UNDERSTANDING CHINA'S LONG-TERM CARE INSURANCE PILOTS: WHAT IS GOING ON? DO THEY WORK? AND WHERE TO GO NEXT?[1]

Technical Note

1. Background: The Lack of Long-Term Care Financing

In China, the rapid aging of the population and the weakening of family-based elder care are increasing the demand for formal long-term care services for the elderly. In response, Chinese governments at all levels are stepping up efforts to develop a functional long-term care system, increasingly with the help of private-sector investors and service providers. However, a major barrier to further growing and sustaining this emerging long-term care services sector is the lack of a systematic financing mechanism.

At present, private or commercial long-term care insurance is virtually nonexistent in China. Given the high costs of long-term care services relative to current retirement income levels, affordability is clearly a problem for most elderly in China. Consequently, private access to available services largely depends on ability to pay.

Public financing for long-term care is minimal and limited to: (1) basic support for a small number of welfare recipients, commonly known as the "*Three No's*" (*san wu*)"—people who have lost the ability to work, have no source of income, and have no relatives or legal guardians to support them or have guardians who do not have the ability to support them; (2) capital subsidies for the construction of residential care facilities, nursing homes, and community centers for the elderly; (3) operating subsidies to privately run elder care facilities and community centers; and (4) financial support for ongoing long-term care insurance pilot programs in selected cities and provinces. In addition, some local governments also provide limited allowances—either in cash or vouchers redeemable for eligible services—to targeted segments of the elderly population, such as persons age 80 or older or frail elders who do not have children living with them. Supply-side subsidies to service providers (such as capital subsidies for facility/bed construction and operating subsidies) overwhelmingly exceeds demand-side subsidies to service users (such as cash allowance/vouchers or insurance coverage).

Altogether, public spending on elderly care services accounts for an estimated 0.04% of the gross domestic product (GDP) in China (compared to an average of 0.8% of GDP in Organization for Economic Co-operation and Development countries) (De la Maisonneuve & Martin, 2013; Glinskaya & Feng, 2018) As limited as it is, existing public funding comes

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from fragmented and discretionary sources, with a heavy reliance on proceeds from lottery sales. The majority, about 60%, of national elderly welfare-related expenditures are financed by the Public Welfare Lottery Fund, with roughly 25% subsidized by local governments and the remaining 15% from other sources (Wiener, Feng, Zheng, & Song, 2018).

Policymakers in China have come to realize that long-term care services will not be sustainable (in terms of attracting private-sector service providers) unless there is some dependable way of paying for them on an ongoing basis. Although current policies continue to focus on boosting supply and building an infrastructure of long-term care services, financing the recurrent cost of those services and making them widely affordable is a key challenge.

2. The Long-Term Care Insurance Pilots

Against the background above, In June 2016 the Ministry of Human Resources and Social Security (MHRSS) issued a policy directive, *Guiding Opinions on Piloting the Long-Term Care Insurance System* (Document No. 80, herein referred to as the *Guiding Opinions*), with 15 cities from 14 provinces or provincial-level municipalities selected as the pilot sites (see ***Figure 1*** for a map showing the geographic locations of the 15 pilot cities). The 15 pilot cities are: Chengde (Hebei Province), Changchun (Jilin Province), Qiqihar (Heilongjiang Province), Shanghai (Municipality), Nantong (Jiangsu Province), Suzhou (Jiangsu Province), Ningbo (Zhejiang Province), Anqing (Anhui Province), Shangrao (Jiangxi Province), Qingdao (Shandong Province), Jingmen (Hubei Province), Guangzhou (Guangdong Province), Chongqing (Municipality), Chengdu (Sichuan Province), and Shihezi (Xinjiang Uygur Autonomous Region).

According to the *Guiding Opinions*, the long-term care insurance (LTCI) pilots aim to achieve two overarching objectives: (1) explore the establishment of a social insurance system that raises funds through social mutual assistance to provide financial support or services to long-term disabled persons for basic care for daily living and closely-related medical and nursing care, and (2) use the pilot experience accumulated over a period of 1-2 years to set up a LTCI policy framework during the 13th Five-Year Plan period (2016-2020).

The main tasks of the pilots are to explore: (1) specific policies governing the scope of LTCI coverage, premium contributions, and benefit design; (2) standards and regulations governing needs assessment, classification, and certification for eligibility determination; (3) measures to evaluate the quality of various long-term care service providers, protocols for contractual management, and reimbursement methods; and, (4) LTCI management, regulation, and operational mechanisms.

Figure 1. Geographic Locations of 15 Long-Term Care Insurance Pilot Cities in China

Source: authors

In broad stokes, the *Guiding Opinions* provided guidance on several key policy parameters, regarding the target population of the insured, target beneficiaries, financing mechanism, payment for covered benefits. Each of these is outlined below.

- **Target population of the insured**: In the pilot phase, in principle LTCI mainly covers individuals enrolled in the Urban Employee Basic Medical Insurance (UEBMI), a public health insurance for urban employees. Individual pilot cities may gradually expand the insured population based on local circumstances as well as fundraising and coverage needs.
- **Target beneficiaries**: LTCI is targeted at insured persons who have been disabled for an extended period of time, particularly those who are severely disabled, to cover the costs for basic care for daily living and closely-related medical and nursing expenses. Individual pilot areas determine qualified beneficiaries and specific benefits covered according to insurance funds available, and may gradually adjust the scope of coverage and benefits commensurate with local economic development.

- **Financing mechanism**: In the pilot phase, LTCI may raise funds through optimizing the structure of UEBMI accounts, transferring the surplus of UEBMI pooled funds, and adjusting the rate of employees' contribution to UEBMI premiums, toward gradually establishing a multi-channel LTCI financing mechanism with mutual assistance and shared responsibility among stakeholders. LTCI fundraising goals and standards should be reasonably determined following the general principle of "balancing revenues and expenses, with a small surplus maintained," based on local conditions and needs. It is also suggested that a "dynamic financing mechanism" be established that is compatible with local economic and social development and evolving needs for insurance coverage.
- **Payment for covered benefits**: LTCI reimbursement for qualified long-term care expenses should vary according to the level of care and type of services provided. In general, reimbursement rate should be controlled at around 70% of allowable costs. Specific requirements and payment rates are to be determined by individual pilot cities.

The *Guiding Opinions* made recommendations with regard to LTCI management, with key points highlighted below.

- **Fund management**: LTCI fund should be earmarked for its intended purpose and managed separately from funds for other existing social insurance programs (e.g., medical care, pension).
- **Service management**: LTCI should establish and improve systems of contractual management, supervision, and auditing of service providers; specify technical management protocols regarding service provision, standards, and quality rating; establish standards for needs assessment, classification, and certification; formulate management measures regarding the application, qualification, and disqualification for benefits; explore the introduction of third-party regulatory mechanisms to enhance supervision over the use of services and insurance funds; strengthen cost control and budget management; and explore suitable payment methods.
- **Operations management**: Pilot cities should strengthen the capacity building of LTCI management services, formalize institutional setup and functions, actively coordinate personnel allocation, and accelerate the construction of information systems. They should formulate procedures of LTCI operations, optimize service processes, clarify relevant standards, and innovate management service mechanisms. Social insurance agencies may explore various implementation paths and methods such as entrusted management and purchasing or commissioning services and products. Under the premise of ensuring the safety and effective monitoring of insurance funds, pilot cities are encouraged to actively engage various social forces such as qualified commercial insurance companies to help improve management service capacity. They should strengthen the construction of information network

systems to gradually realize information sharing and interconnection with information platforms for nursing facilities, medical and health care institutions, and other allied sectors.

In addition, the *Guiding Opinions* suggested a number of supportive measures for LTCI implementation, highlighted below.

- **Coordinating with other social insurance systems**: LTCI shall coordinate with other social insurance systems in policies and management with regard to fundraising and benefits. LTCI shall not pay for services that are already covered under other existing social insurance systems so as to avoid duplicate coverage of benefits for the insured.
- **Furthering development of the long-term care service system**: Pilot cities should make a concerted effort to further develop the long-term care system, and encourage and guide non-government organizations for participation in developing the long-term care service industry. LTCI should leverage policies and payment incentives to prioritize the use of home- and community-based services instead of institution-based care, and encourage long-term care facilities to extend services to communities and homes. Family caregivers, neighbors, and volunteers are encouraged to provide care and services for the insured.
- **Exploring the establishment of a multi-level long-term care financing system**: Pilot sites should actively guide the use of social assistance, commercial insurance, philanthropy, and other supplements for LTCI to address various levels of care needs; encourage the exploration of an aged care subsidy system to meet the long-term care needs of certain needy elderly; and encourage commercial insurance companies to develop marketable insurance products and services to meet diverse and multi-level long-term care needs.

As is typical of the policy making process in China, policy directives issued by central government agencies, such as the *Guiding Opinions*, are meant to provide general guidance for subnational governments without prescribing policy details. For the LTCI pilot programs, the 15 pilot cities are responsible for making specific policies and implementing them.

3. Objectives

The purpose of this policy note is to provide a timely review and assessment of China's ongoing LTCI programs across the 15 pilot cities. It is framed at a relatively high level, with a focus on synthesizing key LTCI program features across all pilot sites, not on profiling and analyzing individual pilots in depth. Specifically, we aim to:

- Describe the design and key features of LTCI programs by highlighting similarities and differences across the 15 pilot cities;

- Discuss the strengths and limitations, implementation challenges, impact, and sustainability of current LTCI pilots; and
- Suggest potential policy options for LTCI beyond the pilot phase.

4. Data Sources and Methods

Because the LTCI pilots are relatively new and still underway, empirical data on the operation of pilot programs and their impact are lacking. Our review and analysis are based on publicly available information collected from multiple sources, current through April 2019. They include the following:

- LTCI related policy documents from China's central government and local government websites.
- Published research articles.
- The grey literature, including news release from government website and online articles from credible websites.
- The LTCI Policy Database, compiled by a research team at the School of Public Health, Peking University. This database contained 172 officially issued policy documents from the 15 pilot cities, along with some news reports on this topic.
- Relevant reports from the China-WHO Biennial Collaborative Projects 2016-2017. Particularly, the *Case Study on Long-term Care Insurance Scheme for the Elderly in Qingdao* provides valuable information and insights that supplement the policy documents we gathered from the Qingdao Municipal Government.

From the data sources above, we extracted and synthesized key information around several key LTCI policy parameters, including: (1) the target population for insurance coverage, (2) financing mechanism, (3) eligibility criteria for receiving benefits, (4) benefit design, and (5) operational characteristics and institutional arrangements.

In the appendix, we include a list of key LTCI policy documents that were reviewed and analyzed in this policy note, instead of referencing them individually. Elsewhere, we use footnotes and references to data sources and publications cited, where appropriate.

5. Findings

A summary of the target population of the insured and financing mechanism for each of the 15 LTCI pilots is shown in ***Table 1***. The eligibility criteria for receiving LTCI benefits and current benefit design are summarized in ***Table 2***. Below, we briefly describe these policy features across pilot sites. In addition, we report available data on the current number of LTCI beneficiaries and the potential impact of LTCI pilots (or the lack thereof), and describe key operational characteristics and institutional arrangements of the pilot programs.

Table 1. Long-Term Care Insurance in 15 Pilot Cities: Target Population and Financing Mechanism

City	Province	Target (Insured) Population	Financing Mechanism
Chengde	Hebei	UEBMI enrollees	0.4% of UEBMI premium base,[1] including: individual contribution (0.15% transfer from MSA of UEBMI) + UEBMI pooled funds (0.2%) + government subsidy (0.05%).
Changchun	Jilin	UEBMI and URBMI enrollees	UEBMI enrollees: MSA of UEBMI (0.2% of UEBMI premium base) + UEBMI pooled funds (0.3% of UEBMI premium base) + government subsidy (if UEBMI pooled funds are in deficit). URBMI enrollees: URBMI pooled funds (30 RMB/person/year) + government subsidy (if URBMI funds are in deficit).
Qiqihar	Heilongjiang	UEBMI enrollees	Individual contribution (transfer from MSA of UEBMI, 30 RMB/person/year) + UEBMI pooled funds (30 RMB/person/year).
Shanghai	Shanghai	UEBMI enrollees and BMIURR enrollees aged 60 or above	UEBMI enrollees: Pilot stage – UEBMI pooled funds. After the pilot – individual contribution (0.1% of UEBMI premium base) + employer contribution (1% of UEBMI premium base). BMIURR enrollees: Pilot stage – BMIURR pooled funds. After the pilot – individual contribution (15% of LTCI fundraising totals) + government subsidy.
Nantong	Jiangsu	UEBMI and BMIURR enrollees	UEBMI enrollees: individual contribution (transfer from MSA of UEBMI, 30 RMB/person/year) + UEBMI pooled funds (30 RMB/person/year) + government subsidy (40 RMB/person/year). BMIURR enrollees: individual contribution (30 RMB/person/year) + BMIURR pooled funds (30 RMB/person/year) + government subsidy (40 RMB/person/year).
Suzhou	Jiangsu	UEBMI and BMIURR enrollees	UEBMI enrollees: UEBMI pooled funds (70 RMB/person/year) + government subsidy (50 RMB/person/year). BMIURR enrollees: BMIURR pooled funds (35 RMB/person/year) + government subsidy (50RMB/person/year).
Ningbo	Zhejiang	UEBMI enrollees	UEBMI pooled funds.
Anqing	Anhui	UEBMI enrollees	Individual contribution (10 RMB/person/year) + UEBMI pooled funds (20 RMB/person/year).
Shangrao	Jiangxi	UEBMI enrollees	Individual contribution (transfer from MSA of UEBMI, 40 RMB/person/year) + employer contribution (30 RMB/person/year) + UEBMI pooled funds (30 RMB/person/year) + government subsidy (if individuals work in public institutions or companies in financial difficulties).
Qingdao	Shandong	UEBMI and BMIURR enrollees	UEBMI enrollees: UEBMI pooled funds + MSA of UEBMI (0.5% of UEBMI premium base). BMIURR enrollees: BMIURR pooled funds.
Jingmen	Hubei	UEBMI and BMIURR enrollees	LTCI fundraising totals equal to 0.4% of the annual per capita disposable income in 2015 in Jingmen (about 82 RMB/person/year), including: individual contribution (37.5% of LTCI fundraising totals, about 30 RMB/person/year) + UEBMI or BMIURR pooled funds (25% of LTCI fundraising totals) + government subsidy (37.5% of LTCI fundraising totals, for vulnerable people to pay for their individual contribution).

City	Province	Target (Insured) Population	Financing Mechanism
Guangzhou	Guangdong	UEBMI Enrollees	UEBMI pooled funds (130 RMB/person/year).
Chongqing	—	UEBMI enrollees	150 RMB/person/year, including: individual contribution (90 RMB) + UEBMI pooled funds (60 RMB).
Chengdu	Sichuan	UEBMI enrollees	Individual contribution (transfer from MSA of UEBMI, 0.1%, 0.2%, and 0.3% of UEBMI premium base for those aged 40 years and younger, those aged between 40 years and the retirement age, and the retired, respectively) + UEBMI pooled funds (0.2% of UEBMI premium base) + government subsidy (only to retirees).
Shihezi	Xinjiang	UEBMI and URBMI enrollees	UEBMI enrollees: UEBMI pooled funds (180 RMB/person/year) + government subsidy (40 RMB/person/year, to those aged 60 or older and severely disabled). URBMI enrollees: individual contribution (24 RMB/person/year) + URBMI pooled funds + government subsidy (40 RMB/person/year, to those aged 60 or older and severely disabled).

Note: BMIURR = Basic Medical Insurance for Urban and Rural Residents. LTCI = Long-Term Care Insurance. MSA = Medical Savings Account. UEBMI = Urban Employee Basic Medical Insurance. URBMI = Urban Resident Basic Medical Insurance.

[1] UEBMI premium base refers to an employee's average monthly salary in the last year. The lower and upper limit of UEBMI premium base equals 60% and 300%, respectively, of the average monthly salary of all employees in the city in the last year. UEBMI funds are composed of two parts: MSA and pooled funds. Currently, Chengde, Qiqihar, Nantong, Shangrao, and Chengdu transfers part of an employee's MSA of UEBMI to pay for the individual contribution.

Source: Wang et al., 2018, Table A3, with updates added by authors of this policy note, where appropriate.

5.1 Target population: who are the insured?

Most LTCI pilots started with covering urban employees enrolled in the Urban Employee Basic Medical Insurance (UEBMI). Over time, some have expanded coverage to residents enrolled in the Urban Resident Basic Medical Insurance (URBMI) and rural residents enrolled in the New Cooperative Medical Scheme (NCMS)—herein collectively referred to as Basic Medical Insurance for Urban and Rural Residents (BMIURR), where URBMI and NCMS have been merged in one program.

Currently, 8 pilot cities (Chengde, Qiqihar, Ningbo, Anqing, Shangrao, Guangzhou, Chongqing, and Chengdu) cover UEBMI enrollees only, 2 cities (Changchun and Shihezi) cover both UEBMI and URBMI enrollees, and 5 cities (Shanghai, Nantong, Suzhou, Qingdao, and Jingmen) have the most inclusive coverage for all UEBMI and BMIURR enrollees. Of all the pilot cities, Shanghai is the only city that sets an age limit for LTCI coverage, requiring enrollees be at least 60 years old.

5.2 Financing mechanism

According to the *Guiding Opinions*, LTCI should raise funds by optimizing the structure of UEBMI fund. In practice, the pilot cities drew most of their LTCI fund from the UEBMI pooled funds, with a small to negligible share coming from individual and employer contributions. Local governments may subsidize the fund as needed (e.g., when basic medical insurance funds are in deficit).

The amount of individual contributions is generally low, ranging from 0.1% to 0.3% of the UEBMI premium base (i.e., an employee's average monthly salary in the last year) or from 10 to 90 RMB/person/year where a fixed amount is required. Only two pilot cities, Shanghai and Shangrao, require some employer contribution that amounts to 1% of the UEBMI premium base in Shanghai and a fixed 30 RMB/person/year in Shangrao.

In pilot cities that extend LTCI coverage beyond UEBMI employees, generally funds from different sources are drawn to support the insured, depending on the type of medical insurance. In Changchun, for instance, for urban employees the LTCI fund draws 0.3% of the employee's premium base from the UEBMI pooled funds; for urban residents, URBMI pooled funds contribute 30 RMB/person/year to the LTCI fund. Both groups may receive government subsidies if the UEBMI or URBMI pooled funds are in deficit.

Although most cities share a similar financing mechanism that combines funds from multiple sources (UEBMI or URBMI pooled funds, individual contribution, employer contribution, and government subsidies), two cities, Ningbo and Guangzhou, opt to raise fund solely from their UEBMI pooled funds and not to add burden to individuals or employers. In Guangzhou, the amount of contribution from the UEBMI pooled funds is 130 RMB/person/year.

5.3 Eligibility criteria for receiving LTCI benefits

To be eligible for LTCI covered benefits, generally an insured person has to be in the condition of severe disability due to age, illness, or injury, and has been in that condition for at least 6 months. All the pilot cities either designate a government agency or hire a third-party evaluator to conduct a disability evaluation and needs assessment to determine the degree of loss in self-care abilities, which is usually classified as severely disabled vs. moderately or mildly disabled. Nine pilot cities use measures of physical impairment based on limitations in performing various activities of daily living (ADLs), where a summary score below 40 (on a 100-point scale) is usually used as the threshold to indicate severe disability and qualification for receiving LTCI benefits. It is worth noting that only two cities, Qingdao and Nantong, extend the eligibility criteria to also qualify persons with moderate/mild disability for receiving benefits.

The tool used for disability/needs assessment varies across the pilots. The majority of them use the Barthel scale for ADLs, while other cities, including Shanghai and Chengdu, have developed their own evaluation tool. For example, the Uniform Standard for Elderly Care Needs Assessment currently used in Shanghai accommodates both international best practice and local practice, and focuses not only on self-care ability but also disease status.[2] In addition to disability status, some pilot cities take other factors into consideration. For

[2] Comparison of Domestic Policies for Long-Term Care Insurance System and Pilot Progress. Thematic Report IX

example, in Changchun, cancer patients can also be eligible for LTCI benefits. So far, mental illness has not been routinely considered in the evaluation process.

Table 2. Long-Term Care Insurance in 15 Pilot Cities: Eligibility for Benefits and Current Benefit Package

City	Eligibility for Benefits	Current Benefit Package	Effective
Chengde	Severely disabled	Care facilities or nursing homes: LTCI pays 70% of the costs, with a payment ceiling of 60 RMB/person/day. Medical facilities: LTCI pays 70% of the costs, with a payment ceiling of 70 RMB/person/day for Class-1 facilities and 80 RMB/person/day for Class-2 or higher facilities.	August 2018
Changchun	Severely disabled	Care facilities or nursing homes: LTCI pays 90% of the costs, with a payment ceiling for UEBMI enrollees, and pays 80% with a payment ceiling for URBMI enrollees. Medical facilities: payment depends on the class of facilities and the type of health insurance.	May 2015
Qiqihar	Severely disabled	Home care: LTCI pays 50% of the costs, with a payment ceiling of 20 RMB/person/day. Nursing homes: LTCI pays 55% of the costs, with a payment ceiling of 25 RMB/person/day. Care facilities: LTCI pays 60% of the costs, with a payment ceiling of 30 RMB/person/day.	October 2017
Shanghai	Aged 60 or older, assessed and certified for level 2–6 disability	Home care: LTCI pays 90% of the costs. Hours of home care provided each week depends on the level of care determined by disability assessment. Nursing homes: LTCI pays 85% of the costs. Medical facilities: following requirements by UEBMI and BMIURR.	January 2017
Nantong	Severely or partially disabled	Home care: LTCI pays 15 RMB/person/day for the severely disabled and 8 RMB/person/day for the partially disabled. Nursing homes: LTCI pays 50% of the costs, with a payment ceiling of 40 RMB/person/day for the severely disabled and 10 RMB/person/day for the partially disabled. Medical facilities: LTCI pays 60% of the costs, with a payment ceiling of 50 RMB/person/day for the severely disabled and 10 RMB/person/day for the partially disabled.	January 2016
Suzhou	Severely or partially disabled	Home care: LTCI pays 30 RMB/person/day for the severely disabled and 25 RMB/person/day for the partially disabled. Care facilities or nursing homes: LTCI pays 26 RMB/person/day for the severely disabled, and 20 RMB/person/day for the partially disabled. Medical facilities: according to the requirement of UEBMI and BMIURR.	October 2017
Ningbo	Severely disabled	LTCI pays 40 RMB/person/day for the care provided by nursing homes and specialized care facilities.	December 2017
Anqing	Severely disabled	Home care: the payment ceiling is 750 RMB/person/month if provided by designated care facilities, and 15 RMB/person/day if provided by non-designated care facilities. Nursing homes: LTCI pays 50% of the costs, with a payment ceiling of 40 RMB/person/day. Medical facilities: LTCI pays 60% of the costs, with a payment ceiling of 50 RMB/person/day.	January 2017
Shangrao	Severely disabled	Home care provided by relatives or a designated person: LTCI provides a small subsidy for the caregiver.	November 2016

City	Eligibility for Benefits	Current Benefit Package	Effective
		Home care provided by care facilities: LTCI pays by service and by per diem. Institutional care: LTCI pays per diem.	
Qingdao	Severely or partially disabled	LTCI pays 90% of care costs for UEBMI enrollees, 80% for BMIURR enrollees with Type-1 individual contribution, and 40% for BMIURR enrollees with Type-2 individual contribution. The payment ceiling is 50 RMB/person/day for home care, 65 RMB/person/day for nursing homes, and 170 RMB/person/day for specialized institutions. For care facilities in the community, the payment ceiling is 1,600 RMB/person/year for UEBMI enrollees and BMIURR enrollees with the Type-1 individual contribution and 800 RMB/person/year for BMIURR enrollees with Type-2 individual contribution.	January 2015
Jingmen	Severely disabled	Fulltime home care: LTCI pays 80% of the costs, with a payment ceiling of 100 RMB/person/day. Part-time home care: LTCI pays 40 RMB/person/day. Nursing homes: LTCI pays 75% of the costs, with a payment ceiling of 100 RMB/person/day. Medical facilities: LTCI pays 70% of the costs, with a payment ceiling of 150 RMB/person/day.	January 2017
Guangzhou	Severely disabled	Basic daily care: LTCI pays 90% of the costs, with a payment ceiling of 115 RMB/person/day for home care, and 75% of the costs, with a payment ceiling of 120 RMB/person/day in nursing homes or care facilities. Medical care: LTCI pays by service, with copayment, and with a payment ceiling of 1,000 RMB/person/month.	August 2017
Chongqing	Severely disabled	LTC covers 50 RMB/day/person.	December 2017
Chengdu	Severely disabled	Home care: LTCI pays 70% of the costs, with a payment ceiling ranging from 1,077 RMB/person/month to 1,796 RMB/person/month. Institutional care: LTCI pays 70% of the costs, with a payment ceiling ranging from 1,005 RMB/person/month to 1,676 RMB/person/month.	July 2017
Shihezi	Severely disabled	Home care and non-designated institutional care: LTCI pays 25 RMB/person/day. Designated institutional care: LTCI pays 70% of the costs, with a payment ceiling of 750 RMB/person/month.	January 2017

Note: BMIURR = Basic Medical Insurance for Urban and Rural Residents. LTCI = Long-Term Care Insurance. UEBMI = Urban Employee Basic Medical Insurance. URBMI = Urban Resident Basic Medical Insurance.
Source: Wang et al., 2018, Table A4, with updates added by authors of this policy note, where appropriate.

5.4 Benefit design

Depending on the pilot cities, the LTCI currently covers a combination of three types of services: (1) home care, (2) services provided at designated residential care facilities or nursing homes, and (3) services provided at designated medical facilities. Most pilot cities provide at least two types of these services. In Shanghai, LTCI covers a relatively diverse range of care and services, such as visiting home care, community-based care, nursing home care, and institutional care by medical facilities. Qingdao also covers visiting care at the patient's home by social workers or nurses.

The type of services and frequency at which they are provided depend on the results from disability evaluation. In Guangzhou, for example, clients qualify for receiving basic care for daily living at home if the Barthel score is below 40; otherwise they are eligible only for clinical nursing care. If they have a Barthel score below 60 but have the Alzheimer's disease, they are eligible for home care. Home care generally includes a whole range of basic care services, including feeding, bathing, safety care, etc.

Shanghai offers options to clients who can receive either cash or service. People with disability rated at level 2 or 3 can receive 3 hours of home care services per week; those with higher level of disability can receive more hours of service. When clients receive services up to 6 months, they can choose to use hours of service in exchange for cash. By reducing one hour of service per month, one could receive 40 RMB per month in return. No data currently exist to show which option is more appealing, service or cash.

The reimbursement rates vary by the type of services provided. In most cases, LTCI covers 70% of the costs, with a payment ceiling up to 60 RMB/person/day. Some cities, like Shihezi, also set a payment limit for each type of service and disability level, ranging from 375 to 750 RMB/month/person. Except Shanghai, all other pilot cities provide benefits only in the form of services, not cash benefit.

5.5 Number of LTCI beneficiaries

Depending on the size of the pilot city, the limited data we gathered on the current number of LTCI beneficiaries varied. In Shanghai, the largest city in China, about 186,000 people have received some benefits, as of February 2019.[3] Qingdao, which had initiated the LTCI pilot long before all other cities, has reportedly served 60,000 clients by April 2019.[4] In two major cities, Guangzhou and Changchun, there have been more than 6,000 and 11,000 beneficiaries, respectively. In each of the smaller cities, like Ningbo, Shangrao, and Chengde, there have been fewer than 1,000 beneficiaries. Given the lack of complete and concurrent data on both the number of LTCI beneficiaries and the total insured population under LTCI, it is difficult to gauge the rate of LTCI utilization in each pilot city.

Generally, the number of LTCI beneficiaries is slightly lower than the number of applicants, partly because some applicants would fail to qualify for benefits. According to some government officials, the disability assessment process generally takes a month or longer. Some applicants passed away while waiting for the application to be approved, because most people are already in a fragile state of health when applying for LTCI benefits. The disability evaluation procedure should be more efficient to benefit more applicants.

5.6 Potential impact of the LTCI pilots

There is a dearth of rigorous evaluation of the impact of the LTCI pilot programs on the insured population in terms of access to long-term care services, quality of care provided,

[3] http://www.gov.cn/xinwen/2019-02/01/content_5363149.htm
[4] http://www.qdcaijing.com/2019/0416/281631.shtml

and cost of care. The potential impact of LTCI on the utilization and costs of health care services, particularly hospital-based acute care, is unknown. Such analyses entail the use of adequate and high-quality administrative and research data, which are currently lacking. Because most of the LTCI pilots have run their courses for barely 1-2 years, it is premature to assess their impacts on the development of local elderly care markets.

We were able to identify only a small number of published studies on the topic (B. Li, 2018; Lu, Mi, Zhu, & Piggott, 2017; Wang, Zhou, X., & Ying, 2018; J. Yang, Wang, & Du, 2018; W. Yang, Jingwei He, Fang, & Mossialos, 2016). However, virtually all of these studies are limited to general description of the ongoing LTCI pilots in a few selected cities. Not surprisingly, the Qingdao pilot has figured prominently in many of the existing studies, because of its relatively long existence as the first-ever LTCI pilot city in China. More rigorous research is needed to track the evolvement of the LTCI pilot programs and assess their impact.

5.7 Operational characteristics and institutional arrangements

Implementing LTCI requires high-level collaboration among government agencies and partnership between stakeholders in public and private sectors. To date, the local Bureau of Human Resources and Social Security has taken the lead in designing, implementing, and managing LTCI in each pilot city, in corporation with the local Bureaus of Civil Affairs, Health, Finance, and other related government agencies. At the central government level, the newly established National Health Care Security Administration is supposed to command the authority and take the lead to manage the 15 LTCI pilot programs. A similar restructuring of government agencies is underway at the local level. The impact of this restructuring on LTCI implementation in the pilot cities is not clear.

At the local level, the municipal Bureau of Human Resources and Social Security (and soon, the municipal Bureau of Health Care Security Administration) will continue to manage LTCI implementation and ensure its compliance with national standards and policy guidelines. Given the limitations in government, it is necessary, and indeed inevitable, to partner with private-sector entities that are qualified to perform some of the LTCI functions, such as disability/needs assessment for eligibility determination. It is also essential to enlist the help from private-sector health care and long-term care providers to boost the supply of services covered by LTCI.

6. Discussion

Outlined below are a number of high-level observations and discussion points on key aspects of the ongoing LTCI programs across the 15 pilot cities.

6.1 Target population of the insured

- Currently, 8 pilot cities cover UEBMI enrollees only, 2 cities cover both UEBMI and URBMI enrollees, and only 5 cities provide the most inclusive coverage for all UEBMI and BMIURR enrollees. There is clear bias in favor of urban employees, followed by urban residents and rural residents.
- While consistent with the modality of roll-out of medical and old-age insurances, prioritizing LTCI coverage for certain population subgroups over others by the type of health insurance runs the risk of prolonging existing inequalities among population subgroups instead of eliminating them.

6.2 Financing mechanism

- The heavy reliance on the transfer of UEBMI funds as the main revenue source for LTCI financing in most of the pilot cities is potentially problematic. Despite near universal coverage, China's current social health care insurance schemes are known to provide shallow coverage in terms of covered medical services and reimbursement rates, and as such, out-of-pocket expenses for medical bills remain significant, especially among URBMI enrollees and rural NCMS enrollees. Siphoning away the surplus of pooled medical insurance funds to fund LTCI may exacerbate these problems.
- Individual contribution on a regular basis, which is a hallmark feature of any social insurance model, currently plays a minimal role in most of the LTCI pilots. For long-term sustainability, it is reasonable and necessary to mandate and gradually increase individual contributions to the LTCI fund (F. Li & Otani, 2018).
- Likewise, employer contribution on top of employee contribution to LTCI funds, which is also typical of social long-term care insurance programs (Rhee, Done, & Anderson, 2015), is absent from the vast majority of current LTCI pilots. However, politically it may not be feasible to mandate employer contribution to LTCI given the already high burden on employers who are currently required to make regular contributions to other existing social insurance programs (i.e., pension, medical care, work injury, unemployment, and birth).
- All LTCI pilots rely on locally pooled funds, which depend on local resources and economic development. Absent substantial and ongoing financing support from the central government, it will be difficult to establish a sustainable LTCI system in the long run.

6.3 Eligibility for benefits

- Currently, an insured person needs to meet highly stringent eligibility criteria to qualify for LTCI benefits. Presumably a significant number of the beneficiaries are patients near the end of life. The strict eligibility criteria mean that LTCI can only serve a small percentage of disabled people.

- While at the pilot stage it may be necessary and advisable to set a high bar for eligibility, over time the eligibility criteria should be relaxed reasonably so that the majority of disabled people in need can qualify for LTCI benefits.

6.4 Benefit package

- There exist substantial variations in the LTCI benefit package across the pilot cities, which are conducive to creating regional disparities.
- In most pilot cities, the current benefit package can be characterized as meager, certainly far from generous. Also, there are glaring disparities in the benefit package among subgroups of beneficiaries, which is usually more generous for urban employees enrolled in UEBMI than for urban residents and rural residents.
- While from a fiscal perspective it is understandable to "start low" in the benefit package at the pilot stage of LTCI, it is an desirable policy goal to gradually increase the covered benefits so long as the LTCI fund remains solvent.

7. The Future of LTCI: Beyond the Initial Pilots

The LTCI program in most of the 15 pilot cities is fairly new and still in the early stage of implementation. It may not be realistic to achieve the ambitious goal of "using the pilot experience accumulated over a period of 1-2 years to set up a LTCI policy framework during the 13th Five-Year Plan period," by 2020, as suggested in the *Guiding Opinions*. At the same time, the central government of China has already indicated an interest in expanding the current LTCI pilots.[5] While this is a very positive development, given the limited understanding of the current pilots in terms of their viability, impact and long-term sustainability, it would be useful to continue allocating time and resources in further developing the current LTCI pilots in order to solidify and finetune key policy parameters. Equally important, more time and efforts are needed to gather empirical data and conduct rigorous research to assess the impact of the LTCI pilots. A research-based evidence base goes a long way toward informing future LTCI policy options beyond the pilot phase.

[5] Speech by Premier Li Keqiang, Government Working Report for the year of 2019, at the second meeting of the 13th National People's Congress, March 5, 2019. http://www.gov.cn/premier/2019-03/16/content_5374314.htm

Appendix: Table A1. List of the main analyzed policies in this study

Cities	The Title of Document
Central Government	Opinions on Implementing Long-term Care Insurance Pilots 人力资源社会保障部办公厅关于开展长期护理保险制度的试点指导意见 The successful implementation of long term care insurance in pilot cities 长期护理保险试点进展顺利
Chengde	Opinions on Implementing Long-term Care Insurance for UEBMI Enrollees in Chengde 承德市人民政府关于建立城镇职工长期护理保险制度的实施意见（试行）
Changchun	Opinions on Establishing Long-term Care Insurance for the Disabled in Changchun 长春市人民政府办公厅关于建立失能人员医疗招呼保险制度的意见 Implementation Measures of Long-term Care Insurance for the Disabled in Changchun (on trial) 长春市失能人员医疗照护保险实施办法（试行）
Qiqihaer	Implementation Scheme of Long-term Care Insurance in Qiqihaer (on trial) 齐齐哈尔市长期护理保险实施方案（试行）
Shanghai	Pilot Measures of Implementing Long-term Care Insurance in Shanghai 上海长期护理保险试点办法
Nantong	Opinions on Establishing Long-term Care Insurance in Nantong (on trial) 关于建立基本照护保险制度的意见（试行） The Rules for Implementing Long-term Care Insurance in Nantong 南通市基本照护保险实施细则
Suzhou	Opinions on Implementing Long-term Care Insurance in Suzhou 关于开展长期护理保险试点的实施意见
Ningbo	Notice on Issuing Pilot Scheme of Implementing Long-term Care Insurance in Ningbo 宁波市长期护理保险试点实施细则的通知
Anqing	Opinions on Implementing Long-term Care Insurance for UEBMI Enrollees in Anqing 安庆市试点城镇职工长期护理保险制度 The Rules for Implementing Long-term Care Insurance for UEBMI Enrollees in Anqing 安庆市职工长期护理保险实施细则（试行）
Shangrao	Implementation Scheme of Long-term Care Insurance in Shangrao 上饶市关于开展长期护理保险试点工作实施方案的通知 Procedures of Administrating Long-term Care Insurance in Shangrao 上饶市长期护理保险制度试点经办规程（试行）
Qingdao	Administrative Measures of Long-term Care Insurance in Qingdao 青岛市长期医疗护理保险管理办法
Jingmen	Measures of Implementing Long-term Care Insurance in Jingmen (on trial) 荆门长期护理保险办法（试行）
Guangzhou	Pilot Measures of Implementing Long-term Care Insurance in Guangzhou 广州市长期护理保险试行办法
Chengdu	Pilot Scheme of Implementing Long-term Care Insurance in Chengdu 承德市人民政府关于建立城镇职工长期护理保险制度的实施意见 The Rules for Implementing Long-term Care Insurance in Chengdu (on trial) 承德市城镇职工长期护理保险居家管理办法（试行）
Shihezi	Opinions on Establishing Long-term Care Insurance in Shihezi (on trial) 石河子市建立长期护理保险的意见（试行） The Rules for Implementing Long-term Care Insurance in Shihezi (on trial) 石河子市长期护理保险实施细则（试行）

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