Long-term Care Insurance (I)
Future situation and social and healthcare resources

D e to the length of this interesting work on long-term care ns rance, TR B will p blish it in three consec tive parts, with the first one being p blished in this iss e.

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In two previous articles long-term care insurance was referred to with regard to its fundamental characteristics, technical issues, international experience and reinsurance. In this article we will continue to look at long-term care insurance from two points of view: the first one in relation to resources for covering the needs of the person when calling on long-term care, and secondly, the necessary characteristics of the resources in order to ensure and guarantee provision of service.

The fact that long-term care will be state-regulated, and probably with autonomous regional monitoring of final service provision, will compel service providers to adapt, on the one hand, to the legal requirements and obligations established, and on the other, to address the needs of people requiring long-term care with an increased guarantee of quality.

The definition of long-term care given by the Council of Europe (1998) has been accepted by consensus:

"The state in which people who, for reasons associated with a lack or loss of physical, mental or intellectual independence, require significant assistance and/or help in order to carry out everyday tasks."

Therefore, the first challenge faced by long-term care insurance is the classification of the degree of dependency shown by the person. If we observe the definition and classification we will see that the importance focuses on the level of help with ABVDs and not the cause of the need for help, therefore the situation which matters, and which should be assessed, is not the diagnosis but rather the functional situation.

Assessment of the functional situation for determining the degree of dependency from an insurance perspective must meet the following requirements:

- Be an objective test.
- Quantify and classify the degree of dependency.
- Be simple to use.

At this level the participation and needs of all involved will be:

Level of participation and requirements of the organisations involved in the provision of services/ resources to people with dependency

OR A ISATION	L V L O INVOLVE ENT	NEEDS
ADMINISTRATION	◣ To define the level of skills on a national basis. ◣ To establish the appropriate resource and/or service level and its intensity and features relating to the level of dependency. ◣ To establish the various features and minimum standards necessary for each resource and/or service. ◣ Regulation of approval/classification systems regarding resources and/or services. ◣ To establish the monitoring and supervision standards for the entire dependency application, granting and management process.	◣ To establish a consensus with the remainder of the organisations involved (insurance companies and service providers). ◣ To establish smart yet simple monitoring and supervision systems. ◣ To establish a consensus with the Autonomous Regions. ◣ Prior regulation of the service and/or resource sector for people with dependencies in order to ensure consistency of autonomous regional provision and guidelines. ◣ Support in external companies regarding approval, classification and monitoring of compliance with the law.
EXTERNAL COMPANIES (where they are involved in the process)	Depending on the level of involvement in the process: ◣ Approval and classification of resources and/or services. ◣ Monitoring of compliance with minimum set standards. ◣ Contribution of services and added value in future reviews of the Law on Dependency.	◣ To establish the criteria with which certifying companies must comply. ◣ To establish supervision systems for the certifying companies themselves. ◣ To establish the procedural mechanisms for audits and assessments of resource and service providers.
INSURANCE COMPANIES	◣ Direct relationship between insurance companies and service providers. ◣ To establish agreements with service providers which comply with the requirements and standards set and have been approved and/or classified accordingly. ◣ Differentiation of the portfolio of optional services and features of the resource and/or service regarding competition. ◣ Requirement for compliance with the level of quality in provision and organisation.	◣ To establish agreements on a national level. ◣ To establish the criteria which companies providing services and/or resources must fulfil. ◣ To establish supervision systems by the companies themselves which are providing services and/or resources. ◣ To establish the procedural mechanisms for audits and assessments of resource and service providers. ◣ To define the cost of services.
COMPANIES PROVIDING SERVICES AND/OR RESOURCES	◣ Development of the resource and/or service in accordance with the established guidelines and requirements. ◣ Drafting of a broad portfolio of optional services giving added value to compulsory provision. ◣ Quality in services concerning restoration, upkeep of the centre, construction, environment, building, rooms and equipment issues, etc. ◣ To establish agreements with insurance companies for customer service.	◣ Involvement in the defining of cost (optional services will be of great importance in terms of negotiation capacity). ◣ Differentiation from the competition. ◣ Nationwide level of resources and/or services in large companies in the sector. ◣ Focus on the complete service provider. ◣ To establish organisational and monitoring mechanisms for checking compliance with the minimum requirement levels.

According to the *Dependency White Paper* (to which we will refer thro gho t this article on n mero s occasions, since today it is the doc ment of reference and the one regarding which all legislation and technical doc ments relating to long-term care refer to), three kinds of long-term care are recognized:

Moderate dependency

when the person needs help with carrying out a range of basic daily activities (ABVD) (see TRÉBOL number 33 which shows the variables evaluated), at least once each day.

Severe dependency

when the person needs help carrying out a range of basic everyday activities twice to three times per day, but does not need constant care.

Total dependency

when the person needs help carrying out a range of everyday activities several times a day and, due to total loss of mental or physical independence and needs the essential and constant presence of another person.

- It should be sufficient to give training in its use and have a certain minimum level of subject knowledge.
- The instrument must be reliable (ability of the scale to return the same results where measurements are repeated and where real changes are absent, both when re-applied by the same monitor (intramonitor reproducibility) and by different monitors (intermonitor reproducibility).
- It must enable the transmission of information and be able to carry out more exhaustive analyses of the results returned.

The second major challenge faced is associated with the provision of services/ resources to people with dependencies, and once this has been established and it is considered that it must be covered. Among the features to be considered are:

- Voluntary assignment of the person to the level of service/resources, intensity, features, etc. "recommended" for addressing his or her level of dependency.
- Voluntary choice from a catalogue of services/resources, of consistent features, where the level of assistance required will be provided. We should note that this "catalogue of services/ resources" is directly related to different providers.
- Drafting of the "catalogue of services/ resources" defining the minimum features which services or resources must have in order to address the different levels of dependency.
- Ongoing communication and information procedures amongst those involved in assigning, financing, administering and managing dependency.

"The reins rance component in a project where there are ncertainties: on the f t re cost of services and/or reso rces, the need for employment-related reg lation of a sector, lack of reference statistics, etc. m st have a special importance."

Demographic issues

Aging should be considered with reference to the past. Aging is a consequence of demographic transition, the final phase of a decrease in birth and mortality rates. In the first phases of the demographic transition (with high fertility and low mortality), aging is chiefly due to an increase in life expectancy, although this has gone unnoticed due to the small percentages involved. In the final phase, a decline in fertility has been added to this effect; since fertility fell below 2.1 children per woman, the effect of this drop is the most important one; a smaller number of children means that the relative weight of the elderly increases significantly.

We can sum up aging by the following principle: there are more elderly people because more reach the age of sixty five, and aging is on the increase because there are fewer young people as a result of the drop in fertility, which causes the proportional weight of the elderly to increase in the population as a whole. In addition, those reaching that age live longer than a few decades ago. In other words, the two forces accounting for aging are the drop in fertility and the increasing number of people living longer; the former is now at 1.2 children for each woman, and the latter is now up to 77.7 years for males and 83.6 for females. At 65, the additional life expectancy is 16.2 years for males and 20.3 years for females, which would give a life expectancy for people reaching 65 of 81.2 for males and 85.3 for females and those people reaching 80 still have, on average, another 7 years in the case of males and 9 years in the case of females.

In recent decades the population of old people in Spain has undergone very considerable growth. The number of people over 65 doubled in the final thirty years of the 20th century, reaching over 6.6 million in 2000 (16.6 per cent of the total population).

This aging phenomenon is set to continue over the next few years, in which the elderly population will continue to increase notably, at the same time as the proportion of younger people will decrease, as can be seen from the forecast of the changes in the Spanish population structure between 1991 and 2026, shown in the following table.

A demographic feature which will intensify over time is the so-called “aging of the aged”, that is, the large increase in the numbers of people aged 80 and above, their rate of increase is set to be higher than that for the over 65s. The over 80 age group currently represents around 26.5% of the population of over 65s. This figure will reach 32.8% in 2016, in other words 1 in every 3 elderly people will be over 80.

According to the Survey on Disability, Incapacity and State of Health 1999, in Spain there are over 3,528,000 people with a disability. The survey shows that the prevalence of disability is strongly associated with age. Thus, over 32 per cent of people aged 65 and above have some

PRO ECTIONS OF T E STRUCTURE OF THE SPANISH POPULATION BY LARGE AGE GROUPS IN, 1991-2026

YEAR	Under 16		16 to 64		65 and over		TOTAL
	n mber	%	n mber	%	n mber	%	
1991	7,969,600	20.5	25,497,521	65.4	5,497,956	14.1	38,965,077
1996	6,764,315	17.2	26,310,021	66.9	6,234,148	15.9	39,308,484
2001	6,414,627	15.7	27,598,911	67.4	6,950,706	17.0	40,964,244
2006	6,883,005	15.6	29,707,832	67.5	7,404,260	16.8	43,995,097
2011	7,397,841	16.1	30,573,406	66.4	8,084,582	17.6	46,055,829
2016	7,813,301	16.4	31,109,452	65.1	8,857,956	18.5	47,780,709
2021	7,763,750	15.8	31,695,868	64.4	9,270,075	19.8	49,179,693
2026	7,443,232	14.8	31,967,404	63.6	10,867,681	21.6	50,287,317

Source: Dependency White Paper

People with disability regarding an everyday activity by gender and degree of severity (data referring to people aged 6 and above). Spain, 1999

	Males	Females	TOTAL	Males	Females	TOTAL
For an ABVD[1]	541,119	944,595	**1,485,714**	311,260	530,606	**841,866**
For an AIVD[2]	717,949	1,353,741	**2,071,690**	505,130	954,856	**1,459,986**
For an AVD[3]	**823,989**	**1,461,351**	**2,285,340**	**559,895**	**1,004,110**	**1,564,006**

People with a disability regarding everyday activities according to the type of activity affected, by major age groups, for all degrees of severity. (Data referring to people aged 6 and above). Spain, 1999

	6 to 64 years		65 to 79 years		80 years and above		Total 6 years and above	
	N mber	Per 1000 Inhab.	N mber	Per 1000 Inhab.	N mber	Per 1000 Inhab.	N mber	Per 1000 Inhab.
Total people with a disability regarding an ABVD[1]	505,505	16.5	554,712	109.7	425,497	308.3	1,485,714	40.1
Total people with a disability regarding an AIVD[2]	696,662	22.8	789,647	156.2	585,382	424.2	2,071,690	55.9
Total people with a disability regarding an AVD[3]	**820,525**	**26.8**	**862,420**	**170.6**	**602,395**	**436.5**	**2,285,340**	**61.7**

Source: Jiménez Lara, drafted from original data from the Survey regarding Disability, Incapacity and State of Health 1999.
1) ABVD: basic daily activity.
2) AIVD: instrumental daily activity.
3) AVD: daily activity.

form of disability, whilst among those aged between 6 and 64 the proportion of people with disabilities is under 5%. From the age of 80 onwards, the rate of disability increases substantially. For the 80-84-year age group, the proportion of people with a disability is 47.4 per cent and for the 85s and over it reaches 63.6 per cent.

In accordance with the Survey on Disability, Incapacity and State of Health 1999 data, a total of 2,285,340 people have difficulties of varying degrees in carrying out some everyday activity, and 1,564,006 have severe difficulty or find it impossible to carry out one of these activities.

"Adeq ate provision regarding risk factors, mechanisms for prevention, monitoring of illnesses and complications in the person receiving long-term care may ca se the iss es relating to life expectancy and "lifespan regarding given processes" to vary, therefore there sho ld be an ongoing review of the variables sed in ins rance prod cts."

From an insurance point of view regarding demographic projections and previously seen dependencies, it is important to highlight the following issues:

- Spain shows an age index above the European average, with an upward trend which in half a century will mean that it will be one of the world's three most aged nations.
- The age range which is set to grow to the greatest extent is the over-80s.
- There is a dependent elderly population representing (approximately) a third of the total of people aged over 65.
- Life expectancy continues to increase, and is 77.7 years for males and 83.6 for females.

- The tendency towards an increasingly older and more dependent population must result in modifications and amendments to the products currently on the market where, after a certain age, there will be penalties for those joining.

- People are classified as being dependent depending on help they need with ABVDs, therefore there is no relationship between this and the illness concerned. For insurance companies, with certain products, in addition to life expectancy, the "likely lifespan" must be taken into account regarding certain processes (this will not be the same for someone who has suffered from dementia over five years as for someone else who has suffered from it for 15 years. Nor will it be the case if someone has associated ischemic heart disease and a history of myocardial infarction).

  His or her "theoretical assistance necessity time for long-term care will be different and there must be formulae or conversion indices in place. This will be particularly important regarding products which may supplement long-term care insurance or for financing places in homes.

- The reinsurance component in a project where there are uncertainties: on the future cost of services and/or resources, the need for employment-related regulation of a sector, lack of reference statistics, etc. must have a special importance.

- Adequate provision regarding risk factors, mechanisms for prevention, monitoring of illnesses and complications in the person receiving long-term care may cause the issues relating to life expectancy and "lifespan regarding given processes" to vary, therefore there should be an ongoing review of the variables used in insurance products. ■