

In Brief:**Comparing Long-Term Care in Germany and the United States¹**

With aging populations and similar federal/state systems of government, Germany and the United States have much to learn from each other regarding long-term care (LTC) policy. One nation's policies rarely serve to answer another's problems, but comparing experiences can help stimulate evidence-based debate and discussion.

The LTC financing systems in Germany and the United States had many similarities in the mid-1990s, but their paths diverged after Germany began implementing its social insurance program for LTC in 1995. Today, Germany is debating major reforms to improve benefits and help to ensure its system's fiscal sustainability. In contrast, much of the debate in the United States is related to reducing publicly supported services and increasing the responsibility of individuals to pay for their own LTC, either directly out of their own resources or through the purchase of private LTC insurance. At the same time, both nations rely on a combination of public and private sector financing, including substantial payments by individuals.

What We Can Learn from Each OtherThe German system

- Provides universal coverage to persons of all ages based on level of disability, not level of income. About 90 % of the population is covered through mandatory public insurance and 10% through private insurance.
- Is fiscally comparable to the U.S. Germany spends about the same proportion of its gross domestic product (GDP) on long-term care as the United States: 1.44 percent in Germany in 2005 compared with 1.37 percent in the United States, according to data from the Organisation for Economic Co-operation and Development (OECD).
- Spends less of its GDP on institutional care than the United States (0.80 percent of GDP compared to 0.98 percent of GDP in the U.S.) and more on home care (0.64 percent versus 0.39 percent in the U.S.).
- Reduced state-based LTC social assistance spending by about two-thirds as individuals became eligible for coverage under social insurance. However, the social assistance program remains in place as an important "safety net" for low-income individuals.

¹ This In Brief summarizes the AARP Public Policy Institute Issue Paper "Comparing Long-Term Care in Germany and the United States: What Can We Learn from Each Other?" by Mary Jo Gibson and Donald L. Redfoot, October 2007, Issue Paper # 2007-19.

- Relieved pressures on individuals so that financing options are stable, and so beneficiaries do not have to become impoverished in order to receive care—although benefits capped at fixed amounts have had the effect of shifting some costs to individuals.
- Encourages consumer choice in services and settings, and home care rather than institutional care. In 2005, about two-thirds of eligible beneficiaries received home care and one-third received nursing home care. Among those who chose home care, 72% chose a cash allowance, 15% a mix of cash and services, and 13% agency-provided services only.
- Encourages an adequate supply of private sector home- and community-based providers and institutional care providers.
- Helps to sustain family caregiving over time. Today, 90% of persons in need of care receive informal support, a slight increase since the introduction of the program. Family caregiver support includes up to four weeks of respite care; public pension (social security) credits; and training at no cost to family caregivers.

The United States system

- Shifted some resources from institutional settings to home- and community-based settings in many state Medicaid programs.
- Provides strong civil rights protections for persons with disabilities, including protections against unnecessary institutionalization.
- Created a national system of regulations and an extensive system of state-based monitoring that has resulted in quality improvements in some key areas, although enforcement is irregular.
- Developed extensive databases of information on individual-level quality and has funded research on measuring and using quality outcomes to inform consumer decision-making.
- Spawns innovation through private financing in areas such as assisted living, although such innovative services are frequently unaffordable to persons with limited means.

Key challenges in both countries include

- Fiscal pressures due to growing older populations relative to working age populations, although Germany's demographic pressures are more immediate.
- Shortages of LTC workers over the long term, with more immediate pressures in the United States; direct care LTC work has lower pay and lower prestige than other health care work in both countries, with women as the primary providers.
- Insufficient support for family caregivers, who are predominantly women, especially in helping them balance responsibilities at home and in the labor force.
- Lack of coordination between medical care and LTC services.
- Growing cultural diversity, both among recipients and providers of LTC services.