
Long-term care social insurance. How to avoid big losses?

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Abstract

Long-term care (LTC) needs are expected to rapidly increase in the next decades and at the same time the main provider of LTC, namely the family is stalling. This calls for more involvement of the state that today covers less than 20% of these needs and most often in an inconsistent way.

Besides the need to help the poor dependent, there is a mounting concern in the middle class that a number of dependent people are incurring costs that could force them to sell all their assets. In this paper we study the design of a social insurance that meets this concern. Following Arrow (1963), we suggest a policy that is characterized by complete insurance above a deductible amount.

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