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# Long-term care reform in Spain

Joan Costa-Font and Anna García González

*Summary: Public funding of long-term care services in Spain has been limited; traditionally there has been a reliance on family members to provide informal unpaid care. The ageing of the population, coupled with changing family structures, have raised the issue of long-term care up the policy agenda. A new law, guaranteeing the right to long-term care services, funded through taxation but subject to means testing has now come into effect. While increasing public coverage for long-term care services, this new legislation raises challenges in respect of coordination and deliver of services within and across the seventeen Autonomous Communities that are responsible for the provision of social care services.*

*Keywords: long-term care, social care policy, Spain*

Long-term care (LTC) provides assistance, most typically to older people, with some of the most fundamental activities of daily living, including eating, washing, and dressing. Its financing is high on the policy agenda across Europe, given the ageing of populations across Europe;<sup>1</sup> the size of the dependant elderly population being expected to double over the next 50 years in countries such as Spain.<sup>2</sup>

Changing family structures,<sup>3</sup> for example smaller families and the greater participation of women, who currently make up 83% of all carers in the labour force, point towards a potential reduction in the availability of informal family caregivers and a consequent higher demand for paid formal care. European Commission supported

research concluded that with a few exceptions, social security or insurance coverage for LTC in the EU is insufficient.<sup>4</sup> Given this context, it is not surprising that over the last decade, much reform of LTC systems in Europe has begun to take place.

Spain stands out as one country where the ageing process is becoming more pronounced, access to informal care is decreasing, but only 6% of households receive some form of public support.<sup>1</sup> Despite this, it was only after some eight years of deliberation that a law for the promotion of independent living and help for dependent individuals (*Ley de Promoción de la Autonomía Personal y Atención a las Personas Dependientes*) was passed in 2006. This is expected to benefit approximately 3% of the Spanish population in the short term, and it has been publicised as being the ‘fourth pillar’ of the welfare state. It complements pensions, as well as existing health and social care services.

To date, public coverage of LTC has been insufficient; and dependent on the capacity of decentralised and under-funded social services. 70% of all funding has traditionally been allocated to residential care<sup>5</sup> with little made available for home care.<sup>6</sup> Only the most severe cases have been assisted within the health care system. This has led to ‘bed blocking’, that is an

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**Table 1: Publicly funded long-term care services**

	Places	Coverage (% Population over 65)
Home help	256,992	3.50
Telecare	208,107	2.84
Residential care	283,134*	3.86
Day care	39,554	0.54

Source: Libro Blanco de la Dependencia, 2005.

\* 57% private, 18% private with public sector contracts and 25% public.

**Table 2: Estimated number of future dependents by level of dependency**

	2005	2010	2015	2020
Category Three (Severe Dependency)	194,508	223,457	252,345	277,884
Category Two (Moderate Dependency)	370,603	420,336	472,461	521,065
Category One (Mild Dependency)	560,080	602,636	648,442	697,277
Total	1,125,190	1,246,429	1,373,248	1,496,226

Source: Libro Blanco de la Dependencia (2005).

**Table 3: Estimated central state allocation to the new long-term care system**

Year	Funding (€ millions)
2007	400
2008	679
2009	979
2010	1,160
2011	1,545
2012	1,674
2013	1,876
2014	2,112
2015	2,212
TOTAL	12,638

inability to discharge an individual from hospital who does not have medical care needs, because of a lack of appropriate social care services. Public funding for essential services such as home helps and LTC cover no more than 4% of the population (Table 1). More than 65% of care for older people is still provided informally by family members.<sup>5</sup>

#### Framework of new system

While some countries, including Germany, finance LTC through social insurance, Spain has opted for a tax funded approach, consistent with its tax funded health care system. A initial budget of €12.638 billion has been set aside for the 'National Long-Term Care System' that commenced operations in 2007. The system will be implemented in stages, with the aim of full operation by 2015.

Alongside the new funding, the government has introduced a "universal, but subjective" right to LTC. The scheme

can also apply to younger people who have LTC needs, for example, those with early onset dementia. Individuals are guaranteed access to a package of care services (subject to some cost sharing), regardless of place of residence, if they are deemed eligible following an assessment of care needs, income and financial assets. Although cost sharing schemes are still being defined, several forms of insurance coverage are also likely to develop, including both complementary and substitutive private insurance. There are also an increasing number of financial products being developed to facilitate the self-financing of LTC expenses, for example schemes to free up equity tied up in an individual's home.

Care packages will also vary, depending on which of three categories of dependency an individual may fall within. In the first (mild dependency), an individual would require assistance with one activity of daily living at least once a day. For those falling into the moderate dependency category, an individual would need help with at least one activity of daily living two or three times daily, but could still function independently without the constant presence of a caregiver. The highest level of assistance is made available to those deemed to be severely dependent, that is requiring help with the activities of daily living frequently and also in need of constant caregiver support. There will also be two gradations of support within each category, depending on the intensity of care needs. Determination of dependency level will be made by a newly established Territorial Council.

Assistance can take the form both of formal service provision, such as home helps, access to day and long term residential care, and/or cash payments to assist family carers. The system is expected to initially cover 1.125 million people (Table 2), 80% of whom will be over the age of 65.<sup>6</sup> Little change is predicted in the balance between different levels of need between 2005 and 2020, although the total number of individuals receiving support is projected to increase by one third to almost 1.5 million.

The first phase in introducing the new system began in 2007 with the provision of coverage to those qualifying individuals deemed to have the most severe level of dependency. In the subsequent three years coverage will be extended to those in category two, with coverage of those in category one complete by 2015. This will

increase total public expenditure on LTC from 0.33% of Gross Domestic Product in 2007 to 1% by 2015 (Table 3).

### Devolution and coordination

One of the chief characteristics of the 'modern' Spanish state is its decentralised political, and to a lesser extent, structure. The seventeen Autonomous Communities (AC) in Spain have progressively obtained responsibility for all areas of social policy, including education, health and social care. This means that they can design their own specific policies to tackle perceived priorities. Indeed, there is evidence of wide heterogeneity in preferences and attitudes towards the funding of health and social care.<sup>8</sup> The new law allows for flexibility in financing arrangements, so as to account for local variation in priorities, whilst maintaining a basic system for the whole country.

This has been achieved through a Territorial Council for the National Long-Term Care System (*Consejo Territorial del Sistema Nacional de Dependencia*) where the central government and the ACs will discuss and establish 'Integral Action Plans' and plan the organisation of the system. The legislation gives rise to some tensions between the national government guarantee (subject to means testing) on equal access to a basic package of services according to need on one hand, and regional responsibility for social care on the other. Complementary packages of care may also be provided by some ACs. However small these differences in coverage may be, they might arguably give rise to incentives for individuals to move between ACs in order to improve their access to services. Regulation may thus be required to counter these incentives, for instance ensuring that funding comes from the AC where the individual has paid tax.

One source of funding for long-term care, may be inheritance tax which is a AC responsibility. This issue has been heavily politicised, with ACs run by conservative administrations reducing the role of this tax. Given the structure of Spanish decentralisation, unless this tax is linked to the financing of LTC so that individuals may perceive some benefit from its retention, it is likely that one of the few instruments to guarantee federal financing of LTC will disappear.

Another key policy issue is that of coordination between health and social care, which is split between departments of health and social welfare respectively.

Moreover, social care is managed by municipal local authorities, who take responsibility for the day-to-day delivery of services. Unfortunately, with some notable exceptions (Catalonia, the Basque Country and Cantabria), coordination between health and social care has been limited and remains an important policy goal for the next decade. Institutional reform might be one obvious response, perhaps through the creation of independent coordinating agencies for LTC.

Overall, the progressive decentralisation of social policy responsibilities seems to have brought significant efficiency improvements, including the creation of incentives for policy innovation and replication of successful pilot welfare reform schemes across ACs with similar needs and characteristics.<sup>8</sup>

Finally, the new legislation also has sensitive political connotations, particularly for those mainstream political parties that campaign for greater devolution and ultimately independence in different ACs across Spain. This might potentially lead to some competition between regional and centrally mandated services, given the blurred distribution of policy responsibilities.

### Reflections

The law which sets out the framework for LTC coverage in Spain, is a first step towards an increased awareness that funding for social care will need to rise in order to cope with the demands of an ageing population. It makes clear the need for a highly flexible system for LTC. A pre-funded tax-based system guarantees a basic coverage but may also create incentives for private sector institutions to develop financial products and/or expand capacity to deliver care. Yet, a key challenge is how coordination and cooperation across the ACs will operate, without affecting efficiency and policy innovation.<sup>8</sup> Another key issue will be whether health and social care are coordinated through the creation of specific agencies, as is proposed in some ACs, or alternatively are integrated within inter-departmental programmes.

An important question, is the broader impact of the introduction of LTC systems on individual responsibility, regarding the way individuals save, invest and consider leaving assets to their relatives. Regarding savings, individual expectations that the public sector will, subject to means testing, pay for LTC, may create an incentive to

exhaust wealth (for example by selling property) in order to be eligible for public support. In southern European countries such as Spain, individual wealth is concentrated in housing; this has traditionally been seen as a way of financing LTC. One solution could be setting means testing mechanisms which account for wealth, not only at the later stage of life, but across the life span (inter-generational equity). Alternatively, one might argue in favour of a universal and uniform system resembling that for Spanish health care, but how then might this be financed? One possibility could be to draw on inheritance taxes, which in Spain are collected by the ACs; however, there is no uniform policy on such taxes. Some ACs, such as Madrid, have eliminated this tax, which will remain unpopular with much of the population unless some clear cut entitlement to care is offered in exchange.

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