

# Searching for a Public-Private Balance in Long-Term Care: The Case of Korea and the U.S.

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## Abstract

One of the important challenges that policy makers encounter is to develop long-term care policies that address the growing needs for formal long-term care with a control over public spending. Population aging combined with a decline in fertility rates and increase in female labor-force participation has necessitated a broader social support for individuals' chronic care needs. Although many countries share this demographic and socio-economic trend, their approaches to the organization, financing, and delivery of long-term care are diverse. Of particular interest is Korea's recent decision to switch from the means-tested long-term care program funded by general taxation to the social insurance program. This paper compares the levels of public-private sharing and cost-containing measures drawn from the long-term care policies in Korea and the U.S. The Korea-U.S. comparison can provide useful insights for restructuring the current U.S. long-term care policies in the following aspects. First, the fast-paced aging process in Korea makes the long-term care challenges and effects of public policy more salient. Korea is projected to move from an aging society to an aged society in 18 years, while this phase in the U.S. is expected to transition within 72 years. Second, the dramatic changes in Korea allow the U.S. to investigate potential benefits and drawbacks from redesigning their Medicare and Medicaid policies; presently characterized by substantial private cost-sharing and a strong emphasis on informal care. Before legislating long-term care insurance with universal coverage, the Korean government only provided formal home and institutional care services to the elderly who qualified for public assistance or had very limited financial resources. Moreover, family-oriented Confucian culture has created a strong bias against formal long-term care services. Our research compares Korea with the U.S. at not only the institutional level, but also at the individual level. The individual-level comparison uses data from 1998~2004 Korea National Survey of Living Status and Welfare Needs of the Elders and 1998~2004 Health and Retirement Study. Both datasets contain detailed information on individuals' health, socio-economic, family characteristics in addition to their use of home health services. This paper examines the extent to which the non-institutionalized elderly in two countries differentially utilize informal and formal help given their needs for long-term care and resources. It then discusses institutional and behavioral factors determining their decision to use informal and formal long-term care services in two countries.