Co-payments on long-term care in the Netherlands: distribution, recent evolutions and impact on nursing home entry

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Context:

Co-payments for elderly care (eigen bijdrage ouderenzorg) are much lower in the Netherlands than in many other countries, yet they are high compared to the deductible for curative care. The policy debate about these co-payments is vivid, touching upon both equity and efficiency aspects. Yet, there is little insight into how high these co-payments are and who pays them in practice, in part because the co-payment schedule is complex. A good understanding of the relationship between income, long-term care use and co-payments is crucial to assess proposed reforms.

Objectives and research questions:

The aim of the presentation is twofold. In a first part, it will present the main insights from a descriptive analysis of the distribution of the co-payments on long-term care borne by the Dutch elderly in the period 2011-2016. We document (i) how co-payments compare across income groups (i.e. who pays more), and (ii) how the magnitude and distribution of co-payments have changed following recent reforms of the long-term care system. The second part focuses the following question: 'do co-payments affect nursing home entry?'. It will provide an overview of a causal analysis that makes use of a reform of the co-payment schedule.

Data and methods

We exploit individual-level administrative data. Using a pseunomyzed individual identifier, we link several registers provided by CBS. The core datasets consist of co-payments invoiced by CAK, data about the use of AWBZ-funded and WLZ-funded LTC recorded by CAK and use of ZVW-funded home care recorded by Vektis. We link these data to income and socio-demographic information from CBS and population registers.

To identify the effect of co-payments on nursing home care, we implement a difference-in-difference (DiD) approach. We exploit the 'capital income addition' of the 2013 reform, which led to an increase of co-payments (only) for individuals with positive taxable wealth. By comparing how nursing home use has changed between the pre-reform period and the post-reform period across the groups of those affected by the co-payment change vs the group left unaffected, we arguably capture the causal impact of co-payments.

Main findings

Our descriptive analysis shows 4 main findings. First, there is a lot of variation in the co-payments that the elderly have to pay for long-term care over the last 5 years of life. Inter-individual differences are primarily due to the fact that not all people have the same health trajectory at the end of their life.

Our second finding is that co-payments on home care are much lower than co-payments on nursing home, and the personal payment per euro of care used for home care is much lower than it is for nursing home care. The removal of co-payments for district nursing home care in 2015 only had a small impact on the financial risks the Dutch elderly face. Nursing home costs remain the greatest financial risk for the elderly with care needs.

Our third finding is that low-income care users devote a larger share of their income to co-payments than high-income care users. Although the co-payment schedule takes into account income and assets,

poorer elderly tend to have worse health and more limited options to postpone a nursing home admission, such that they end up living longer in a nursing home prior to their death.

Fourth, the 'capital income addition' of 2013 led to a substantial increase in co-payments, but only for a small group of nursing home residents with high assets.

Building upon that finding, our causal analysis shows that the group affected by the co-payment increase had a slightly lower probability of nursing home entry than the unaffected group following the reform. However, the effect is low in practical terms, and it is only observed for those with moderate care needs. Individuals with severe care needs do not seem to postpone a nursing home admission when they face higher co-payments.

Discussion and policy implications

Despite recent policy changes, the schedule of co-payments does not eliminate financial risks associated with long-term care needs. On the one hand, financial risks can be justified if co-payments contribute to the efficient use of elderly care or to a fair financing of the scheme. Our figures confirm that the Dutch are relatively well financially protected against long-term care risks compared to older people in other countries.

On the other hand, such financial risks may have considerable welfare implications, which alternative financing options could reduce. In addition, our causal analysis shows that making nursing home care more expensive is, per se, little effective at promoting aging in place, especially for low-income elderly. Furthermore, socio-economic inequality in health at old age cancels out the progressivity of the co-payments schedule, and results in lower-income elderly contributing (out-of-pocket) more to the costs of their care than richer elderly.

Future proposals that entail co-payment reforms should acknowledge the different goals of co-payments and the trade-offs that are being made. We would recommend using both ex ante and ex post evaluations based on administrative data to make these trade-offs visible.