According to figures released last week, there are already nearly 200,000 people aged 75 and above in Singapore, half of whom are already in their 80s. Many may need long-term care. ST FILE PHOTO

New ways to fund better long-term care

As Singapore's population ages rapidly, spending on long-term care has gone up. But as a proportion of GDP, the Republic's public spending on long-term care is only one-tenth that of OECD countries.

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For The Straits Times

To meet the needs of an ageing population, the Government has significantly ramped up healthcare spending, from $4 billion in financial year 2011 to $9.8 billion last year. Yet, a relatively small portion of this is being spent on long-term health and social care.

Public spending on long-term care (LTC) was $600 million in 2015, the latest year for which data is available, according to figures from the Ministry of Health (MOH).

The bulk of it went towards building new nursing homes and senior care centres, subsidies for fees and manpower costs. Another $100 million was disbursed from the Community Silver Trust fund, a dollar-for-dollar matching grant from the Government, in order to improve and expand services in the LTC sector.

While spending on LTC in 2015 was four times that of 2011, it still accounted for only around 7 per cent of the MOH budget ($8.7 billion) and less than 0.15 per cent of Singapore's gross domestic product ($408 billion) that year.

In contrast, Organisation for Economic Cooperation and Development (OECD) nations spent an average of 1.4 per cent of GDP on LTC in FY2014, the latest year for which figures are available. For Singapore to spend an equivalent proportion, it would need to allocate $5.7 billion yearly on LTC.

I am by no means suggesting a tenfold increase in spending on LTC. Indeed, countries like Japan, Australia and Britain have undergone a painful rolling back of funding and LTC services, due to sustainability issues.

However, it is important to note that Singapore is among the fastest-ageing countries in the world. According to figures released last week, there are already nearly 200,000 people aged 75 and above, half of whom are already in their 80s. Many may need LTC. Local studies have predicted a rise in disability rates as the population ages.

And even as there is greater acceptance of the merits of "ageing in place", the Republic's spending is still relatively low when it comes to care services at home and in the community. More funds could be used to subsidise fees further, improve infrastructure and quality of care services, and raise staff salaries. The starting pay for some foreign nursing home staff can still be less than $600 a month, excluding accommodation and food.

In an e-mail reply to my queries, MOH said it is committed to shifting care beyond the hospitals into the community and that LTC spending had increased significantly in recent years in keeping with the rapid development of the sector. "As our population ages, government spending on long-term care can be expected to continue to increase," a ministry spokesman said.

While government spending will grow, Singapore is also in a fiscally strong position to consider new models of funding better-quality care.

NO MAGIC FORMULA

There is no single magic formula to fund LTC and most countries have tried to devise what works best for them. In Singapore, there is a need for more public debate on how and how much to pay for eldercare.

Japan and South Korea, two other ageing Asian nations, both have LTC insurance schemes, as do similar European nations like the Netherlands and Germany. Because of a poorly devised and overly generous insurance scheme, Japan is currently undergoing a painful revamp, though public support for insurance is still high.

Taiwan, which is also ageing rapidly, recently opted against an insurance scheme and passed a new Long-Term Care Act with increased spending that will be entirely funded by taxes.

Japan, Denmark and Australia also have nursing home systems which decouple the care and accommodation costs. Care costs are means-tested and subsidised by the state or provided by insurance, while costs of staying in a nursing home are generally paid out of pocket by high-income folk.

Australia also has an interesting scheme where higher-income earners who do not meet the means-test criteria can pay these charges on a daily rental basis or through a lump-sum refundable deposit of A$350,000 (S$372,000). The principal amount is returned to the estate of the resident after his death.

THE SINGAPORE SITUATION

For Singapore, a comprehensive and lifelong LTC insurance system is an obvious way forward.

Given our low fertility rates for more than 40 years and rapid ageing, such a scheme will especially benefit seniors who have few children – or none at all – as well as the middle income who don't qualify for subsidies but may find LTC a costly burden.

Singapore already has ElderShield, but it is a limited severe disability insurance scheme that currently provides payouts of $300 per month for a maximum of five years for those who joined before September 2007 and up to $400 per month for six years for those who joined later.

The scheme is being reviewed by a government-appointed committee. To improve coverage, ElderShield could be made compulsory and extended for life.

There could also be a clause to periodically review what's covered by the scheme – and premiums – given the unpredictability of actuarial calculations.

Currently, Singapore citizens with monthly per capita incomes of $2,600 and below get between 30 per cent and 80 per cent means-tested MOH subsidies for home- and centre-based services, and between 20 per cent and 75 per cent subsidies for nursing home care.

Middle- and higher-income earners have to pay out of pocket for such services. Nursing homes are the most expensive component of LTC. In 2012, the MOH increased subsidies to cover two-thirds of all households, up from half previously. The ministry said last year that more than 80 per cent of subsidised Singaporeans in MOH-funded nursing homes receive the maximum subsidy of 75 per cent.

Still, there is anecdotal evidence of families falling through the cracks. For instance, a family of three earning $8,000 per month – less than the median household income of $8,846 – cannot qualify for any subsidies and may need to fork out $2,500 or more per month in private nursing home fees for a loved one, a steep amount when you consider that many nursing home residents stay for years. Last year, I came across a family that had spent well over $250,000 out of pocket in private nursing home fees for their mother, who had, by then, been institutionalised for 13 years. There were several siblings and they could get by, but they worried about costs should they need care one day.

$9.8b
Singapore's healthcare spending last year.

$600m
Public spending on long-term care in 2015.

<0.15%
Public spending on long-term care as a percentage of Singapore's GDP ($408 billion) that year.

1.4%
Percentage of GDP that OECD nations spent on average on long-term care in FY2014.

CO-PAYMENT CHALLENGES

Home and community care is being beefed up, in keeping with the national push to enable the elderly to "age in place". As of FY2015, $240 million of the $600 million was spent on building senior care centres, ramping up home care services and providing means-tested subsidies.

Over the years, the hope is that the proportion and quantum devoted to home and community care will grow.

Experts who run centre- and home-based services say that despite the maximum 80 per cent subsidy for those with per capita incomes of $700 or less, some seniors – including those who qualify for lower subsidies – find the co-payment amounts difficult to meet. Many don't want to bother their children. The biggest issue is that the fees are not one-time but recur over months, or even years.

Fees for the Integrated Home and Day Care package, for instance, can cost up to $2,200 per month, before subsidies. The programme enables seniors with complex medical conditions to live at home, rather than in nursing homes.

Rehabilitation services could also do with more funding. While senior sector leaders have underscored the importance of physiotherapy in helping nursing home residents improve their physical functions and to be discharged, current levels of funding allow for only one physiotherapist for every 100 residents or so. Local studies have also shown that newly disabled adults who live at home could be forgoing rehabilitation because of financial concerns.

Meanwhile, in order to keep costs low, Singapore is continuing to build multi-bed, dormitory-like nursing homes – at a time when most advanced nations offer single- or twin-bed rooms and when local surveys show that many Singaporeans don't wish to age in such settings. Persisting in building dormitory-style homes might prove to be a costly policy error, if such homes need to be reconfigured in response to future expectations.

New models of financing care are also necessary to help grow the private care industry. Unlike in many advanced nations, much of the planning and initiatives to cater to the growing needs of Singapore's ageing population so far have come from the Government and, to some extent, the non-profit sector.

The private sector has played a limited role so far. Yet the demographic challenges of looking after the generation that built this modern metropolis cannot and should not be relegated to just the Government. Private organisations, entrepreneurs and private citizens should step up to contribute ideas, volunteer time and even implement projects. The Government, on its part, should reward innovation and enterprise, and not limit it with too much regulation.

Longevity need not be a burden, but a gift. What we need is collective effort to craft positive change.

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