REPORT 2021

The future of long-term care

Development trends up to 2035

FORESIGHT CENTRE

An independent think tank at the Riigikogu

The future of long-term care

Development trends up to 2035

Report

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See also other related research publications on long-term care in Estonian at www.arenguseire.ee.
› HAAP Consulting: *Pikaajalise hoolduse tulevik* (The future of long-term care. Summary)
› Praxis: *Pikaajalise hoolduse rahastamise väljakutsed ja lahendused* (Challenges of and solutions for financing long-term care. Summary)

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Foreword

Long-term care is a topic that most people prefer not to think about. Nobody wants to imagine themselves being infirm in their old age or in some other way in need of help. As a result, people seriously underestimate the risk of needing long-term care and simply hope that somebody will come to help if needed, whether that is their family or the local authorities.

The need for such care in society is growing though as the population ages, and families and relatives will not be able to bear this increasingly heavy burden. We have already reached a point where relying too much on unpaid informal care from relatives has substantial hidden costs for society that are causing family carers to leave the labour market and their well-being to suffer.

Long-term care is considered in Estonia to be a family issue that should be handled between relatives. This is quite different to the understanding in advanced countries, where it is emphasised that nobody is guilty for needing help. There are objective and potentially very expensive risks in this for individuals and their families, like those that can arise in the event of serious illness. With an illness, it is not assumed that the family will themselves provide, or even cover all the costs of, treatment.

Estonia is facing two consecutive challenges. The first is to ease the current burden of caring, and the second is to prepare for the increased need for care that will arise as the population ages. It is as if we have to complete at an Olympic-winning level when we have not even met the qualification standard yet.

Funding is already needed in this area now, and the need will be so serious in the future that it can only be met through cooperation and the combined efforts of the government, local authorities, businesses, families and people themselves. Creating a system where each party is motivated to bear as much of the burden themselves as they can is no easy task. It is hoped that this report will help a little in achieving it.

I hope you will find this thought-provoking and inspiring!

Tea Danilov
Head of the Foresight Centre

Summary of the lines of research

Long-term care is intended for people who need help coping with day-to-day living and with being part of society. Around half of those in need of help have reduced physical or mental capacity because of old age, while half have been born with special needs or have developed them as a consequence of an accident or illness.

Long-term care covers various health and social services that stop people's health from deteriorating and their capacities from failing, support them in coping day to day, and maintain their well-being. A survey by Turu-uuringute AS found **there are 160,900–190,500 people living in Estonia who use outside help to cope in their daily lives.**

Many will need help, but not everybody. It is not possible to predict very accurately how much help people will need in the last years of their lives. Help is likely to be needed in old age, but not everybody needs it, and the amount of help that is needed can vary very widely. Few people suffer accidents or injuries during their lives that cause them to need long-term care. Some children are born with special needs, and they have a substantial need for help throughout their lives. **Although the risks are similar for all, the costs of long-term care are distributed very unevenly between people.**

Recent research in the USA found that 52% of people aged 65 will need some degree of long-term care at some point during the rest of their lives, with 58% of women and 47% of men needing it. Help is needed for on average around two years, but one in seven of those aged 65 will need help for more than five years. It is estimated it will cost around 75,000 dollars (65,000 euros) in current terms for each person currently aged 65. As half of people will need care in the future, the average cost per person needing help will reach 150,000 dollars (130,000 euros), and the costs will be many times higher for some[1].

The need for long-term care is increasing

The share of the population aged over 65 will increase to around one third by 2050, from one fifth in 2019. A survey in 2020 found that one person in five in this age group needed care. Assuming that the share of those needing help remains the same, the part of the population receiving care will increase by 2%, or more than 26,000 people. The need for care could easily increase more than this, as the number of people with dementia and special needs is also increasing.

The number of people aged over 80 will have almost doubled by 2050 from what it is now. The European Commission forecasts that there will be 125,000 people aged over 80 in Estonia by then. **There will be six times as many people aged over 100 by 2050, as they will number around 700**[2]**.**

The elderly can suffer from several chronic illnesses or syndromes that cause them to need long-term care. **The number of people suffering from dementia will almost double by 2050, accounting for more than 3% of the population.**

[1] Favreault and Dey (2015). Long-Term Services and Supports for Older Americans: Risks and Financing Research Brief. Prices in America were some 10% higher in 2020 than in 2015.
[2] Statistics Estonia.

People cope very differently at the end of their lives. This is exacerbated by the widening of the pension gap, especially as many people do not have a second pillar pension. The first pillar pension may be around only 20-30% of the average gross wage[3].

Those in need will be less able to rely on their relatives. Elderly people mainly live alone or in couples. They have fewer children. There are fewer and fewer households where children live together with elderly grandparents, and children do not live close to their parents.

People are not able to imagine themselves needing help in the future. Estonian society needs to be better informed about long-term care. Raising awareness needs information to be collected and distributed on topics like the probability of each individual person needing care, how much care might be needed and what it might cost.

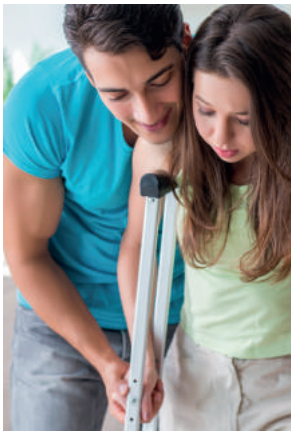
The role of professional services is increasing

Professional domestic services need to be developed for the sake of those needing care and of their relatives, and to restrain the increase in the need for care.

Technological development can provide solutions in care, but it needs society to create the right conditions for it.

Health status can to a large extent be monitored remotely using ICT[4]. It has become normal to transmit health, mobility and location data in real time. People accept the loss of privacy.

The need for foreign workers will increase in the future in order to provide the care services that clients can pay for, as the ageing of the population will cause labour shortages in the care sector[5].



There are different scenarios possible for long-term care in the future given how the services are divided between the state and local authorities and the different possible funding options:

The care insurance model (centrally managed, state funded)

The lifestyle model (centrally managed, privately funded)

Synergy of local authorities and communities (locally managed, state funded)

The market economy model (locally managed, privately funded)

[3] Ministry of Social Affairs, Ministry of Finance (2016). *Riikliku vanaduspensioni jätkusuutlikkuse analüüs* (Analysis of the sustainability of the state pension).
[4] Vandebosch *et al.* (2005). The Elderly and ICT: scenarios for the future.
[5] ILO, OECD (2019). New job opportunities in an ageing society. – 1st Meeting of the G20 Employment Working Group.

The key question in funding is covering risks

Everybody is at risk of needing long-term care, and it is reasonable to share the costs arising from those risks. It is not a solution to make each person responsible for themselves, nor to assume that they have savings.

Decisions are needed about whether the cost should be borne directly through payments for services, or indirectly through family carers being unable to earn an income from work and suffering a loss to their own well-being.

Long-term care services are largely funded by the state to ensure access to them. The sector is funded from labour taxes and general taxation.

State funding can primarily be used to provide a minimum level of service. The state must provide the legislative foundation for long-term care insurance, perhaps together with life insurance or health insurance, and for reverse mortgages or equity withdrawal. Services can be distributed using a star or rating system.

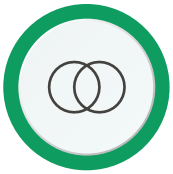
Estonia needs to move towards having a pre-funded system, where part of the money is put aside to cover costs in the year 2035 and beyond.

The funding scenarios cover different uses of both private and public sector resources:

SOS (small private funding, small public funding)

The winner takes it all (small private funding, large public funding)

Money, money, money (large private funding, small public funding)



People need love (large private funding, large public funding)

The total cost of the combined solutions recommended for Estonia in the future will be around 2% of GDP:

- Insurance paid from household incomes: people aged over 25 without children pay an extra 0.25% tax. This brings total funding to 0.7% of GDP, or 188 million euros from the GDP of 2020.
- Public sector contribution from the general state budget revenues of 0.7% of GDP, or 188 million euros.
- Social security budget contribution of 0.1% of GDP, or 27 million euros, for those not able to finance their own contribution for services.
- Individual contributions for services of 0.2% of GDP, or 54 million euros, covered currently from income and from savings.
- Funds from insurance contracts and reverse mortgages and sales of real estate contribute 0.3% of GDP or 80 billion euros to the costs of care.

Trends in long-term care

How will the need for assistance change in the future?

The future demographic trends for Estonia are similar to the overall trends in Europe, as the population is ageing and the need for care is increasing (see Figure 1). The share of the population that is elderly will increase in the coming decades in Estonia at the same rate as across Europe.

The share of the total population that is very elderly at 80 and over will increase a little faster in Estonia. The number of people aged over 80 will have almost doubled by 2050 from what it is now. The European Commission forecasts that there will be 125,000 people aged over 80 in Estonia by then. There will be six times as many people aged over 100 by 2050, as they will number around 700[6].

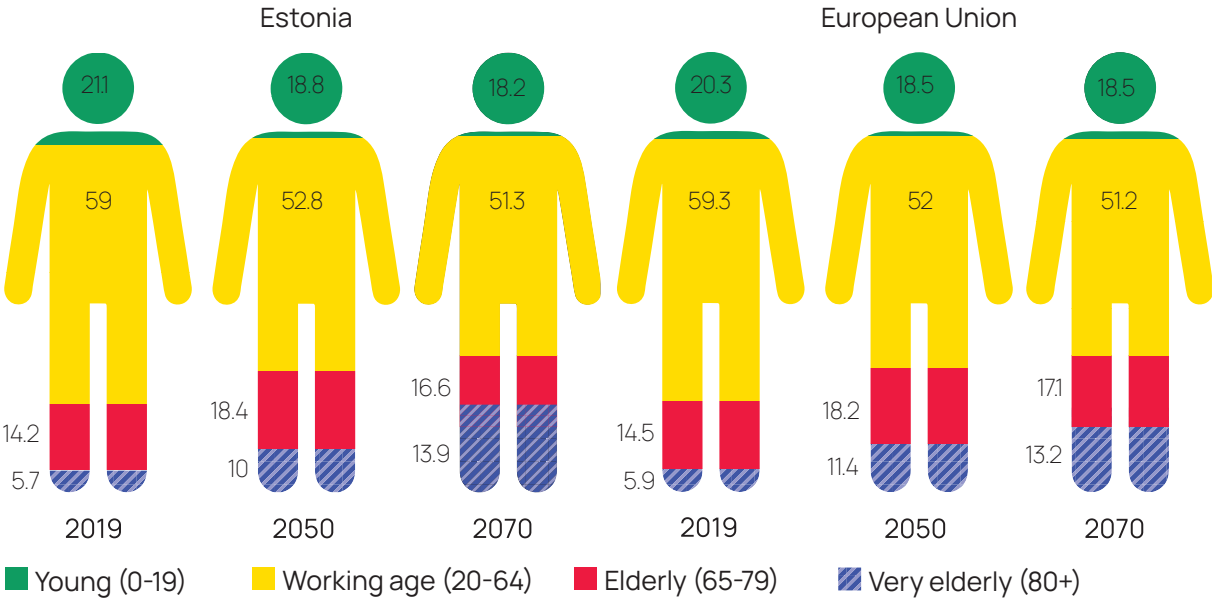


Figure 1. Age groups as a share of the population, %
Source: European Commission

The need for assistance in day-to-day living is on average greater among those aged over 65[7]. **There are however more obstacles to everyday living in Estonia for all age groups than there are on average in Europe**[8]. In 2020, 51% of Estonian residents reported themselves to be suffering from some long-term or chronic illness or health problem. The growth in the need for long-term care services among those aged under 65 is not foreseen to be as fast as for older age groups.

The age group of 65 and over has more mobility problems and a higher body mass index in Estonia than the average in the European Union. A survey by Turu-uuringute AS in 2020 found that 33% of the population had experienced mobility or movement restrictions in the previous 30 days, which with a 95% probability is 342,100-382,400 people[10]. **Elderly people in Estonia also have greater problems with mental health and cognitive capabilities than the elderly elsewhere in the European Union**[11]. The survey

[6] Statistics Estonia.
[7] World Bank (2017). Reducing the burden of care in Estonia.
[8] *Ibid.*
[9] Turu-uuringute AS (2021). *Elanikkonna tegevuspiirangute ja hooldusvajaduse uuring* (Survey of activity limits and need for care in the population).
[10] *Ibid.*
[11] World Bank (2017). Reducing the burden of care in Estonia.

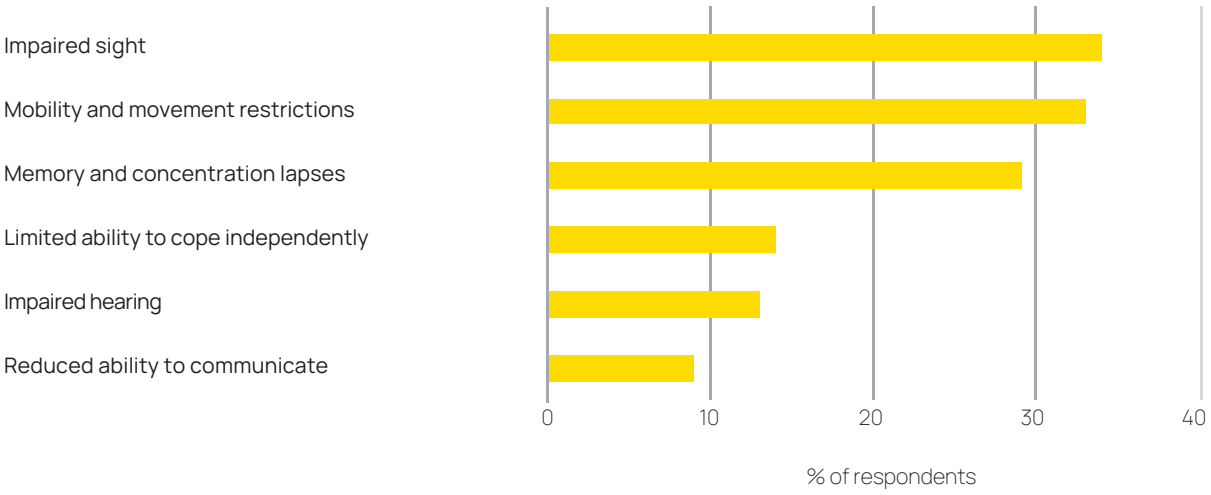


Figure 2. Restrictions on specific activity for those aged 16 and over within the past 30 days (% of respondents)[13]
Source: Turu-uuringute AS (2021)

by Turu-uuringute AS found that an estimated 29% of the population in Estonia have restricted mental capacity and memory and concentration lapses[12] (see Figure 2). The increase in the need for care is indicated by the rising number of pensioners aged over 65 within society, which will increase from 296,000 in 2011 to 301,000 in 2016, of whom one in five will need care.

The ageing of the population will lead to a rise in the number of people with disabilities in the future. There were 147,000 people with disabilities in Estonia in 2019, making up 11% of the population[14]. It is forecast that by 2030 there will be 158,000 people with disabilities in Estonia, and 170,000 by 2050, taking them up to 14% of the population[15].

Dementia will become an increasing cause of functional limits. It is estimated that 1.73% of the population of the European Union had dementia in 2018, making 8.86 million people (see Figure 3). It is estimated that the total number of people with dementia in the European Union will almost double from where it is now by 2050[16].

The number of people with dementia in Estonia is following the European trend and is rising. The Alzheimer Europe Yearbook estimates that 1.74% of the Estonian population had dementia in 2018, and that this will rise to 3.06% by 2050. The number of people aged over 60 with dementia will rise, but the number of those aged over 85 with it will double by 2050. The majority of those with dementia are currently women and this will remain the case in the future[17].

[12] Turu-uuringute AS (2021). *Elanikkonna tegevuspiirangute ja hooldusvajaduse uuring* (Survey of activity limits and need for care in the population).
[13] *Ibid.*
[14] *Ibid.*
[15] European Commission (2021). The 2021 Ageing Report.
[16] European Ageing Network (2019). Long-term care 2030.
[17] Alzheimer Europe (2019). Dementia in Europe Yearbook 2019. Estimating the prevalence of dementia in Europe.

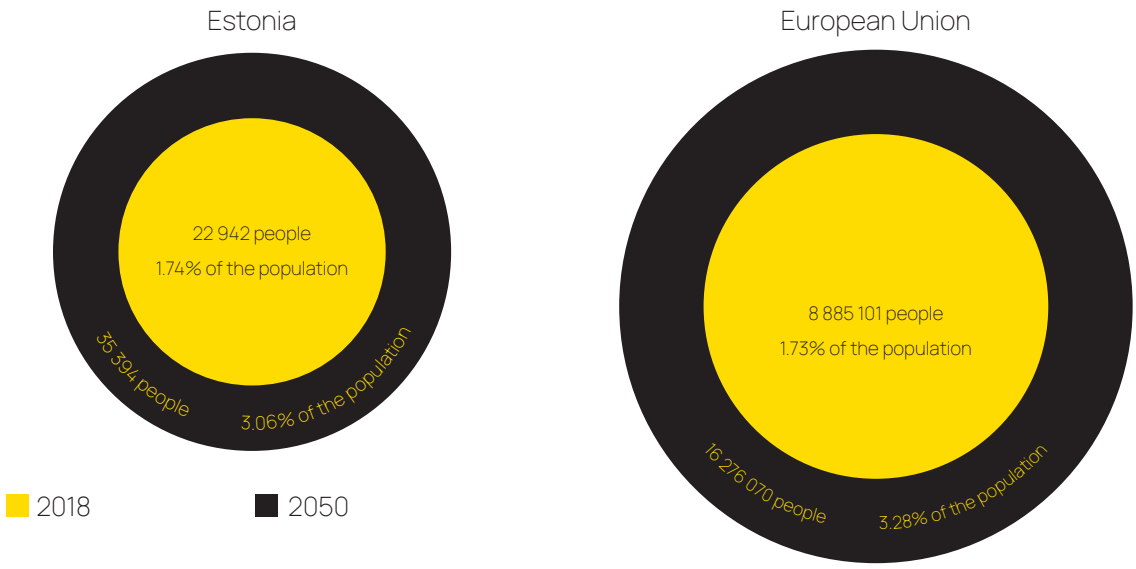


Figure 3. People with dementia in Estonia and the European Union, the total number and share of the population (%)
Source: Dementia in Europe Yearbook 2019

Overall the demand for long-term care is driven not only by the increase in the share of the elderly in the population, but directly by the process of healthy ageing, where the need for care is affected very much by the proportion of the oldest parts of the population that have special needs. It should be remembered that people with less education and those living in the country are poorer than the elderly in the cities, and are more likely to be restricted in their everyday activities, creating increased demand for care services[18].

How will demand for long-term care services change in the future?

The survey by Turu-uuringute AS indicates there are an estimated 160,900–190,500 people in Estonia who rely on relatives and acquaintances for assistance, and 17,000–29,000 people who use official services. Currently only one in 10 of those who need help use official services and there are 56,000–76,000 who would need additional help in the form of official services[19].

The Turu-uuringute AS survey shows that help from relatives and friends is often preferred to official services when assistance is needed and for everyday activities at home, and with remembering things and concentrating. An important reason why relatives are preferred is the emotional connection, and a lack of experience or awareness in communicating with strangers that can cause a lack of trust. The major factor in this is the limited choice of domestic services or the total lack of them, which makes any decision to use official services impossible and has placed a large burden of care on families. Official services are preferred primarily for health issues, which were noted by a third of people as placing limits on their activities[20].

[18] *Ibid.*
[19] Turu-uuringute AS (2021). *Elanikkonna tegevuspiirangute ja hooldusvajaduse uuring* (Survey of activity limits and need for care in the population).
[20] *Ibid.*

In future it is the demand for services supporting those who live at home that will increase the most, as the number of elderly people with limited activity rises; however it is already unsustainable for almost 200,000 people to be supported only by their relatives and acquaintances. Those relatives and acquaintances are also getting older and may in future need help themselves, or they may work in the labour market and be unable to provide care to those who need it. This is also indicated by the forecast rise in the share of older employees in the labour market (see Figure 4), which is already notably larger in Estonia than in the European Union on average.

The 50,000 carers in Estonia are currently equal to around 7.7% of the 650,000 people in employment, but a rise by 2050 of some 20% in the number needing care and a fall to 590,000 of those in employment would lift care workers to more than 10% of those employed in Estonia.

A large care burden is a serious problem, and as it deepens it will consume an ever greater part of economic growth and of public well-being.

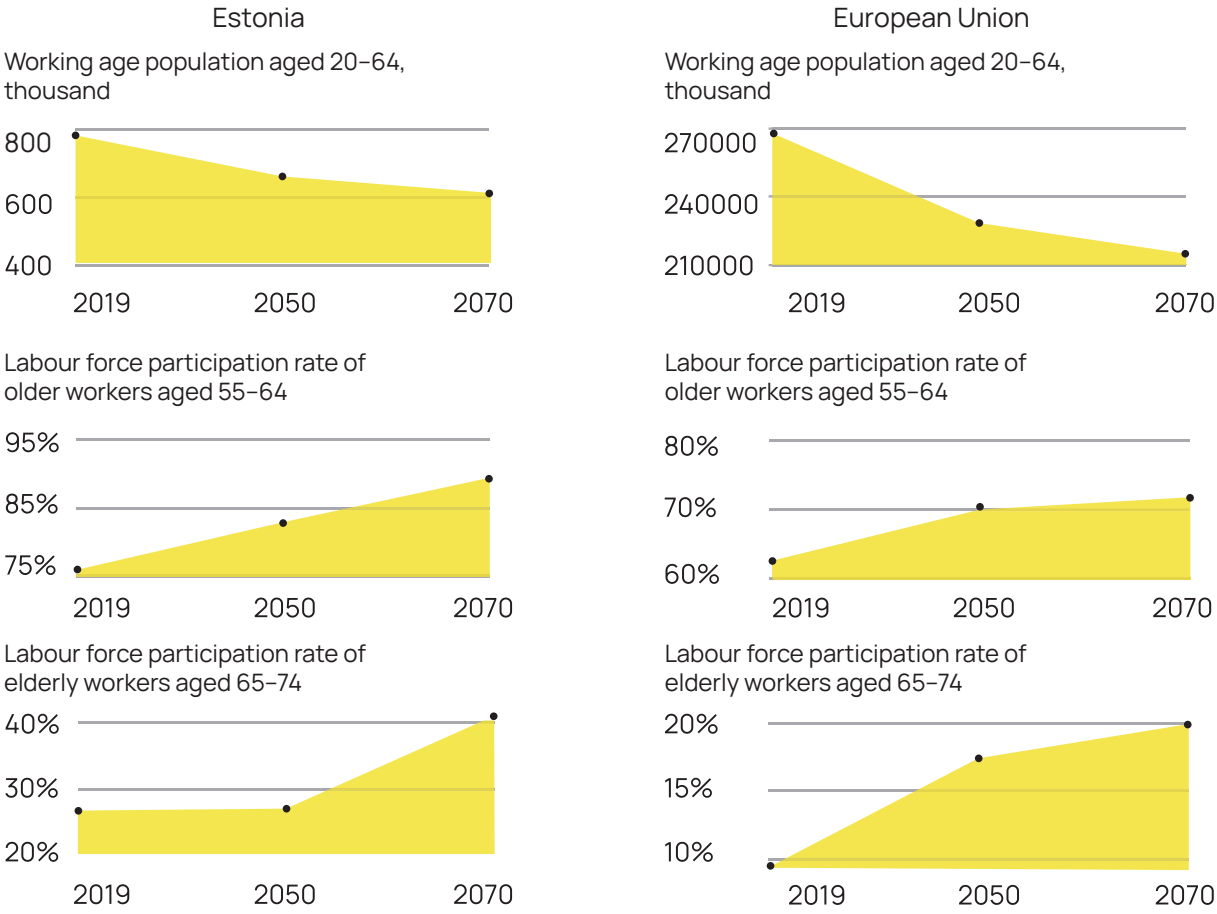


Figure 4. Forecast labour force participation rates for different age groups
Source: European Commission

As life expectancy lengthens and mental and physical problems increase, so the need for institutional services will also grow. The European Commission estimates that there will be some 10,000 more people needing residential institutional care by 2050 than there were in 2019. The number needing specialised and round-the-clock care will rise.

How aware are people themselves about the risks of long-term care?

A survey of 1000 respondents by Norstat Eesti AS as part of this research found that people in Estonia underestimate their future need for long-term care. The likelihood of needing care is considered low (see Figure 5). Only 7% of respondents considered it highly likely, while 23% thought the likelihood average. This means that 70% of respondents considered the likelihood of needing care to be small or non-existent, or could not say what need they may have. The responses show that **more than two thirds of people are not planning their care needs, as they incorrectly consider it unimportant, or they are insufficiently informed about it.**

Estonian society needs to be better informed about long-term care in the future. There are currently no readily available data on estimates for the future care needs of Estonian residents from the individual perspective. It is known how many people currently need care, but there are no data on the probability of each individual person needing care in future for any of various causes, or on what the cost is expected to be and how it will be distributed across those who end up needing care.

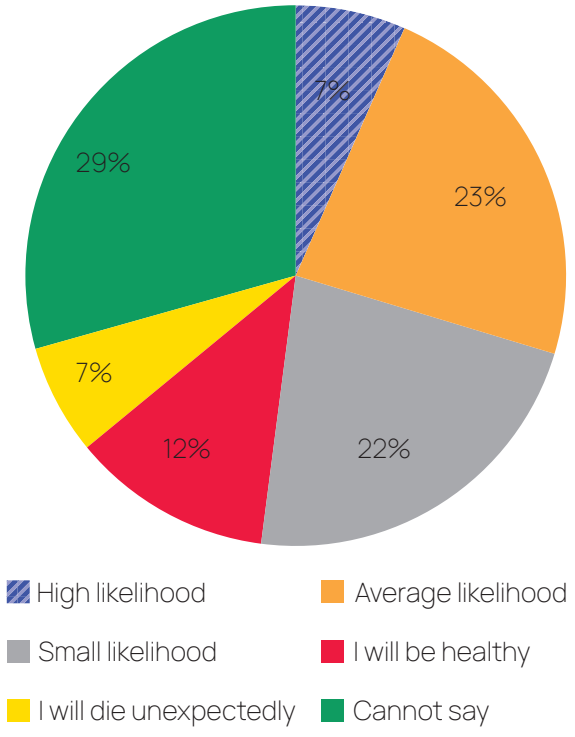


Figure 5. If you think about your own life and health, how likely do you think it is that you will need care in the future? (% of respondents)
Source: Norstat Eesti AS

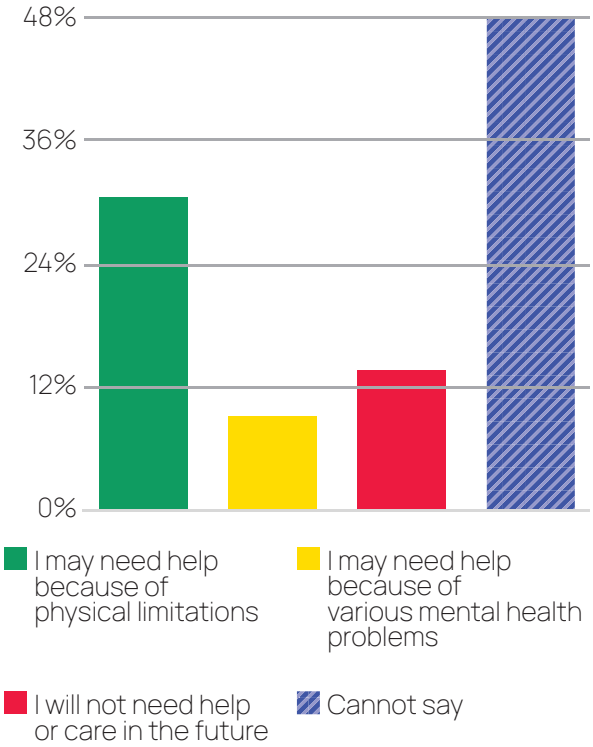


Figure 6. What might cause you to need help and care in the future? (% of respondents)
Source: Norstat Eesti AS

The challenges for the state from long-term care

The policy towards long-term care is an important driver of the costs of care to the state, especially the policy towards state benefits and the distribution of incomes and assets within society, which affect the ability of people to pay for care from their own pockets[21]. The single policy of the European Union is important in the Estonian context as it recognises the right of all Europeans to high quality and affordable long-term care services.

It follows then that **the contribution of the Estonian public sector to long-term care will approach the European Union average or the level of the leading countries.**

Forecasts show that spending on long-term care by the public sectors of European Union countries will rise to 2.7% of GDP over the next 20 years, substantially affecting social protections and more broadly the sustainability of state finances[22]. **The costs of long-term care are expected to grow faster than other public sector spending related to ageing, such as healthcare and pension costs.**

The European Commission forecast in 2021 that the costs of long-term care for the Estonian public sector will rise from their current level of 0.4% of GDP to 0.6% of GDP by 2050, and to 0.7% by 2070 (see Figure 7), if only the population forecast is considered. Given that the choice and coverage of services will become more similar to those in other European Union member states, spending could rise to 2.2% of GDP by 2050 and 5.9% by 2070.

> **The costs of long-term care in Estonia could rise from 0.4% of GDP in 2019 to 0.5-2.2% of GDP in 2050 as the population ages, costs rise, and the coverage of services expands.**

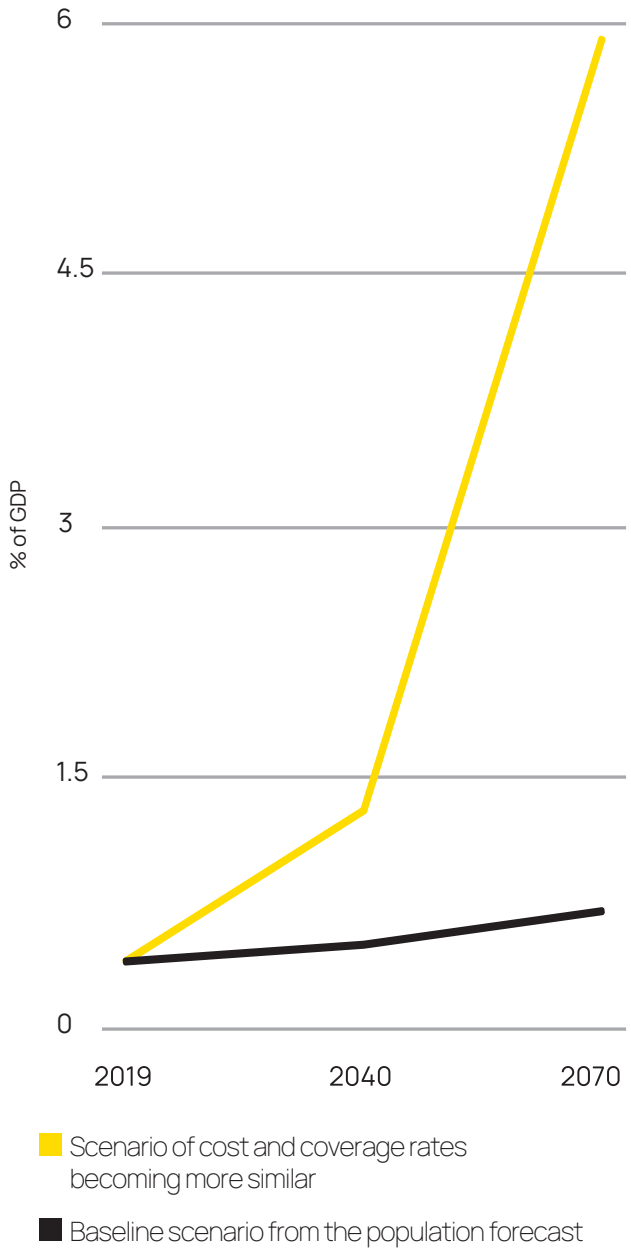


Figure 7. Forecast for long-term care costs in Estonia by the European Commission, spending as % of GDP
Source: European Commission

[21] Fernandez *et al.* (2011). Long-Term Care.
[22] Spasova *et al.* (2018). Challenges in long-term care in Europe: A study of national policies.

The ageing of the population will play a major role in the need for increased funding for long-term care. An important role in the rise in total spending is played by the extent and availability of long-term care services for people with special needs and those who need care following injury or illness.

Relatives will play a small role as carers in the future. It is estimated there are more than 50,000 people in Estonia who regularly provide care for members of their family, and many of them are the children of those who need the care.

It is forecast that those children will be a smaller proportion of carers in the future. The generation of those children is smaller and many of them live apart from their parents because of the flexibility in the labour market or their desire to get on in life. Many people do not have children, and so cannot in any case turn to them to provide care.

There could be positive sides to longer life expectancy and more time spent in retirement. If long-term care is not needed for a longer time and the number of healthy life years is greater, then elderly people will be able to help one another. Longer life expectancy does not automatically mean a longer need for care as people only need support in the final years of their lives. **The key issue is healthy life years. The life expectancy of men rising faster than that of women could mean there are more couples living and growing old together, making it easier for them to support one another.**

The cost of long-term care services will rise faster than prices in general in future, as those services are labour intensive. The wages of carers and other specialists in Estonia are relatively low next to the general wage level, and they can be expected to rise faster than wages in general. This will reduce the relative purchasing power for the services in the future and will reduce access to long-term care services.

One way of stopping the growth in the costs of long-term care is to bring more volunteers into the care sector from among those who choose to do alternative service instead of military conscription by providing community care. The provision of both formalised and institutionalised services can make use of volunteers who have undertaken some training and can help with many day-to-day activities and simple services. This help could be for example taking people out for their daily walk. Flexible residential solutions could allow people to live together so they can help one another. This needs flexibility in the real estate market and needs people to be prepared to move to live from one place to another.

Demand is increasing in Estonia for foreign workers in long-term care. There will be fewer people of working age in the future and there will be more people needing care. As working conditions improve it may be expected that people in Estonia will not want to work as carers, as such shift work is physically and emotionally draining. Paying sufficient wages to make the job attractive would make the services so expensive that most of those who need help would not be able to afford them, and nor would the state. Using short-term employees in the long-term care service is not the best way to ensure the quality of service. How foreign workers can be employed in the future will need to be planned carefully, so they have the training, language skills and professional skills that they will need.

> **Inspiring ideas: training is organised nationally in Germany to hire providers of long-term care services. Both professional skills and language are taught, and those who complete the course are guaranteed a job in Germany.**

The organisational future of long-term care

The star rating system in long-term care services

Given the rapid increase in the cost burden of long-term care, it may be expected in future that **a star rating system for different service standards may come into use in long-term care.**

Incomes and consumption patterns vary across lifetimes and between people. **The inequality that is to be found in the working-age population will pass on directly into the retired generation and into long-term care services.** It may then be assumed that long-term care services will also be consumed to very different extents. The star system is helpful for assessing the quality of services better and for involving the private sector and private funding in developing services.

It is the job of the state system to provide sufficient services to ensure a dignified standard of living for those who need help. Whether it is central or local government that provides or funds the services, society will in future only be able to guarantee minimum one-star services, where the person receiving them contributes an amount equivalent to the costs of staying in their own home. It is not possible to ensure luxury hotel standards for everyone, but if a person's income throughout their working life allows them to do so, then they may choose to finance higher standards for themselves in retirement. **Setting service standards so that the state covers the basic services for all those who need them will give an important boost to the development of the private market and to personal responsibility.**

Different service standards are also needed for home services. **A one-star service** might see frozen soup delivered to the person receiving care, which they can then heat up themselves. They may be accompanied outside every couple of weeks, and a cleaner may come round as well. **The five-star service would see fresh, warm food delivered every day.** The home could be re-built and its design reconsidered to make it

★ The state **one-star minimum service** in institutional care could mean a clean and warm room for two or three people, with shared toilets and washing facilities for 20 people. They are given simple food and bed linen is changed once a week. Leisure-time activities are not provided. There are bookshelves and some board games and a television in the communal room. At current prices this service would cost around 1200 euros a month.

★★★★★ **People who have saved up enough funds or purchased insurance or have family who are prepared to pay could receive the five-star service.** This gives them a private room with en-suite washing facilities, and their own television, radio and computer. The room has a sofa and an armchair, a writing table, and various tables for eating at. The residential complex has various services and an outdoor area and is sufficiently staffed so that even those with limited mobility can be outside as much as they want. Independent activities are encouraged and pets are welcome and are looked after as much as possible by the person in care. There are regular theatre trips and events are organised daily that people can actively engage in and can contribute to because although they need help in coping day-to-day, they are still capable of some form of work. At current prices such a service would cost over 3000 euros a month.

easier for the person receiving the care to cope in it. An assistant would visit them twice a day to check that medicines have been taken, help with personal hygiene, and accompany them for a walk. The funding system for home care could be similar to that for the institutional care under the star system. One-star services would require a minimum contribution from the person receiving the care, but they would have to contribute substantially more for additional services.

The preference for services at home

Home care services will be the central pillar of long-term care in the future. Developments in this area are vital for many important reasons.

People prefer to live at home, not in a care institution. Figure 8 shows that 57% of those responding to the survey preferred help at home from their relations or professionals, with 33% hoping that their family would care for them, and 24% preferring professional care. Community solutions are preferred by 13%, while care in a care home is the choice of only 6% of respondents.

If official home care services are not available or are very limited, as is currently the case in Estonia, then the burden falls instead on the shoulders of children and other family members. People who are cared for at home by their families cannot receive services that would support them in coping for themselves and would help prevent their situation deteriorating.

Family members who have to care for them are frequently overburdened. They are frequently unable to provide the right care, they are tired, and they have limited social lives.

Their health is generally bad and they will themselves only receive a small pension in the future. They are later more likely themselves to be in need of care, increasing the demand for long-term care services.

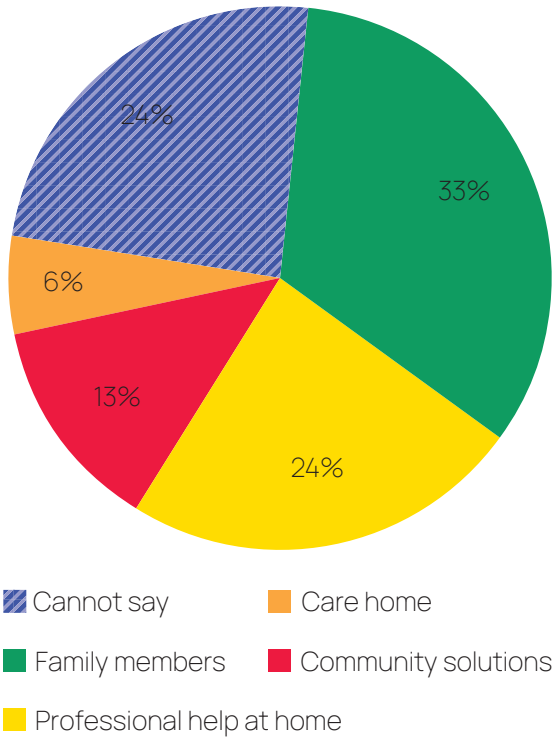


Figure 8. Preferences for long-term care services (% of respondents)
Source: Norstat Eesti AS

The role of prevention in shaping the future

Preventing long-term care becoming needed covers many different activities, some of which are focused on maintaining health, and some of which require good planning for long-term care services or relate to the physical environment that people live in.

Avoiding long-term care inevitably means maintaining general health. This means above all physical activity, through keeping people moving every day and through specialised exercises. Social connections and mental activity are also important, and this includes avoiding loneliness and giving some meaning to life. Keeping people active as they age is an increasing challenge. Physical activity supports

mental health to a great extent, and having satisfying social connections plays a central part in this. Long-term care services may in future become more technology-centred, reducing human contact and making social isolation into an increasing problem. Prescriptions from doctors need to be accompanied by social prescriptions, sending elderly people to join dance groups, choirs or sports clubs for example, or to visit day centres for the elderly.

> **Inspiring ideas: conversation robots are used in Japan to meet the needs of the elderly for conversation and social contact.**

Regular health checkups are also vital, as are adherence to doctors instructions, protection against viruses, and personal hygiene. People with restricted movement need to be sure of physical access to medical help, as it cannot be assumed that people will themselves be able to organise their own transport.

Elderly people need to avoid injuries both at home and when out and about. They need to be given a safe environment to live in, as it is very hard for them to recover from injuries. Returning to live a normal life is of critical importance when recovering from injury and illness.

> **Inspiring ideas: the PAIK project in Viljandi directs money into helping with medical recovery. This has clearly reduced the number of return visits by patients to their doctors. This makes people better able to manage for themselves, and reduces demand for medical services, saving money for the health service.**

Providing long-term care properly is also an important way of avoiding care being needed. This means communicating with the elderly and with people with disabilities in ways that consider their abilities and desires, working in ways that stop them suffering from bedsores, and having the tools that allow people to cope on their own. If family members are prepared to help, they need to be trained to work in the right way and to provide professional quality assistance. It is important in terms of prevention that domestic services are provided straight away when the need for help first arises.

Developing housing that is suitable for people with special needs to live in will be a priority in future. Converting houses is more expensive than building suitable houses and apartments. If the urban space is designed only for the car, then elderly people who cannot drive will have no mobility options, and will be cut off from social activities and medical help. Self-driving cars may be a solution for the wealthy, but not for the whole of society. A lack of mobility restricts social activity and increases the risk of long-term care being needed.

Use of technology

The increase in the need for help and the decline in the amount of labour available to provide it will mean that technology has to provide ever more solutions. There are already many different solutions that are used to some extent, but that have not yet reached their full potential.

The health of those needing care can be monitored in real-time using a watch or various other devices. Alerts can also be set for family members or other carers if the person needing help starts moving less than usual. Remote consultations with doctors have become possible during the Covid-19 pandemic in some fields and for some problems.

Remote services have the potential to develop into the key service for people who have limited mobility.

> **Inspiring ideas: the Estonian company CareMate uses an online platform to connect those who need help with those who can provide it.**

In the long term, remote care could become the third branch of care alongside support services for those living at home and institutional care. This will be driven by the development of the technology, the widespread habit of using technology among younger people, and cost efficiency.

Automated alerts may be sent in future about whether medicines were taken at the right time or whether a hearing aid is being worn. Communications robots can help people cope with loneliness, and self-driving wheelchairs could become commonplace alongside self-driving cars. Electric beds, chairs and armchairs can help provide mobility for people who find it difficult to stand up from a sitting position. Drones can deliver medicines, and can deliver test samples to doctors even in areas with low population, while parcel robots can deliver hot food straight to the door at the right time.

One of the main obstacles to the broader use of technology is the reluctance of people to use it. For this reason, the technology needs to be aimed over the next couple of decades more towards younger people who need help, as that generation has grown up with technology, knows how to use it, and is interested in it. Older people who are not comfortable with technology can find new solutions are alienating, so new technologies can only be introduced within certain limits if the right environment has not previously been created for them.

A major obstacle to the wider use of technology in Estonia is the lack of demand. For companies to offer various solutions, there needs to be a market. The current lack of public sector financing for home services, the limited resources of institutional care, and the budget restrictions of family members and the people who need help all act against the development of technology and the introduction of new solutions. A family that is providing care may find itself trapped in a vicious circle as their incomes are too small to allow them to purchase or rent technological solutions, while the absence of those solutions prevents them from going out to work to earn more.

The support for people who need help could in future be replaced by support for providers of long-term care services, so they could provide their services more cheaply. Providing support for businesses could in certain cases be the best way of bringing new products to the market. If the public sector takes a role in developing products or bears some of the costs of supply, the companies can focus on providing the services and do so at a lower price. **Developing the services needs the funding system to be put in place together with certainty about the future perspectives for funding.** If there is no purchasing power, there are no services. Supply that is based only on market demand is a limiting factor looking forwards.

> **The wider development of technology needs more encouragement to introduce solutions, support for purchases of them, improvement in skills at using technology, and high-speed internet connections throughout the country.**

The division of responsibility between the national and local levels

One of the most important practical questions in Estonia is the division of responsibility for long-term care between central and local governments. This needs to be decided before long-term care services can be designed. The decision is needed for service standards, the organisational division of services, and the funding for them to be defined.

Local authorities in Estonia are generally too small to set their own service standards. **Having a single agreed level of services would reduce shopping around for long-term care services and would allow people to plan their future resources better.** A critical question in ensuring that the level of service is the same across Estonia is whether local governments have enough funding capacity to provide good quality long-term care in their own region.

Dividing long-term care between authorities is made more complicated because both healthcare and social care need to be considered. Several countries, such as the Netherlands, have tied long-term care tightly into the health insurance system. In Estonia this could mean social workers being linked to clinics providing family doctor services and having to keep in regular contact with risk groups to prevent health problems arising and ensure efficient cooperation with the healthcare sector. As a large share of those who need help do not have medical problems and prefer to combine care with other services from the local government, linking up to the medicine system could bring excessive centralisation that could reduce the role of local authorities and social support services.

Those who responded to the survey saw a key role for the public sector in providing long-term care. Figure 9 shows that **more than 40% of residents of Estonia think that the state should have a central role in organising long-term care, and 36% of respondents prefer the option where the state sets minimum service standards and local authorities are allowed to organise the supply of care within that framework.** Only one in 20 of the respondents put their faith in a system based on local authorities.

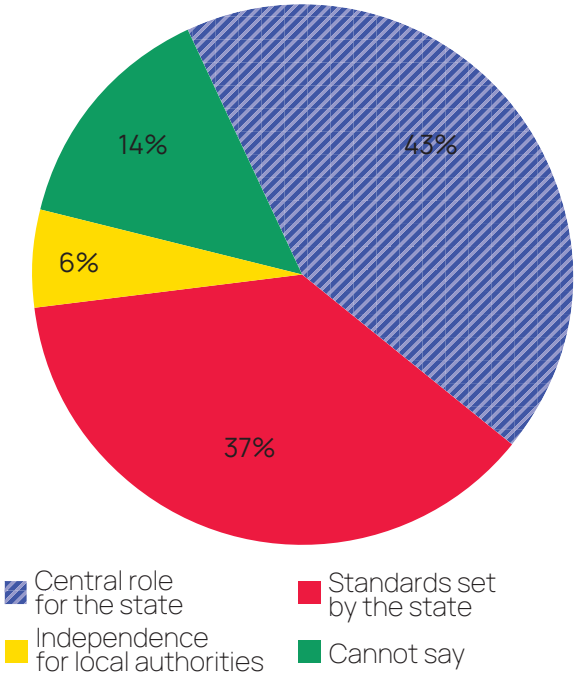


Figure 9. Which direction do you think the organisation of long-term care should take in dividing responsibilities between the state and local authorities?
(% of respondents)
Source: Norstat Eesti AS

Future scenarios for the organisation of long-term care

The scenarios for long-term care services are based on interviews with experts, survey results and the literature on the topic, and the central choice is how responsibility for organising care is divided between the central and local governments and how important public sector funding of care is.

The many different factors involved in the division of responsibility between the central government and local authorities run from the description and standardisation of services to the actual provision of those services. A state system may mean state funding and provision of services by the state. Local government responsibility could mean that the local authorities can decide entirely independently on which services to provide under which conditions.

Dividing responsibility for meeting the costs depends largely on how the long-term care risks are covered. **Increased responsibility for the state means more coverage for the risks**, as no country has a funding solution for long-term care where private sector funding covers a large share of the long-term care risks for society.

The scenario analysis is not intended to describe how the long-term care system may appear after a couple of decades, but to show the possible outcomes of different choices.

The scenarios produced by the analysis are **the lifestyle model, the market economy model, the synergy of local authorities and communities, and the care insurance model.** They describe different possible futures and the preferred model can be chosen from among them, or they can be combined to create a long-term care system (see Figure 10).

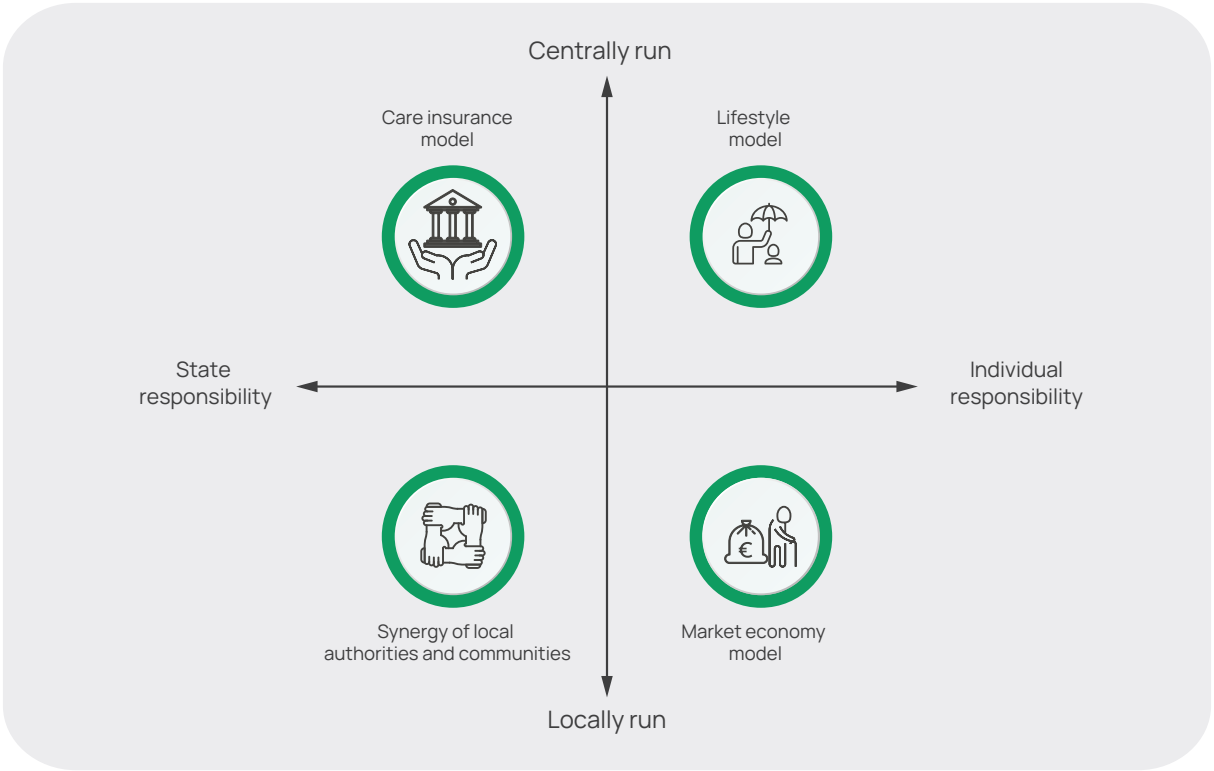


Figure 10. The organisational roles and responsibilities of different parties in the long-term care models

The **scenario based on the care insurance model** sees some long-term care services provided by the state medical insurance system, which needs tax rates to be raised or the tax base to be widened. Medical and care services are cheap or free for those who need them and family have little responsibility.

The need for care is assessed centrally. Social workers are linked to clinics providing family doctor services and have to keep in regular contact with risk groups to prevent health problems arising and ensure efficient cooperation with the healthcare sector. The central management of the system ensures that it is cost efficient.

Long-term care costs around 3% of GDP. People do not however have much choice and the waiting lists for services are long. Institutional care as the most expensive form of care is only offered to clients who have very serious care needs.

The central role for the state in organising long-term care was supported by 43% of respondents to the survey, which asked about their knowledge of the topic and their preferences.

The **synergy of local authorities and communities scenario** gives funds from the state budget to local governments to match the numbers needing help, and gives the local authorities a free hand in providing and organising long-term care services. How much people must themselves contribute is regulated by the state, there are limits on the cost of services, and family members are no longer responsible for the majority of the costs of care. The cost to the public sector is around 2.5% of GDP, given that people's own payments are an important source of funding.

Local authorities are motivated to provide cost-effective services. They help make a living environment that suits elderly people, and people remain independent for as long as possible. Many local communities have service centres that organise joint activities and involve elderly people in them, many of them as volunteers. However, local governments do not have sufficient service providers and the provision of community activities is quite mixed.

The model where the local authorities provide services but there are single agreed standards was supported by 37% of the respondents to the survey. The same number of people supported a state funded model with a combined contribution from the people needing care themselves and their families. Full independence for local authorities in making decisions and organising care was supported by 6% of respondents.

In the lifestyle model scenario, the state organises care services but the services are funded by the people using them. The cost to the public sector is lower in this scenario at 1-1.5% of GDP, as the weight of funding services is borne by the people needing care and their families. The state exercises a lot of control over the development and quality of services, and support services for those living in care homes or at home, and there are residential facilities that are designed to cater for the elderly. Living in such a facility often means people selling their own property or taking a loan against it. Those who do not have property must accept a minimum level of service in a state care home.

In the survey, 13% of respondents were prepared to sell their own property to fund their care.

In the **market economy model**, people purchase the majority of services for themselves and the local authorities provide only the most basic level of care. This scenario is the closest to the model currently used in Estonia. The cost to the state is double what it is currently at around 0.8-1% of GDP, as more people need care and the range of home services improves.

There is more stratification and service providers become platform based, as this makes services as cheap and flexible as possible. Although people have a wide range of choice, service standards are uneven and not all the platforms train their carers. Only very large care homes are profitable but the solutions are less personalised.

The market economy model was supported by 4% of survey respondents.

The future of funding for long-term care

The funding of long-term care in Estonia and in other countries

The public sectors in European Union member states paid an average of 1.7% of GDP for long-term care in 2019 (see Figure 11). The countries with the highest long-term care costs included the Netherlands, Denmark and Sweden, which spend some 3.5% of GDP on long-term care. **The public sector in Estonia paid 0.4% of GDP for long-term care, putting Estonia in the group of countries where spending on care is a quarter of the European Union average.**

Public sector spending on long-term care is directly related to national wealth (see Figure 12). The wealthier the country is, the larger the share of public sector funds that it spends on care. **Estonia spends remarkably little on long-term care given its wealth. Other countries with the same level of development spend on average twice as much.**

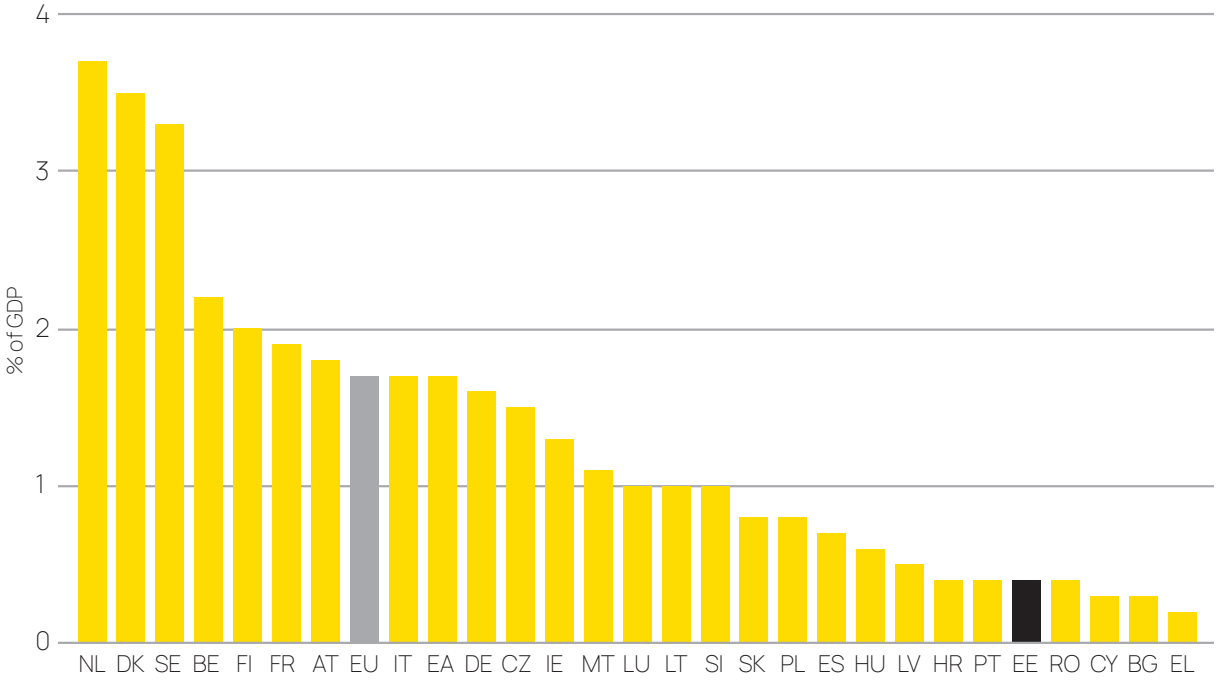


Figure 11. Public sector spending on long-term care in 2019 (% of GDP)
Source: European Commission

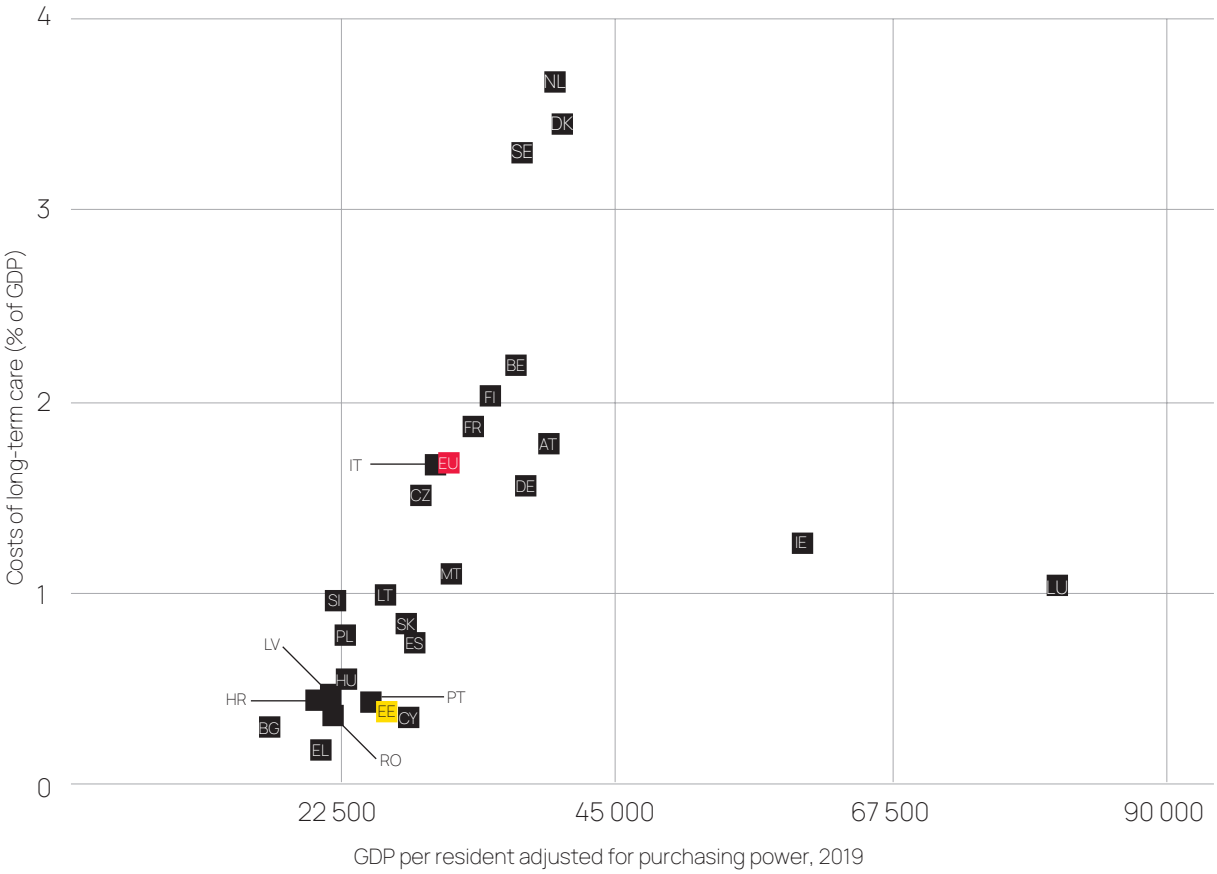


Figure 12. Spending by the public sector in OECD countries on long-term care services and GDP per resident adjusted for purchasing power, 2019
Source: European Commission

Alongside the funds from the public sector, those in Estonia who need help and their families together pay around 0.3% of GDP for care, or almost as much as the public sector.

The recent forecast scenarios of the European Commission find that the cost to the Estonian public sector of long-term care will rise to 2.2% of GDP by 2050, given the ageing of society and a rise in the public sector contribution to a level similar to those in other European Union countries. Even with this rise in long-term care costs, Estonia would still be among the countries in Europe spending the least on social protection.

The rise in costs to 2.2% of GDP would raise spending on social protection from the current level of 16.4% of GDP to 18.2% of GDP if other costs were to remain the same. Estonian social spending would still remain substantially below the average for European Union member states of 27.9% of GDP, and would be similar to the average in the OECD.

Funding models for long-term care

Long-term care is in general funded by:

1. general spending on social security from the state budget;

2. social insurance contributions;

3. individual incomes, savings and assets, or private insurance premiums.

Long-term care in Estonia is funded by social insurance payments, general revenues in the state budget, and financing from the European Union Cohesion Fund.

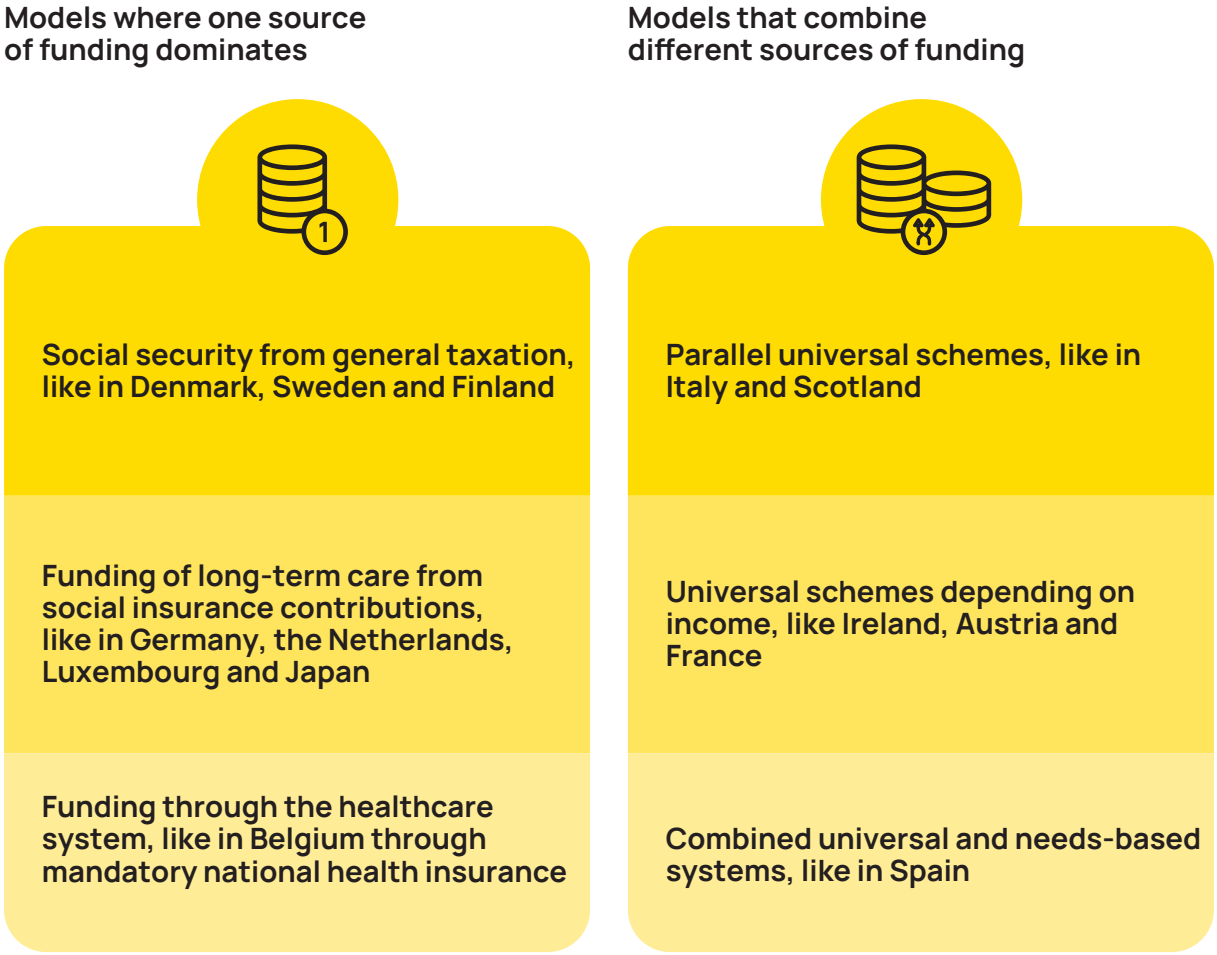


Figure 13. Funding models for long-term care
Source: Colombo et al. (2011). Help Wanted?: Providing and Paying for Long-Term Care

The funding models used for long-term care in the OECD can be divided into two families of systems, one where a single source of funding dominates and the other where different sources are combined. The division of the systems is illustrated in Figure 13.

The main source may be general funding for social security or separate payments to social insurance, or long-term care may be funded as a part of overall healthcare. Countries that use such sources of funding as the main supply of finance for long-term care include Finland, Germany, the Netherlands and Belgium.

Most countries combine different sources of funding. Although the main source of funds may be the general social security money in the state budget, as it is in Sweden, or revenues paid into state social insurance as in Germany, long-term care is also funded in those countries from general budget revenues **to make sure there is insurance protection for those who have not been employed or to support the long-term financial sustainability of the insurance system.**

> **European Union and OECD countries cover a large part of the costs of long-term care from either social security revenues or social insurance payments, though contributions from individuals and families are also common.**

All the funding models assume that costs will be split between the public sector and individuals and some countries combine universal and needs-based models. There are four different approaches to sharing the costs of public benefits[23]:

1. Means testing of individuals or families. Public funds are only used to finance services if the person's own funds have been used up or if using them may increase the risk of poverty or exclusion; found in Slovenia and Estonia.

2. The contribution of individuals or families is strictly defined. The person pays part of the cost of services themselves, or a fixed amount is paid for by the public funds; found in Austria and France.

3. When splitting fixed costs, a proportion of the cost of services must be paid by the person themselves or their family; found in Japan and Belgium.

4. How the costs are divided depends on the income and assets of the person or their family. The people who need care must pay a fixed share of their income or the value of their assets to receive services in Czechia, Finland, Hungary and Ireland for example.

It is important when discussing the funding models to remember that long-term care is not very clearly different from other areas of social security. It is entwined into systems that provide healthcare, old-age care, and social benefits more widely, reflecting in general the social security or tax and benefit models of each country. Belgium for example mainly funds long-term care through health insurance.

Schemes based on private funding cannot solve the challenges of funding long-term care for children and adults with special needs. People who need care cannot buy insurance, and most of them have very limited capacity to earn income from work. This makes public sector insurance based on solidarity the only way to address the problems that those people face

Within the European Union, Germany and Luxembourg have developed long-term care insurance that is substantially different from other branches of social security and social insurance.

Public provision of long-term care

There are two main advantages to public provision of long-term care insurance:

Financial transparency. Contributions are received for specific benefits not for funding all possible benefits through the general state budget. A clear link between revenues and expenditures makes the funding of long-term care transparent and could make people more prepared to pay insurance premiums.

Transparency of distribution. The amount and quality of services depends on insurance rules, not directly on the funds used or the choices of system managers. This could reduce the social stigma for people of receiving care, as the recipient of long-term care earned their benefits through insurance premiums.

[23] Colombo *et al.* (2011). Help Wanted?: Providing and Paying for Long-Term Care. OECD.

Long-term care insurance in Germany is a separate form of insurance, though it is connected to health insurance. It is mandatory for all citizens, though alternative private insurance can be chosen. Contributions are made by employees and employers equally from the money earned by the employee from work. The tax rate in 2021 was 3.05%, and it was raised recently. The insured who do not have children pay 0.25% more in contributions, as they are more likely to need help. Children and spouses are insured without additional contributions if their income is less than 450 euros a month.

The ageing of the population means that keeping the system financially sustainable is a challenge for Germany. This is made more so because the insurance is divided between social security and private insurance, and people with higher incomes and smaller risk of needing care tend to prefer private insurance, reducing the funding for social security. Private insurance is also subsidised from public funds. It is generally considered that a single system would be better for managing risks and for financing.

As payments for long-term care insurance in Germany come only from labour income, there could be a problem in future if the boundaries between labour income and other income become blurred by the move towards employment through platforms and workers becoming self-employed. This would reduce the tax base for labour taxes, posing a challenge for long-term care insurance.

Social insurance for long-term care in other countries is mainly a part of health insurance, as in Belgium for example. It is important to note here that a major part of the costs of long-term care in Estonia are also funded from state medical insurance.

It is typically only part of the costs to the public sector that are funded from the contributions to long-term care insurance. Transfers can be made from public funds to the insurance system to ensure insurance protection for those who have not made any insurance payments themselves and to those whose insurance is risky because of poor health for example, or to ensure the financial sustainability of insurance.

The attitude of residents of Estonia towards state social insurance is indicated by the survey carried out as part of the research framework, where people of all ages stated that **the state should have the main responsibility for funding long-term care**, with 58% of respondents supporting this, and accordingly that the state could introduce a tax to provide long-term care services (see Figure 14). At 55%, over half of respondents were in favour of the state providing long-term care insurance.

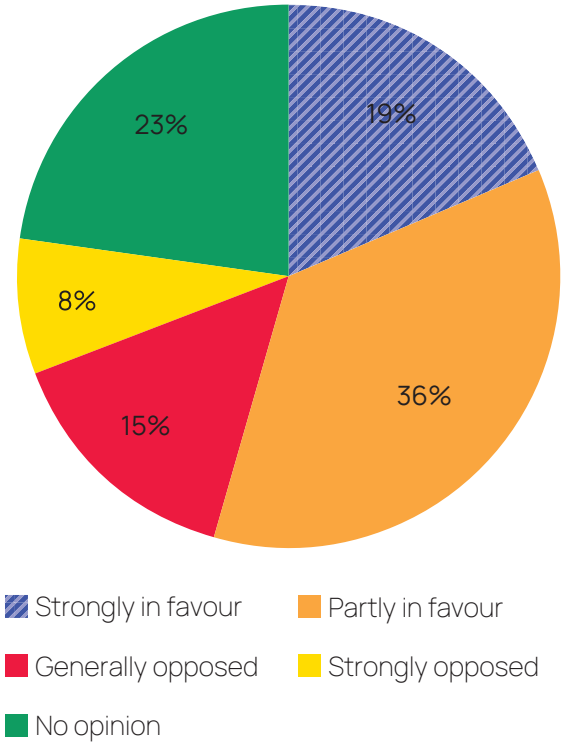


Figure 14. How do you feel about mandatory state long-term care insurance funded from wage income? (% of respondents)
Source: Norstat Eesti AS

The support for state insurance was equal across age groups. Given that the details of such funding have not been discussed publicly, this could rather reflect general support for public funding of long-term care from taxation.

State funding could be the central source of financing for children, young people, adults and the elderly with special needs who are not able to build up funds over their lifetime or to buy insurance. The whole of funding for long-term care needs to consider the challenges of care for those with special needs and care for the elderly.

Private insurance and personal savings

Private insurance is not the central source of funding for long-term care in any country. Private insurers provide additional funding in some countries, such as the USA, or alternative services within the framework of state social security, such as in Germany. There are several obstacles to the organic development of a private insurance market:

1. It is hard for the insurer to predict future costs. They cannot know how many purchasers of policies will need long-term care, nor how large the costs of long-term care will be after many years. At the same time people are not prepared to pay for insurance that does not precisely spell out what it covers.

2. The calculation of insurance premiums and insurance protection is made more complicated by asymmetric information. Negative selection means that people who are more likely to need care are more likely to insure themselves for larger amounts. Moral hazard means that insured people expect to receive more in benefits than they would expect without insurance. Limiting their access to payouts would make people less willing to buy insurance.

3. People's willingness to buy insurance is reduced by their expectations of the public social security net. If public services are only available to those who have no savings or private insurance, it reduces the incentive to save or to buy insurance against care costs.

4. People tend to underestimate the risks of needing long-term care. Younger people prefer to spend on housing and on schooling for their children, and so care insurance is postponed until a later age, when the insurance premiums are larger and access to insurance more limited.

5. People often have no personal experience of care and their experience is more generally of non-official care, leading them to look to their families for support rather than to insurance and official services. This also makes them less willing to purchase insurance, since if they do, their family might hope rather that the duty of care will fall on the insurance and service provider, not on the family.

> **Even in countries where the public contribution to funding long-term care is small, private insurance for care is uncommon as people are not prepared to pay for insurance and insurers find it hard to predict revenues and the cost of covering risks.**

Insurance for long-term care is linked to insurance for other risks, especially life insurance because of the challenges of organising insurance for long-term care and of supply and demand.

Private insurance for long-term care needs state support now and in the future. Austria and Spain use public sector income transfers through tax incentives for example, while Germany regulates the conditions for ending insurance contracts. A collateral system is used in the USA that guarantees the interests of the insurance client if the insurer goes bankrupt.

The challenges of providing insurance products for long-term care are eased by insurance firms combining insurance against different risks. **Long-term care insurance is generally combined with life insurance**, as it is in France for example. Combining these risks makes the insurance premiums and benefits easier to forecast, as healthy people may prefer life insurance, while those with health problems may prefer long-term care insurance.

A further solution is that long-term care insurance can be connected to the use of assets built up earlier that can help to pre-fund future costs. **Solutions are particularly sought for how people can turn their real estate into income, with reverse mortgages for example, that can be used to pay directly the costs of long-term care** or allow contributions to be paid to long-term care insurance, as happens in Sweden, Denmark, Ireland through the Nursing Home Loan, and Spain.

Large-scale use of such solutions is hindered by the volatility of real estate prices, the liquidity of real estate, and the unwillingness of people to sell or exchange property, notably when they expect their family to inherit it. It has been found in Spain for example that introducing reverse mortgages with state support in a country where a large share of residents and of the elderly are property owners could provide an additional 0.7% of GDP to fund long-term care .

Pre-funding

The examples from different countries highlight another important point, which is that social security for long-term care usually uses current or pay-as-you-go funding. But **current funding is not a robust solution if costs rise rapidly.** Future costs need to be pre-funded, which means building up reserves to be able to cope painlessly with future funding burdens. A surplus can be built up in social security payments for example that would allow the higher costs of future periods to be pre-funded.

As the population ages, the ratio of people needing help to the working age population can be expected to rise. This will put increasing pressure on the working age population. Workers today will need to contribute to the costs of long-term care for their own generation in the future. Pre-funding will put a major burden on the generation working today, as it will need to finance not only the cost of those who need help now, but also its own costs in the future. Partial pre-funding of those future costs would be reasonable so that the costs would be distributed more evenly.

[24] Martinez-Lacoba *et al.* (2020). The reverse mortgage: A tool for funding long-term care and increasing public housing supply in Spain. Journal of Housing and the Built Environment.

In Germany, 0.1 percentage point of the rate of insurance for long-term care is held over to cover costs from 2035 onwards, when they are expected to be higher.

It is a condition of building up funds that they be invested where they can earn the greatest possible return. Good examples are the Norwegian investment of oil revenues, and the Danish funded pension system. The main challenge to pre-funding is that faster growth in the Estonian economy and in prices than in the global economy and global prices overall will make it hard to earn a return that would be similar to the development of Estonia. There is also financial risk in this system, as the savings funds could lose a lot of value in a financial crisis. Confidence in the system is also crucial, as trust is needed that the money intended for long-term care costs in the future will not be diverted to some other purpose.

Comparison of different funding models

Public funding plays an important role in all countries where a large part of the costs of the risks of long-term care are covered for the benefit of citizens. There is no advanced country in the world where voluntary private insurance covers a large part of the risks of long-term care for the population. No country is moving towards a system where state provision of insurance is not considered an important component in funding long-term care.

The experience of different countries shows that different funding models each have their own strengths and weaknesses, which are summarised in Table 1. The strengths and weaknesses of the social insurance and social security models extend particularly to the Estonian long-term care system, as it combines social insurance payments in the state budget with general revenues, with people adding their own contribution on top of the relatively small amounts of funding.

Table 1. Strengths and weaknesses of funding systems for long-term care

Funding model	Strengths	Weaknesses
Social security: funding from general revenues, especially general tax revenues. **Sweden, Denmark (services), Austria and Czechia (services and subsidies).**	• broad tax base that is not dependent only on labour taxes • amount and quality of care can be adapted to suit revenues and expenditures • there is no waiting period connected to payments as benefits can be received as soon as the need arises • care is available to everyone who needs it • universal coverage that takes account of inequalities in incomes and assets	• no direct link between income received and the costs of care • budget vulnerabilities as the benefits provided may depend on the current state of the budget which can be affected by public readiness to pay higher taxes
Social insurance: funding from social insurance payments. **Germany, Luxembourg, Belgium and the Netherlands.**	• direct link between contributions and costs of care can increase willingness to pay contributions • funding in advance is ensured • the stigma of receiving care may be reduced • payments dependent on incomes are more affordable and more people can contribute	• limiting the tax base to labour taxes may lead to underfunding • contributions calculated from labour income may affect the motivation to work and make labour-intensive activities less competitive • if coverage depends on employment, then those with uncertain and irregular employment may lose care benefits
Private insurance: funding from payments by individuals. **USA and Japan (covers a small part of total funding).**	• ensures reliable funding in advance • revenues and costs should be in balance over the long term, as future costs are pre-funded • insurers are encouraged to manage costs sustainably • public sector transfers are minimal • additional insurance protection that might be more generous or more flexible can be offered on top of the public sector guarantees and benefits	• information asymmetry means that chance plays a role in insurance, affecting revenues and costs • assessing the insurance risk and forecasting costs is difficult, and this raises insurance premiums and reduces the willingness to pay for insurance • people at high risk remain uninsured and insurance coverage depends on income • public sector transfers are needed

Funding scenarios for long-term care

The possible scenarios for funding long-term care in Estonia focus on the amounts of public and private funding and how they are combined (see Figure 15). The solution for funding long-term care for children and adults with special needs is to increase state funding. The challenge in funding long-term care for the elderly is the urgent need to build up the system to use private funding in the future, as there will not be sufficient public funds available.

Different funding solutions will lead to major differences in access to services. Some of the scenarios require dynamic and rapid intervention by the state, which may prove politically and economically difficult.

Figure 15. Funding scenarios for long-term care

SOS

Total funding for long-term care in this scenario is around 1.3% of GDP, with the state funding growing to 0.5% of GDP and private funding rising from 0.3% of GDP now to 0.6%. State funding will only come from general budget resources, meaning finance is decided upon each year and so long-term planning and development of services is made harder.

The state does not contribute to long-term care services, and so those who are able to, use their own savings to pay for services. The private insurance market is not developed as the state has not legislated for it or given financial support.

Few home services are provided and the level of service in service centres and care homes is generally low. The burden on family members who live near to those who need help is in consequence large. The costs to society are large because of labour market losses. People do not live very long in this scenario, but those who need help are generally in bad health in their final years and have poor quality of life.

Professional support is not provided to avoid care being needed and efforts are not made to stop that need increasing.

Money, money, money

The total funding of long-term care in this scenario is around 2% of GDP, with the state contributing some 0.5% of GDP, or about the same as currently. Private funding plays a large role at 1.5% of GDP, as people have understood that the state will not provide good quality care services in the future.

The state supports purchases of private insurance and the creation of the insurance market. Wealthier people have bought life insurance covering the risk of needing long-term care. People in the middle have built up savings, using loans against real estate that are paid back when they die.

Most people have no insurance or assets to use to cover the costs of long-term care. State funding only covers services for those people who are not able to pay their own costs themselves or have them paid by their children.

The winner takes it all

The total funding of the sector is 2.3% of GDP. State funding is significant at 2% of GDP, while private funding is small, remaining at around its current level of some 0.3% of GDP. The state has developed national insurance for long-term care, financing it through labour taxes and general budget revenues. The level of costs is foreseeable over the long term, while some income, worth 0.1% of GDP, is put into a special reserve to cover future costs, and this is invested in stock markets.

Having forecast the future growth in costs, the state is making clear efforts to pre-fund long-term care. Private savings are small, and as the state system provides good services, there is no incentive to increase them or to buy insurance. There is heavy pressure on state finances, as people contribute little to funding the services they receive. The state puts a lot of resources into long-term care, but there is still not enough provision for everybody. The quality of service is good, but waiting lists are long for services at home, in service centres and in care homes. These problems will increase as the need for care increases, so the funding will have to be increased or access to services reduced.

People need love

Total funding of the sector is 3.5% of GDP. State funding plays a large part, reaching 2% of GDP. State funds come from state insurance payments that are taken from everybody's incomes and from general budget funds. Private funding is also large at 1.5% of GDP.

The wealthier can contribute additional resources of their own to receive better services. The state has not built up funds to provide long-term care services, as it has actively encouraged the provision of private insurance, and people contribute themselves to insurance and savings. The state has increased its contribution year by year, but the need is growing even faster. The state takes insurance payments from labour taxes and some jobs have left the country in consequence.

Those who need care are ensuring minimum service. There are many different private companies, charities and local government institutions providing long-term care services within the system.

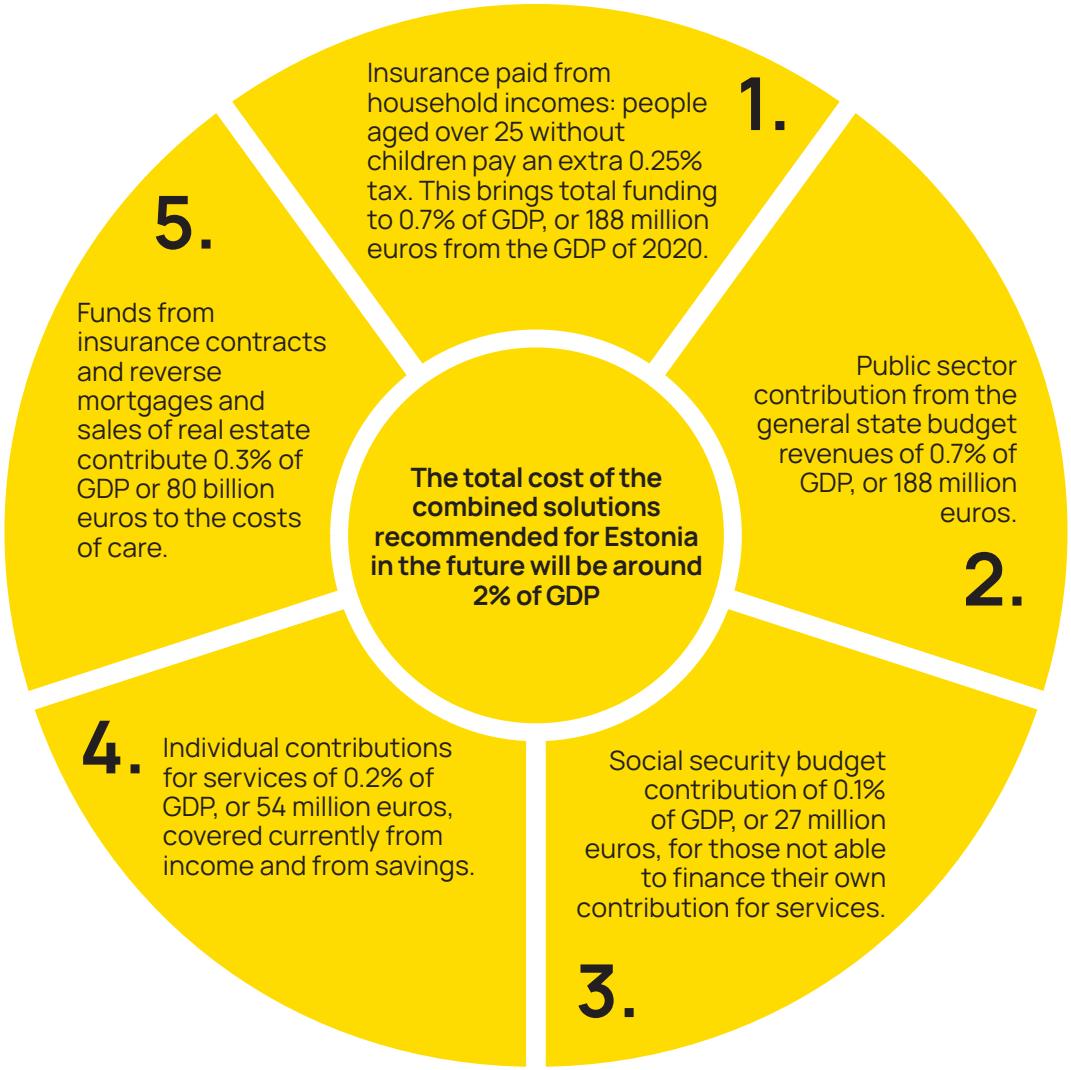
The quality of services depends on how much people contribute and there is wide inequality.

The funding of long-term care. Conclusions and recommendations

Given how serious the challenges ahead are, **the funding of long-term care in Estonia needs to draw on as many private sources of funding as possible, and everybody must be encouraged to contribute to it.** It is important to cover the costs of long-term care from state social security that is paid from labour income, and from the general revenues in the state budget, given that labour is already taxed highly, and the outlook is for labour income to fall as the population ages and work moves over to platforms.

Bringing private funding in should allow those who need help to receive better service than is possible from state funding alone, and this would avoid the private market and private investment being crowded out. Such a system should also support actively the creation of a private insurance market, by setting up a suitable framework for it and if possible supporting the provision of private insurance either through insurance firms or through tax breaks aimed at households. Real estate owners should be given the chance to borrow against their property under clear and simple rules to fund long-term care services, giving people the chance to continue living in their own home.

Building such a system will undoubtedly take time, and the increased contribution of both the state and private financing will need services to be developed and made available to those who need care.



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