professional nursing team and insurance products to pay for it are thus urgently needed to solve their family considerations.

2.2 The Aging Population Needs Protecting Better Elderly Care Services

At present, the proportion of people with advanced ages in China aging population is increasing, so is the nursing needs. In China, the basis of home-based care for the aged is that there are many children; however, for the future elderly people, who have only a few children, the basis of home-based care for the aged will not exist. So, the fundamental mode for China to look after the elderly is: the home-based care for the aged when healthy and old-age care in institutions after partial or all self-care ability loses. Compared with the nursing mode in current developed countries, this mode is actually of no important difference.

Due to impairing physical function and comparatively weak ability for full recovery, the elderly need cares from professional medical care institutions in the face of illness, and also need special cares from professional care institutions all the more. As the time spent in the elderly care is generally long, the ordinary family care cannot meet its professional demands and the control of care costs is very difficult, too. Because China has not currently established independent care insurance, the elderly care insurance has to depend on medical insurance, which causes bigger and bigger burden and risk in medical benefits fund. As a result, better elderly care services are needed to be provided to satisfy the care demands of elderly people and reply to the family and social pressure brought about by population aging.

3. The Feasibility Analysis about China Developing the Elderly Care Insurance

3.1 Favorable Factors for China to Develop the Elderly Care Insurance

According to the realistic situation of present population aging in China, it is practicable to develop the elderly care insurance. The speed of population aging in China is higher than that of other countries and the extension of average life span in elderly people makes them need cares for a longer time. However, present children universally leave their senior family members to live independently, which causes the family care for elderly people suffer considerable difficulties.

Many elderly people in China hope to participate in insurance, but nowadays the domestic long-term care for elderly people is still blank. With the improvement of national strength, China should establish the long-term care insurance covering the entire population as the supplement for social security system to better solve the problem of “proper care for the elderly” and “proper treatment for the elderly”.

3.1.1 China Population Aging Tendency and Change in Family Structure Provide Conditions to Develop the Elderly Care Insurance

The population aging in China is different from that in developed countries with the following characteristics: the first is rapid aging. With the improvement of modern life quality and progress of medical care technology, the average life span of China population continuously extends, and the development speed of aging population is far higher than that in Western countries; the second is “aging before getting rich”. The population aging makes the burden on working-age population increasingly heavy. The implementation of birth control policy declines the fertility and makes our family structure tend to be miniaturized, hence causing the appearance of present families with “four-two-one” and “four-two-two” structure and “empty nest families” in large numbers. The policy intervention brings rapidly aging problems, and this makes China enter the aging stage under the condition of underdeveloped economy and imperfect social security system, thus causing the poor bearing capacity of social economy to population aging; the third is enormous people in advanced ages. According to prediction, in 2050, the people in advanced ages in China will reach about 0.1 billion, holding 23.5 percent of elderly population, and the proportion of those people who lose self-care ability constantly increases, thus sticking the elderly into “care crisis”.

Consequently, negative influences brought to the society by the elderly care problem need to be solved.

At present, there are already more and more elderly people hoping to improve their life with care service, and the special situation of China population aging and change in family structure provide vast space for the development of elderly care insurance. It follows that there is a huge gap existing in China long-term elderly care insurance.

3.1.2 The Constantly Increasing Care Expenses in China Cause the Demands for Elderly Care Insurance

Now, China elderly population, especially the population with advanced ages, is continuously increasing while the possibility of falling ill and the resulting demands for long-term care insurance also grow larger. Meanwhile, along with economic development, the elderly care insurance expenses also sharply rise, which have already exceeded the ability to pay for many families. Although the elderly have certain source of income, which can meet their daily expenses, yet with the constantly rising medical expenses, the expenditures for entering hospital or elderly care institutions are unbearable to many people. Therefore, it can yet be regarded as an excellent choice to solve the problem of high burden in long-term care expenses for the elderly by developing the elderly long-term care insurance.

3.1.3 The Deficiency of China Medical Security and Increase of Medical Expenses Cause the Demands for Elderly Care Insurance

Although present China social old-age security system is constantly improving, yet current social medical care insurance system does not include the long-term care for the elderly. Even if the elderly who participate in basic social medical care insurance, their medical expenses should also take up the large percent and the social medical care insurance clearly specifies that this cannot cover the expenses in service items such as special nurses and daily cares; commercial medical care insurance also specifies that it just provides insurance for part of illness treatment and outpatient expenditure while the additional hospitalization medical care insurance only covers short-term fees to pay and the insured age in long-term insurance of some serious diseases is limited to 65 years old or below 60 years old. Obviously, Chinese traditional method for children to provide retirement costs seems powerless despite its original intention. Therefore, the sharp rise of medical care expenses and constant increase of nursing needs both provide good opportunities for China to develop the long-term care insurance.

3.2 *Adverse Factors for China to Develop the Elderly Care Insurance*

Much as China has possessed some preconditions to develop the elderly care insurance, yet, due to Chinese special social situation, it still cannot immediately develop the elderly care insurance type fitting market even after obtaining these conditions. This is inseparable from China's concrete national conditions; therefore, China still confronts various difficulties when developing the elderly care insurance.

3.2.1 Considering the Problem China Faces in Developing the Elderly Care Insurance from the Perspective of Insurance Demand Side

On the one hand, the insurance consciousness of elderly long-term care insurance demand side is weak. China has always cultivated the traditional concept of "bringing up sons to support parents in their old ages" while the elderly long-term care insurance is still a new insurance type in China, which makes it difficult to be accepted by the public in a short time. Influenced by conventional thinking, most elderly people are unwilling to accept cares from foreign staff or to visit special care institutions for care service. Instead, they hope to accept the care from their children and relatives. As a result, even if long-term care insurance products are provided, they are probably unwilling to buy them. At the same time, their children also worry that they will be regarded as unfilial by other people if they send their parents to care institutions.

On the other hand, at present, several types of elderly long-term care insurance products in China domestic market all share one common characteristic, namely, high insurance premiums. Though China resident's living standards have been greatly improved in recent years, yet, the actual disposable income is still low. Besides, families with general income are unable to cover high insurance premiums for long-term care insurance.

3.2.2 Considering the Problem China Faces in Developing the Elderly Care Insurance from the Perspective of Insurance Suppliers

For one thing, if China develops the elderly care insurance in the nature of commercial insurance, then insurance companies will doubt the development prospect of elderly long-term care insurance. As this type of insurance is completely new in China, insurance companies will encounter many problems in the process of developing products, such as deficiency of statistic data, cost control problem and risk control problem. Moreover, the operation of health insurance in China is not ideal, which can only obtain few profits and even suffer deficits. Consequently, many insurance companies think that the operation of long-term care insurance is even unprofitable; so, they are unwilling to set foot in that field. In addition, in order to obtain high profits, when designing insurance clauses, insurance companies probably take advantage of the fact that the insured are not much familiar with some specific professional

terms, thus to exclude insurers who maybe need high care expenses from the insurance coverage as far as possible.

For another, if the elderly care insurance is developed by the government, in other words, the elderly care insurance is listed into the category of basic social insurance, then the nation, enterprises, and individuals will also assume higher insurance premium. Now, the insurance premium Chinese enterprises undertake is very high, and this will bring huge economic burdens to enterprises if the elderly care insurance expenses are added.

4. To Develop the Elderly Care Insurance Fitting Chinese National Conditions by Learning from Foreign Experience

The elderly care insurance is to provide services for the elderly to comfortably live their remaining life, hence playing great role in improving their life qualities. After long-term development, foreign elderly care insurances have archived excellent effects and have also made huge success in solving the problem of elderly old-age care, making them live with guarantee. This is of great reference significance for the development of China elderly care insurance. However, when foreign countries implement the elderly care insurance, the high-standard care services brings enormous financial burdens and causes the national fiscal revenue to implement the care service system unbalanced between income and outlay, generating the labor costs in national enterprises which conduct legal care insurance system higher and increasing their burdens. Provided that China is still one developing country in current stage, its economic development level still remains to be improved. Consequently, it is impossible to fully realize the elderly care insurance with social nature for the elderly care insurance must accord with the economic development level. Therefore, when learning from foreign experience in developing the elderly care insurance, China should also consider its concrete conditions.

4.1 To Strive to Develop the Elderly Care Service Industry

China should strive to develop care service institutions, strengthen the hardware and software condition in service institutions, reinforce the cultivation of professional nursing staff and improve service quality. Unified organizational management and well-trained personnel allocation can provide important guarantee to develop the elderly care insurance. Whether such countries as Germany and Japan implementing legal care insurance, or countries like USA carrying out care service system, they all have the ministerial governing body up to central government and down to management institutions at local and basic level. There are the central level such as Ministry of Labor and Social Security in UK and the subordinate operational subject like Social Care Insurance Company in Germany. Besides, all the nursing staff must take up posts for service after obtaining qualification certificates. By comparison, China is in urgent need of nursing staff and there are even phenomena that people take posts without certificates in order to make up for insufficient nursing staff. This means that China urgently needs to train a group of professional nursing staff meeting qualifications.

4.2 To Increase the Publicity and Intensify the Consciousness of Elderly Care Insurance

From social perspective, China should increase the publicity and intensify the consciousness of elderly people participating in the elderly care insurance, making them realize the benefits of elderly care insurance. Furthermore, the nation should make them understand that it is not unfilial to send the elderly into nursing houses or care institutions, but help elderly people obtain professional care services and alleviate economic burden of their families. This shows that extensive investigatory research and preparation are the premise for successfully developing the elderly care insurance. The elderly care insurance can be called a new insurance type; therefore, it is necessary to make detailed and deep investigatory researches before we carry out this insurance. For example, when originally launching care insurance, Germany divided it into two stages, namely, home care and hospital care, to decrease the error caused by insufficient experience. It follows that when developing the elderly care insurance, China should necessarily make investigations about the demand market and supplier of elderly care insurance, so as to issue elderly care insurance products fitting Chinese market.

4.3 To Design Elderly Care Insurance Products Fitting Chinese National Conditions

Insurance companies should realize the severity of Chinese population aging and the enormous demands of elderly people for long-term care and then design elderly care insurance products fitting Chinese national situations by referring to advanced experience from foreign development. When setting up insurance clauses, they should also consciously improve their moral consciousness and avoid the occurrence of cases to deceive the insured for they have no idea of professional insurance knowledge. In addition, insurance companies should strive to cultivate the insurance actuarial personnel and improve their anti-inflation ability, making care insurance usher in permanent and sound development.

4.4 To Tighten Legal Construction and Support the Development of Elderly Care Insurance

The government should launch preferential tax policies to support the development of elderly care insurance and only by doing like this can insurance companies be motivated to design elderly care products fitting market demands

with stronger desires. If the government cuts taxes for enterprises and individuals participating in elderly care insurance, this can better stimulate the demands for care insurance. The government should also strive to perfect laws and regulations about elderly care insurance, launch such relevant laws about special care insurances as Law of Elderly Care Insurance and Commercial Law of Elderly Care Insurance, and issue relevant laws about nursing services, such as care institution access system, care standards, care service quality supervision system, nursing personnel educational training system and etc. This is to make sure that there are laws to abide by in implementing the elderly care insurance, make care insurance service better and enable rights and interests of elderly people to be strongly guaranteed. For example, Federal Care Law, Burden Balancing Law and Federal Compensation Law issued by Germany, these laws make more specific and detailed stipulation about elderly care insurance than Social Security Law (does), ensuring that there are laws to abide by in developing elderly care insurance. However, the development of elderly care insurance in China is still in the initial stage and there are no special laws and regulations to explain it. As a result, if relevant specific laws and regulations can be set up, then care insurance can usher in better and faster development.

5. Conclusion

The elderly care insurance is feasible in China and needs to be developed. However, its development has its own process, which needs to be perfected with gradual transition. In other words, in current stage, it is suitable for China to just employ the commercial elderly long-term care insurance pattern. At present, basic social insurance in China is just “low-level and wide-coverage” while commercial insurance can provide multilayered and diversified care services according to personal economic conditions.

With economic development and improvement of insurance consciousness, China can employ the mode combining social insurance with commercial insurance when developing the elderly care insurance in, with the latter as powerful supplement to the former. This can make more general mass enjoy benefits brought by the care insurance while high-level care demands of elderly people are satisfied. Under the condition where economy is developed enough and people’s insurance consciousness is strong in the future, China is able to gradually transit this mode to the mandatory national care insurance mode, which makes the whole population universally share enormous benefits from the elderly care insurance and enables elderly people to live better remaining life.

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