

3. Long-term Care Insurance

A. General

The Long-term Care Insurance Law was passed by the Knesset in 1980 and came into effect in April 1988. The law aims to keep the elderly in the community for as long as possible by providing personal care to those who require assistance in daily functions as well as assistance to the families that care for them. The law applies to all persons insured under old age and survivors' insurance, to *housewives* who do not work outside their homes and to new immigrants not insured under Old-age and Survivors' insurance. Every elderly person, who is an Israeli resident, whose function is restricted and who passes the means test and the test of dependency on the help of others in daily activities, is eligible for a benefit, providing that he resides in the community. Persons who reside in a nursing home or nursing ward are not eligible for benefit.

The rules of the means test – a personal test – are set down in the regulations. Only the incomes of the elderly person and of his spouse are examined in determining entitlement to an in-kind benefit – i.e. long-term care service. In determining entitlement to a cash benefit, on the other hand, the income of the family member who cares for the elderly person and who resides with him is also examined. The means test is the responsibility of the claims officer, while the test of dependency on the help of others is conducted by professional assessors: nurses/orderlies, occupational therapists, or physiotherapists who undergo appropriate training. A private bill was recently introduced under which a specialist physician may also conduct the dependency test to elderly persons aged 90 years or over, but this bill has not yet been approved.

The long-term care benefit is not paid in cash but rather provided to entitled persons in the form of services rendered by private organizations and paid for by the NII. The long-term care services basket covered by the benefit includes personal care at the home of the elderly or at a day-care center, supervision, transportation to a day-care center, supply of absorption products, laundry services, and financing use of emergency transmitters. A cash benefit is paid only to those for whom there are no available services or services that can be provided according to the timetable prescribed by law. The Knesset recently approved an NII proposal to operate, beginning in March 2008, a pilot scheme of providing a cash benefit in three regions in Israel. The scheme shall extend for two years, during which those elderly who reside in one of the pilot areas may opt for a cash long-term care benefit if they score at least 6 points on the dependency test and if they receive long-term care services de facto by an attendant who is not a relative during most hours of the day, for six days a week¹. Furthermore, the Ministry of Finance recently promoted a bill under which **each** elderly person who employs an attendant shall be entitled to a cash long-term care benefit, but this proposal was rejected.

Beginning in January 2007, there are three rates of long-term care benefit, corresponding to the three dependency levels: a rate of 91% of the full disability pension for an individual, a rate of 150% thereof and a rate of 168% thereof.

1 Some Western countries have arrangements for freedom of choice on the part of the elderly within the framework of long-term care benefits; these are described in the Annual Survey of 2005.

The law further determined that the Minister of Social Affairs and Social Services must appoint professional local committees comprising a social worker, nurse, and an NII employee. These committees formulate the care schemes for the entitled elderly: what services he should receive and who should provide them. The committee also has to make sure that the services are indeed provided, or alternatively prescribe in explicit terms that there are no services available for these elderly.

B. Claims and persons entitled to long-term care benefit

The number of claims for a long-term care benefit has continued to rapidly increase in 2007, reaching about 75,400 – an increase of 4.3% in comparison to the preceding year. The number of first-time claims increased by 4.3% in 2007 and the number of repeat-claims (second claim or more by the elderly person) increased at a similar rate. Consequently, the rate of repeat claims out of all claims in 2007 remained stable at 58.2%.

Table 1

Claims, Rate of Claims that were Approved and Rate of Repeat Claims, 2002-2007

| Year | Numbers | Annual rate of increase | Repeat claims | Approved claims* |
|------|---------|-------------------------|---------------|------------------|
| 2002 | 71,007 | 4.3 | 51.8 | 44.3 |
| 2003 | 63,928 | -10.0 | 55.7 | 43.2 |
| 2004 | 71,246 | 11.4 | 58.6 | 43.5 |
| 2005 | 71,568 | 0.5 | 59.9 | 46.7 |
| 2006 | 72,257 | 1.0 | 58.2 | 49.2 |
| 2007 | 75,375 | 4.3 | 58.2 | 47.3 |

* Claims approved for a first **entitlement**. Claims of those who subsequently died and of those whose eligibility has been suspended are not included.

In 2005-2006 there was an increase in the rate of claims that were approved – partly resulting from the expansion of the definition of "solitary" at the end of 2005 – but in 2007 the rate went down, reaching 47.3% of claims. This decrease characterized first-time claims and repeat claims alike. The rate of first-time claims approved out of all first-time claims reached 53.7% in 2007 as compared to 56.0% in 2006, and the rate of repeat claims that were approved reached 42.7% as compared to 44.3%. The decline in the number of approved claims is reflected in an increase of futile claims – claims in respect of which 0-0.5 points were scored in the ADL² – and a decrease in the extent of gathering around 2.5 points, the threshold score for attaining entitlement to a benefit. The percent of futile claims in 2007 – 30.2% as compared to 28% in 2005-2006 – and the percent of claims that scored 2.5 points in the ADL reached 14.6%, as opposed to 15.4% in the preceding year. It should be noted that in an analysis of the percentage of approved claims, the percentage of futile claims and the extent of crowding around the threshold score for attaining entitlement to

2 A test that examines limitation in the performance of daily activities (eating, dressing, bathing, mobility in the home and excretions).

benefit also include claims in which a dependency assessment was not made, and they were not approved by reason of preliminary conditions such as age.

The number of persons entitled to a long-term care benefit continued to rise in 2007 by 4.3%, reaching about 125,500 per month on average, as a result of the increase in the number of claims that year. The number of entitled persons grew in 1991-2007 by 295%, more than five times higher than the rate of increase of the elderly population as a whole. The percentage of persons entitled to a benefit from among the elderly population registered a significant increase: from 6% in the first years since the law came into effect to a record 15.1% in 2007.

Table 2
Persons Entitled to Long-term care Benefit and Elderly in Israel, 2002-2007

| Year | Entitled to long-term care* | | Elderly in Israel** | | Rate of coverage*** |
|------|-----------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Numbers | Annual rate of increase | Thousands | Annual rate of increase | |
| 2002 | 112.3 | 6.5 | 758.1 | 1.8 | 14.8 |
| 2003 | 113.0 | 0.6 | 769.3 | 1.5 | 14.7 |
| 2004 | 113.4 | 0.4 | 780.5 | 1.5 | 14.5 |
| 2005 | 115.0 | 1.4 | 794.9 | 1.8 | 14.5 |
| 2006 | 120.3 | 4.6 | 813.8 | 2.4 | 14.8 |
| 2007 | 125.5 | 4.3 | 833.0 | 2.4 | 15.1 |

* Monthly average.

** Average population of men 65 years old and over, and women 60 year old and over. The 2007 figure is an estimate.

*** The number of persons entitled to benefit as a percentage of the number of elderly persons.

Table 3
Persons Entitled to Long-term Care Benefit, by Demographic Characteristics and Degree of Disability (monthly average) in percentages, 2007

| Characteristic | Percentage |
|--------------------------------------|----------------|
| Total (Absolute numbers) | 125,521 |
| Age | |
| Up to 64* | 1.0 |
| 65-69 | 5.4 |
| 70-74 | 12.8 |
| 74-79 | 21.5 |
| 80-84 | 28.2 |
| 85+ | 31.1 |
| Family composition | |
| Live on their own | 47.1 |
| Live with a spouse | 39.9 |
| Lives with their sons or with others | 13.0 |
| Benefit rate | |
| Low benefit (91%) | 59.2 |
| High benefit (150%) | 27.1 |
| Very high benefit (168%) | 13.7 |
| Gender | |
| Men | 29.0 |
| Women | 71.0 |
| Duration of stay in Israel | |
| Veterans | 75.7 |
| Immigrants** | 24.3 |

* The age group includes women only.

** Persons who immigrated to Israel after 1989.

Examination of the demographic characteristics of entitled persons in 2007 shows that close to a quarter (24.5%) are immigrants, and that the number of women is nearly three times that of men. In distribution by age, nearly third of the entitled persons are 85 years old or over, and more than half of them (59.3%) are aged 80 or over. Only 5.4% of entitled persons are 65-69 years old. In family composition, only two of every five (39.9%) entitled persons live with a spouse. Nearly one of every two (47.15) live alone, and one of every seven (13%) live with someone else – usually a son or daughter (Table 3). For 59.2% of the entitled persons, a low-level entitlement (91%) was approved (includes those whose benefit was reduced to half due to the means test), for 28.1% a higher-level eligibility (150%) was approved, and for the remaining recipients, 13.7%, a very high-level eligibility (168%) was approved.

C. Organizations that provide long-term care services and services provided

Services are provided under the Long-term Care Insurance Law through formal organizations recognized by the Ministry of Social Affairs and Social Services as service providers authorized by contract between them and the National Insurance Institute. In recent years the National Insurance Institute published several tenders for the erection of a data base of long-term care service providers, yet each time the companies and societies petitioned against these tenders and they were not executed due partly to intense pressure on part of the suppliers, who prefer to operate under contractual engagements. The last tender, aimed inter alia at protecting the rights of workers in the sector, would have obliged the service providers to impart fringe benefits to attendants they employ. A service provider can be a public non-profit organization, e.g. household attendance or day-care center, or a private organization acting as a business organization. The tender was published in 2004 and the companies and societies competing in it filed petitions regarding the procedure of its inspection and its results. Eventually the NII opted to call off the tender since the hearings on this wave of petitions could have lasted for years.

The diagram below depicts the shares of private organizations and of non-profit organizations in the number of personal care hours at home provided in October 2007. 73.3% of the hours were provided by private organizations and the remainder by non-profit organizations (household attendance – 14.2% and other public societies – 12.4%). The analysis does not include care hours provided to entitled persons in day-care centers that are routinely provided by societies. Hence, the share of the private sector in the total number of care hours provided shall decrease slightly.

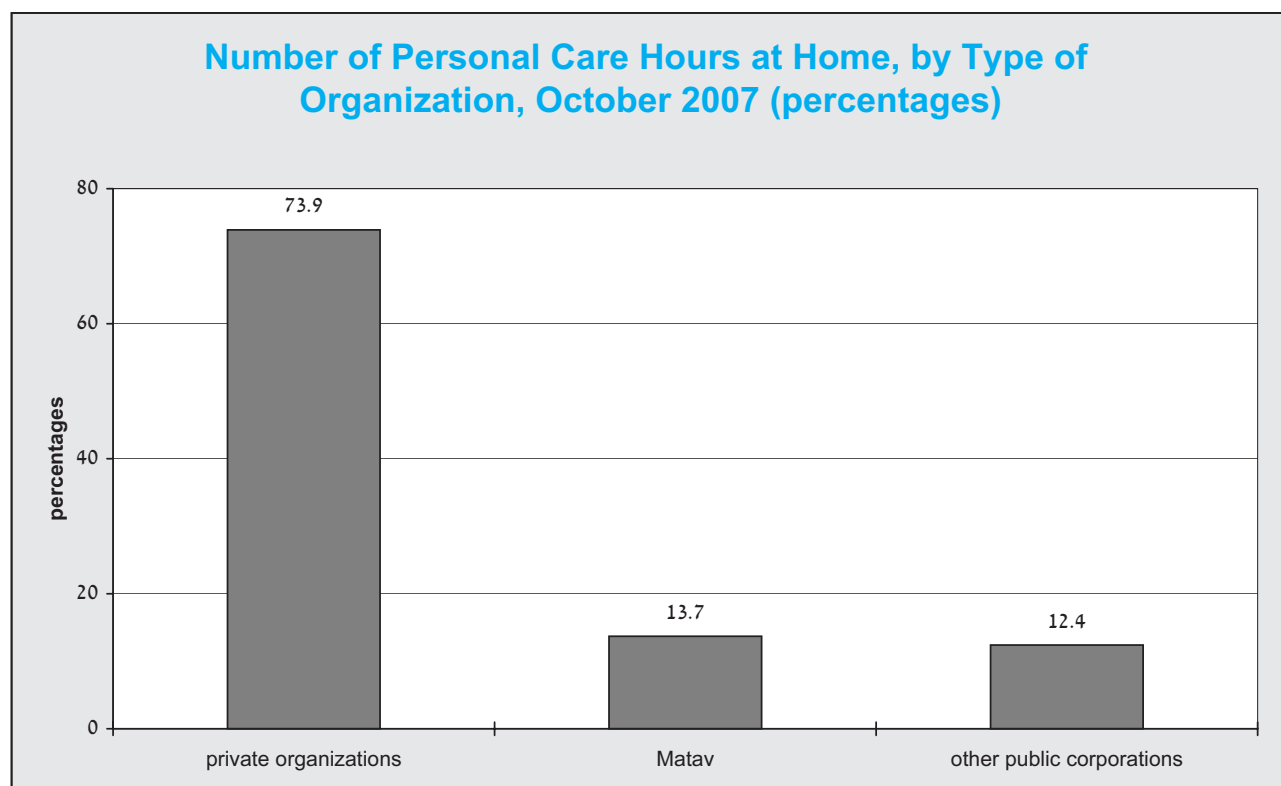


Table 4 shows the distribution of long-term care service recipients in December 2007 by the type of service they received. It should be noted that entitled persons can receive more than one type of service, so that the total number of recipients of long-term care services is greater than the number of persons entitled to a benefit.

The decisive majority (98.2%) of long-term care service recipients in December 2007 received personal care at home by a local or foreign attendant. For a depiction of the phenomenon by which a foreign attendant is employed and of the characteristics of the elderly who employ a foreign attendant, see Box below. 7.2% received personal care in day-care centers, 17.2% received absorption products and 12.7% received emergency transmitters. 71.2% of persons who receive personal care at home received it as a single item in the basket of services. Only 10.1% of persons who receive personal care at a day-care center received it as a single item and the remainder combined it with other services.

Box 10

Persons Eligible for a Long-term Care Benefit Who Employ a Foreign Attendant

The rapid growth in the number of elderly persons in Israel who require long-term care was accompanied by a significant increase in the number of migrant workers employed in the long-term care sector. The number of recipients of long-term care benefits from the National Insurance Institute has doubled through 1996 to 2007, reaching about 125,500 in 2007. At the same time, the number of long-term care benefit recipients who employ a foreign attendant grew significantly: from about 10,000 in 2003 to about 27,200 in 2007. The number of permits issued for employing migrant workers in the long-term care sector in 1996-2007 rocketed by about 500%, reaching 51,700 in 2007. This number is in fact higher when one considers the fact that some migrant workers are employed illegally. The long-term care sector in Israel has recently become a major sector in the employment of migrant workers: the number of workers it employs is expected to reach some 100,000-150,000 in the coming years. Employment of a foreign long-term care attendant is apparently a satisfactory solution for all parties involved: it is convenient for the elderly person and his family; convenient for the State (released from its responsibility to the elderly person); convenient for the foreign attendant who earns a higher wage than he would have earned in his country of origin, and of course convenient for the manpower agencies and mediators who enjoy a handsome profit. We note in this context that the Minister of Finance recently adopted recommendations to curtail the number of migrant workers, recommendations consolidated by the staff of the Ministry and of the Bank of Israel. These recommendations aim to release the Israeli economy from its dependency on work immigrants by reducing the number of migrant workers and encouraging Israelis to work in the sectors of long-term care, agriculture and construction, sectors in which the migrant workers are mainly employed. The goal was to significantly reduce their number in the said sectors and to turn long-term care into a sector that employs mainly Israelis. The staff estimated that the high number of migrant workers in long-term care in Israel stems from the lack of a clear policy in the area of care for the elderly, because of which there are no criteria for assigning migrant workers to the elderly.

It is interesting to examine the characteristics of the elderly who receive a long-term care benefit and employ a foreign attendant, as well as the characteristics of the foreign attendants. The analysis in this Box is limited to the characteristics of the elderly available from NII administrative data on long-term care benefit recipients. Employment of a foreign attendant naturally entails obtainment of permit from the Ministry of Industry, Trade and Labor, as well as of a visa from the Ministry of the Interior. The petitioner has to meet preliminary thresholds of limitation in the performance of daily functions – at least 4.5 points in the ADL areas as well as a need for constant supervision for an elderly person who is not solitary, or at least 4 points for one who is solitary. Hence, the following analysis is limited to the population of long-term benefit recipients who meet these threshold conditions (Hereafter: *persons potentially entitled to employ a foreign attendant*). Table 1 features the breakdown of long-term care benefit recipients who employ a foreign attendant from among the *persons potentially entitled to employ a foreign attendant*, sorted by selected characteristics of the elderly. The data, based, as aforesaid, on NII administrative data, refer to December 2007. It was found that about 61,800 out of about the approximate 128,000

persons who are eligible for a long-term care benefit met the threshold conditions of disability required in order to employ a foreign long-term care attendant. The percentage of elderly persons who employed a foreign attendant from among the *persons potentially entitled to employ a foreign attendant* reached about 44.1%, with considerable gaps, as expected, according to age, benefit level, population group, district of residence and income level. The percentage of elderly persons who employed a foreign attendant gradually rose in correspondence to age: from 25.1% among 65-69 year-olds to 51% among those aged 90 and over. It turned out that the Arab and the new immigrant elderly were less inclined to employ a foreign attendant than were veteran elderly Jews; only about a tenth of the former employed a foreign attendant as compared to the high rate of 54.1% of the latter. The pattern of employing a foreign attendant was the most common in central regions while it was the least common in the northern and southern peripheries. Thus, for example, about 30% of the periphery elderly persons employed a foreign attendant compared to more than half of those in the central regions. The percentage of elderly who employed a foreign attendant gradually rose in correspondence to income level, from 32% among the elderly whose income is up to one quarter of the *average wage* to 53.2% among those whose income is higher than the *average wage*. Further, it was found that only 13.8% of elderly persons at the low rate of benefit employed a foreign attendant as compared to 53.2% of elderly persons at the highest rate. No real gaps were discerned between men and women or between elderly persons who live alone and those who live with a spouse. There is no doubt that the demand for foreign workers in the long-term care sector is an interesting subject in need of in-depth study.

Table 1
Elderly Persons who Receive Long-Term Care Benefit and Employ a Foreign Attendant Among the Persons Potentially Entitled to Employ a Foreign Attendant, by Selected Characteristics of the Elderly, December 2007

| Characteristic | <i>Total persons potentially entitled to employ a foreign attendant</i> | <i>Percentage of persons who employ a foreign attendant</i> |
|---------------------------------|---|---|
| Total | 61,777 | 44.1 |
| By age | | |
| Up to 64 | 417 | 24.2 |
| 65-69 | 2,555 | 25.1 |
| 70-74 | 6,481 | 32.7 |
| 75-79 | 11,913 | 39.5 |
| 80-84 | 16,694 | 45.8 |
| 85-89 | 13,990 | 50.5 |
| 90+ | 9,727 | 51.0 |
| By gender | | |
| Men | 19,090 | 41.6 |
| Women | 42,687 | 45.2 |
| By family composition | | |
| Lives alone | 29,047 | 49.1 |
| Lives with a spouse | 24,869 | 42.0 |
| Other | 7,861 | 32.1 |
| By level of benefit | | |
| Low | 7,930 | 13.8 |
| High | 32,567 | 45.6 |
| Very high | 21,280 | 53.2 |
| By population group | | |
| Veteran Jews | 47,502 | 54.1 |
| Arabs* | 3,179 | 9.0 |
| New immigrants | 11,096 | 11.3 |
| By district of residence | | |
| Jerusalem | 5,140 | 44.3 |
| North | 6,513 | 28.1 |
| Haifa | 8,427 | 43.2 |
| Center | 14,237 | 50.1 |
| Tel Aviv | 17,916 | 52.3 |
| South | 9,072 | 31.1 |
| By income level | | |
| Up to 1/4 the average wage | 19,625 | 32.0 |
| 1/4 to 1/2 the average wage | 17,410 | 43.1 |
| 1/2 to 3/4 the average wage | 10,476 | 54.2 |
| 3/4 to full average wage | 7,107 | 55.9 |
| Over the average wage | 7,159 | 53.2 |

* Not including Arabs who reside in Jewish or in mixed settlements.

Table 4
Recipients of Long-term Care Services, by Type of Service, December 2007

| Type of service | Number of recipients | Percent of service recipients out of all entitled persons | Percent of service recipients who receive the service as a single item out of all recipients of that service |
|------------------------------------|----------------------|---|--|
| Total* | 174,849 | - | - |
| Personal care at home | 126,349 | 98.2 | 70.2 |
| Personal care at a day-care center | 9,266 | 7.2 | 10.1 |
| Absorption products | 22,222 | 17.3 | 0.4 |
| Emergency transmitters | 16,378 | 12.7 | 0.3 |
| Laundry services | 634 | 0.5 | 0.6 |

* A person who is entitled to a benefit can receive more than one type of service. Hence, the total number of long-term care services recipients featured in the table is greater than the number of persons eligible to a benefit that counted 128.7 thousand.

C. Scope of payments

Aside from payments of direct benefits, the Long-term Care Insurance Law determines additional types of payment. 15% of the annual receipts of the Long-term Care branch are allocated to the Ministry of Health and to the Ministry of Social Affairs and Social Services to finance expansion of the number of inpatients in institutes. Monies are also allocated to the Fund for the Development of Community and Institutional Services for the Elderly.

In 2007, the total amount of payments transferred for financing the Long-term Care Insurance Law exceeded NIS 3 billion (in 2007 prices): about NIS 2.88 billion for provision of services to entitled persons and the remainder for development of institutional and community services for the elderly and for the execution of dependency tests. A sum of NIS 83.4 million was transferred to the Ministry of Social Affairs and Social Services and to the Ministry of Health for increasing the number of inpatients in nursing homes (Table 5). In addition, NIS 70.7 million were transferred to the Ministry of Social Affairs and Social Services, the "Clalit" sick fund, and assessors for preparing care schemes for entitled persons and for executing dependency tests.

Table 5
**Total Payments under Long-term Care Insurance Law, by Type of Payment
 (NIS thousand, 2007 prices), 2003-2007**

| Year | Total | Long-term care benefits | Transfer to outside agents* | Service development | Inpatients in nursing homes | On account of agreements with the Treasury |
|------|---------|-------------------------|-----------------------------|---------------------|-----------------------------|--|
| 2003 | 2,549.0 | 2,359.8 | 59.8 | 23.8 | 102.4 | 3.1 |
| 2004 | 2,569.6 | 2,372.2 | 63.5 | 35.9 | 95.5 | 2.6 |
| 2005 | 2,614.8 | 2,411.7 | 71.3 | 38.2 | 91.2 | 2.4 |
| 2006 | 2,732.5 | 2,549.0 | 62.0 | 30.1 | 88.4 | 2.3 |
| 2007 | 3,072.3 | 2,880.2 | 70.7 | 35.7 | 83.4 | 2.3 |

* Transfers to the Ministry of Social Affairs and Social Services and to the "Clalit" sick fund for preparing care schemes for entitled persons and for executing dependency tests.

In 2007 payments under the Long-term Care Law increased by 12% in set prices (2007 prices). Benefit payments increased by 13% as a result of an increase in the number of entitled persons and in the benefit level. As mentioned, beginning in January 2007, the 4% reduction in payment of long-term care benefits was halted, and a very high benefit level – at a rate of 168% of a disability pension for an individual – was added. The average benefit level in set prices went up in 2007 by 4.4% as compared to 2006, reaching NIS 2,110.