

Informal Care

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Informal Care (1)

- Growing recognition that informal care is an integral part of the health care system
- Informal care of elderly by adult children
 - Is most common form of long-term care (LTC)
 - Is preferred to formal care
 - Reduces formal LTC use and expenditures
- Van Houtven and Norton (*JHE*, 2004 & 2008)

Informal Care (2)

- *Informal care* (IC) is unpaid care provided by a child or child's family
- Typically
 - Unskilled care
 - Help with ADLs or IADLs
 - Provided by daughters (-in-law)
- *Formal care* (FC) is paid medical or custodial care

Informal Care (3)

- Demand for IC expected to increase
- Supply of IC expected to decrease
- Modest policies support caregivers
 - States passed tax credits for caregivers
 - National Family Caregiver Support Program 2000

Informal Care (4)

- Health and economic consequences
 - Improves health of elderly persons
 - Worsens health of caregivers

- Affects transfers of money
- Affects formal health care expenditures

IC and Transfers (1)

- Four stylized facts
 - Hundreds of billions of dollars pass to next generation each year
 - Inter-vivos transfers often unequal
 - Bequests almost always equal
 - Much informal care given to elderly parents
- Norton and Van Houtven (*SEJ* 2006)

IC and Transfers (2)

- Exchange is stronger motive for inter-vivos transfers than bequests
 - Stronger incentives from direct link between transfers and IC
 - Less expensive to change terms of transfer than rewrite will
 - Can hide payments from other children

IC and Transfers (3)

- Probability of *transfer* depends positively on informal care
 - Exchange informal care for transfer \$
- Effect should be stronger for younger parents because uncertainty increases with time horizon
- Probability of *equal bequest* is unrelated to informal care
 - No exchange motive for bequest

IC and Transfers (4)

- HRS/AHEAD data
- Control for endogeneity, wealth effects
- Use within-family variation in informal care

IC and Transfers (5)

- Child who provides informal care is ...
 - 11-14% more likely to receive transfer
 - (Results stronger for younger parents)
 - Not more likely to receive bequest

IC and FC

- Substitutes
 - If informal care reduces formal care
- Complements
 - If informal care reveals needs, improves access
- Empirical question, endogeneity problem
- Van Houtven and Norton (*JHE*, 2004 & 2008)

IC and FC: Use (1)

- Does informal care reduce total formal health care use of the elderly?
- What kind of use does informal care affect?
- Is informal care endogenous?

IC and FC: Use (2)

- Two-part models of use
- IV methods for endogeneity of IC
- Instruments related to supply of IC
 - Number of children
 - Gender of children
 - Birth order
- HRS/AHEAD data

IC and FC: Use (3)

- IC substitute for
 - Home health care
 - Nursing home care
 - Hospital LOS
- IC complement for
 - Pr(outpatient surgery)
- Overall, IC is net substitute

IC and FC: Expenditures (1)

- Need to determine how IC affects health *expenditures*
- Does IC by adult children reduce Medicare expenditures of single elderly?
- What about when
 - Parents are married? Predict less
 - Son is the primary caregiver? Predict no difference
 - Primary caregiver is not a child? Predict less

IC and FC: Expenditures (2)

- Similar methods as before
- IV methods for endogeneity of IC
- Instruments related to supply of IC
 - Number of children
 - Gender of children
 - Number of adult children < HS educ.
- HSR/AHEAD data

IC and FC: Expenditures (3)

- IC reduces total Medicare expenditures, only some results statistically significant
- LTC: IC reduces
 - Pr(home health expenditures)
 - Pr(skilled nursing expenditures)
- Acute care: IC reduces
 - $E(\text{inpatient expenditures} | y > 0)$

IC and FC: Expenditures (4)

- Married: confirmed (mostly)
 - Smaller marginal effects, less significant
- Sons v. Daughters: confirmed
 - No difference
- Non-children: limited support
 - Right direction, little significance

IC and FC: Expenditures (5)

- Would it be fiscally prudent to create tax incentives for people to provide more IC?
- Do cost offsets from lower Medicare expenditures outweigh tax breaks?
- Back-of-envelope calculation
 - If person becomes full-time caregiver
 - Requires 1,920 hours
 - Saves \$4,638
 - Average of \$2.42 per hour

Europe

- In OECD countries, availability of spousal caregiver reduces national LTC expenditures (Yoo, Bhattacharya et al., 2004)
- In Europe, IC is substitute for informal care, complement for doctor and hospital visits, varies across region (Bolin, Lindgren, Lundborg, 2008)

Korea

- Young Do will discuss his research on informal care in Korea later today

Japan (1)

- Japan introduced public LTC insurance in 2000
- New LTC insurance is not means tested
- Political motivation came from caregivers
 - Implies caregivers are substitute for formal LTC
 - Implies social norms are changing in Japan

Japan (2)

- Two time trends
 - Fewer grandparents live with extended family
 - Sons gradually taking on greater role
- Daughters-in-law are traditional caregivers
- Related to opportunity cost of time

Japan (3)

- Informal care provided by daughters (MHLW, 2004)
 - 41% Daughters
 - 34% Daughters in law
 - 24% Sons
 - 1% Sons in law

Japan (4)

- Potential supply of caregivers (children and children-in-law) are substitutes
- Opportunity cost of time matters
 - No HS education: stronger substitute
 - Unmarried: stronger substitute
- No effect of daughters-in-law
- Hanaoka and Norton (*SSM*, 2008)

China (1)

- Rapid reduction in total fertility rate
 - From 6 in 1960s to <2 in 1990s
- Increase in sex ratio (more boys than girls)
 - Now around 120 boys to 100 girls
- Children provide much IC for elderly parents

- Jipan Xie (2005)

China (2)

- What matters is whether have any child
 - Informal care unrelated to having >1 children
 - Nearly the same if sons or daughters
- Changes focus from one-child policy and total fertility rate to marriage rate

Future Research

- International comparisons
 - Cultural differences
 - Time trends
- Other economic incentives
 - Bequests and transfers to caregivers
 - Time spent with grandchildren
 - Caregiver labor supply
- Quality of informal care