

Can Long-Term Care Insurance Promote Aging in Place? Evidence from China's LTCI Pilot Policies

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Abstract. The changing demographic trend in China towards the ageing population has brought about a deep-rooted demand for long-term eldercare. At the same time, the integrity of the traditional family caregiving system has been compromised, which case, it has been fueled by the reduction in the size of households, domestic migration, and changing values in society. As a result, the idea of helping the elderly to age at home is now a crucial social policy goal. The paper will examine how effective the experimental Long-Term Care Insurance (LTCI) systems in China have been in promoting this purpose and will map out the processes that will support this shift in an orderly fashion. Combining up-to-date policy guidelines with recent empirical evidence, the study segregates four key areas, namely: provision of professional care, informal household support, structural living conditions, and extended intra-family spillover consequences. Current data show that LTCI promotes aging in place by stimulating the community-based interventions expansion. It has been proven to reduce the burden on family caregivers, reduce the reliance on costly institutional care, and enhance the autonomy of the elderly. Remarkably, these results are largely regionally heterogeneous as local differences between the policy structure, funding, and the execution of the services are present. After all, LTCI is more than mere monetary rewards; it is an essential institutional tool that is completely reshaping the situation with long-term care in China, making long-term care an affordable part of reality.

Keywords: Long-term Care Insurance, Ageing in Place, Family Caregiving

1. Introduction

The fast-aging population in China has resulted in a phenomenal increase in the demand for long-term care. At the same time, the old system of care giving in the country that was based on the family is becoming more and more unsustainable, as the household size is declining, domestic migration is on a large scale, and the entire social fabric is undergoing a fundamental change. Therefore, empowering the elderly to age in place has become an essential issue on the modern agenda of policies. It does not simply mean living at home but rather refers to older people being able to remain in familiar family and community environments whilst still receiving the care they require. This issue is significant because ageing in place is closely linked to the quality of care, family support, and the well-being of older people. Recent research also indicates that Chinese residents place great importance on home care services, particularly in terms of service attitude, the

scope of care, and costs. This suggests that the feasibility of ageing in place depends largely on formal care support, rather than merely on personal preference [1].

Against this background, this paper asks whether China's Long-Term Care Insurance (LTCI) pilot policies can promote ageing in place. Existing studies have shown that LTCI can reduce unmet care needs, lower informal care intensity, improve health, and reduce inpatient service use and medical expenses [2, 3]. More direct evidence further suggests that LTCI can change older adults' living arrangements by increasing the likelihood of living alone or only with a spouse and reducing the preference for living with adult children [4]. Therefore, this paper examines the relationship between LTCI and ageing in place from four connected dimensions: formal care, informal care, family living arrangements, and family spillover effects. Its significance lies in showing that LTCI is not only a financing policy, but also a policy that can reshape the care model of ageing in China.

2. Literature review

2.1. Factors that affect aging in place

Ageing in place is not only a matter of personal choice. This depends on whether older people have sufficient care support, financial resources, and family assistance. In China, as the population ages more rapidly, household sizes shrink, and the traditional role of the family in providing care weakens, this issue is becoming increasingly important. Against this backdrop, the ability to age in place depends on health status, the extent of disability, the level of family support available, and access to formal home-based care services. Ni et al. show that Chinese residents place a high value on the quality of home-based care. According to a discrete choice experiment which involved 680 respondents in 21 provinces, the service attitude came out as a significant priority with a relative value of 29.59, and the specific nursing program as the next important priority with a relative value of 29.30, and the monthly costs lastly with a relative value of 20.62 [1]. These findings suggest that the quality of services offered and the extent of the support network around the area greatly determine successful aging in place.

Wider scholarship supports that the living conditions are a key to the health of older adults. These arrangements are not simply indicative of a physical address but the identity of primary caregivers and the amount of support that is available in a family. Zhu and Bai place living arrangements as an important analytical tool to understand long-term care, as living arrangements can be considered a direct proxy of the underlying caregiving models and intergenerational resource transfers [4]. Moreover, they underline that residential decisions are closely connected to the main philosophy of ageing in place, which has a direct effect on the mortality rates, mental health, and the level of life satisfaction. Therefore, real home-based care goes well beyond just being a matter of living at home; it has to be thought of as a comprehensive system of care, maintained in collaboration via the assemblage of family networks and professional services [4].

2.2. The role of long-term care insurance

Understanding of the benefits of long-term care insurance (LTCI) is growing, and it is clear that the benefits of long-term care insurance are extensive to the elderly. As an example, Lei et al. discovered that LTCI was an effective intervention to support unmet daily care needs, lessened the stress of heavy informal caregiving, decreased out-of-pocket medical costs, and eventually enhanced self-reported health outcomes of both older adults and their extended families [2]. These results compel a change of concept: instead of acting as a mere financial buffer, LTCI is a transformative

welfare system that can modernize the whole caregiving landscape. In addition to enhancing domestic household relations, LTCI also pushes for major changes in the systemic health care usage and spending patterns. Han et al. show that LTCI reduced the probability of inpatient service use by 4.2%, annual inpatient admissions by 10.2%, annual inpatient cost by 16.2%, out-of-pocket inpatient expenses by 20.7%, and public insurer reimbursement expenditure by 9.9% [3]. Li et al. also find that LTCI significantly reduced monthly out-of-pocket outpatient expenditure by 313.764 yuan, although its effect on inpatient outcomes was not significant in that study [5].

LTCI can also reduce family care burden and create spillover effects within households. Pei et al. show that LTCI significantly reduced the care burden of informal carers and improved labor market participation [6]. Research reports indicate that the care burden on spouses has been reduced by 8.5 hours per month, whilst the average annual income of younger family members has increased by 4,534 yuan [6]. These research findings demonstrate that long-term care insurance affects not only older people but also their families. Given that family care continues to play a significant role in China, this finding is of great importance for understanding how long-term care insurance supports older people in China in ageing in place.

2.3. The relationship between LTCI and aging in place

Although existing literature suggests that long-term care insurance (LTCI) influences health status, healthcare utilization, and informal care, direct evidence regarding ageing in place remains limited. Zhu and Bai provide important evidence on this issue. Using three rounds of CLHLS panel data from 2014 to 2021 and employing a difference-in-differences (DID) design, the researchers found that long-term care insurance significantly increased the likelihood of older adults living alone or with their spouse only, whilst reducing their tendency to live with adult children [4]. They explained these effects through two main channels: the expansion of home and community-based services and improvements in health status [4].

Chen reached a similar conclusion from a different perspective. By analysing administrative data from a pilot city, Chen found that simply being eligible for long-term care insurance increased the probability of choosing to age in place by approximately 16%, even before any actual insurance payouts were received [7]. Taken together, these studies suggest that long-term care insurance is associated not only with care expenditure or institutionalization but also with the living arrangements of older people [4, 7]. An agreement in the existing literature emphasizes a definite functional pathway: meeting the unmet care needs, reducing the burden on family caregivers, and the upscale of community and home-based services. Long-term care insurance actively contributes to aging in place [2, 4]. However, the practical effectiveness of such programs is extremely dependent on the details of policy designs, the peculiarities of the local practice, and the fine balance between formal and informal care webs [8, 9].

3. The development path of China's LTCI policies

3.1. Policy background

With the accelerating demographic aging, the increased physical disability rate, and the increasing burden on family networks and the health care system in general, China started a pilot long-term care insurance program. The 2016 "Guiding Opinions" issued by the Ministry of Human Resources and Social Security clearly place this insurance as one of the core strategies to navigate the aging society, positioning it as a project of paramount importance to the national social security system

and as an essential upgrade to the system [10]. This report details a vision to create a social insurance safety net to provide either direct financial support or practical care provision to those afflicted with chronic disabilities, putting much emphasis on real-life assistance and associated medical and nursing care. Moreover, it set up a preliminary one to two-year pilot phase to acquire experience in operations and cement the policy framework during the 13th Five-Year Plan [10].

The demographic realities and institutional gaps were a combination that propelled the push of this framework. Although the nation has managed to implement almost universal basic medical insurance, the vast number of the weak and disabled elderly who need long-term care has exceeded the capacity of available formal caregivers within a very short period of time. According to Zhu and Bai, the fast urbanization, the decline in the number of members of the household, and the change in cultural values have disrupted the classical Chinese system of care that was family-oriented [4]. To elaborate on this, Li et al. and Du et al. emphasize that the increase in prevalence of partial and severe disabilities in the elderly has not only made long-term care an issue of national concern but also an emergency issue that needs to be addressed at the federal level [8, 9]. As a result, the LTCI pilots were put in as an experimental system to offload a small part of this huge caregiving burden on families onto a well-structured social insurance system.

3.2. Core policy design

The basic framework of the LTCI pilots was officially presented in the 2016 Guiding Opinions [10]. The first phase was characterized by coverage of mostly those members who were already covered by the urban employee basic medical insurance program, and specifically, the long-term and severely disabled persons. The regulations outlined that the insurance fund was to subsidize the basic daily living care and closely related medical nursing services, with the total rate of reimbursement being about 70 percent of the expenses incurred [10]. In addition to simple financial compensation, the framework also required the creation of independent fund management guidelines, standardized disability tests, strict quality checks of services, and overall cost-control systems. Most importantly for this paper, the policy explicitly encouraged priority use of home and community care services and encouraged institutions to extend services to communities and families [10]. This shows that support for aging in place was present in the original policy design, not added later.

Later policy development expanded the pilot program and made the LTCI system more operational [8, 9, 11]. Policy evaluation studies show that China's LTCI pilots developed into a diverse set of local models. Li et al. conducted a survey of all 49 pilot cities and found that the average policy score was 71.8, ranging from 57.5 to 92.5 [8]. Their study indicates that, although the overall performance of the pilot projects was positive, there were still marked differences between regions. Du et al. also found significant variations among the pilot cities in terms of financing channels, welfare provision, care conditions, and management structures [9]. These studies suggest that China's long-term care insurance is not a single, uniform system, but rather exhibits significant regional variations, and that these variations are crucial to its ability to support home-based care.

3.3. Policy strengths

A major advantage of China's long-term care insurance policy is that it transforms long-term care from a private burden borne primarily by families into a formal public policy framework. Prior to the introduction of long-term care insurance, many elderly people with severe disabilities relied mainly on their families for care, whilst formal support was extremely limited. A 2016 policy

document defined long-term care as a social insurance issue, thereby establishing a more robust institutional foundation for care provision, disability assessment, and public financing [10]. This institutional shift is crucial because, when disability becomes severe or long-term, family care alone cannot sustain care at home.

A second advantage is that the pilot policy recognises the value of home-based and community-based services. The 2016 policy explicitly encouraged pilot regions to guide beneficiaries towards choosing home-based and community-based care, and to extend institutional services into the home and community [10]. This approach is consistent with the key mechanisms identified in recent research. Zhu and Bai argue that one reason why long-term care insurance (LTCI) promotes independent living is that it expands home and community care services; meanwhile, Chen's research indicates that eligibility for long-term care insurance increases the probability of choosing to age in place by approximately 16% [4, 7]. These studies indicate that the policy's support for home and community care is not only theoretically significant but also highly valuable in practice.

Another advantage of the pilot scheme is that it creates opportunities for policy learning. As different cities have adopted varying financing methods, reimbursement rules, and service packages, China has been able to test multiple models before rolling them out on a larger scale. Li et al. point out that, although the quality of implementation has been uneven, many pilot cities have been committed to alleviating both the financial and caregiving burdens [8]. Research by Du et al. also indicates that pilot cities have developed distinct implementation pathways, rendering the pilot phase of significant value for both local practice and national policy design [9]. In this sense, the pilot phase has helped China identify which measures are effective and which require further refinement, particularly in the areas of community and home-based services.

4. Mechanism analysis: how LTCI may promote aging in place

4.1. Formal care: LTCI expands care options outside the family

The main process revolves around the expansion of professional services of care. As the aged populations gain reliable support systems in either their residential or their local surroundings, without necessarily depending on the support of their families or amidst acute care centers, aging in place becomes a feasible option. This dynamic is in line with both early regulatory goals and modern-day empirical evidence. In particular, the 2016 pilot directives clearly required that insured people should be directed towards domestic and community-based care, and, in the same breath, required service providers to decentralize their services to domestic and community-based care [10]. Effectively, the provision of home-based care was a backbone of the policy framework. This trend is supported by successive academic research studies. Zhu and Bai noted that the establishment of LTCI was associated with a higher percentage of seniors living alone or with a partner, which they explained by the shift in demography, mainly due to the higher number of local care networks [4]. They also stressed the fact that the administrative parameters in the locality, especially reimbursement protocols, have a significant modulating influence on the degree of this outcome. Offering specific evidence based on the experimental municipalities, Chen showed that only being able to receive LTCI increased the chances of choosing home-based care by about 16%, which was a behavioral change that did not happen in relation to the actual use of services [7]. Such findings suggest that LTCI modifies not only immediate resource consumption but also long-term psychological expectations and preparatory care strategies. Consequently, by democratizing access to professional local care, LTCI elevates aging in place from an aspirational preference to an empirically viable paradigm.

4.2. Informal care: reduced family care burden under LTCI

The second mechanism is the reduction of the informal care burden. In China, family members still provide a large share of long-term care. This means that the feasibility of aging in place depends not only on the older person's needs, but also on the family's ability to provide time and labor. When LTCI makes formal care more available, some family care can be replaced or reduced. Lei et al. show that LTCI reduced unmet care needs, lowered the intensity of informal care, and improved self-reported health among older adults and their families [2]. Chinese evidence at the micro level points in the same direction. Man and Ma find that LTCI reduced monthly family care days by 3.47 days and family care hours by 41.47 hours, while also improving physical and mental health outcomes [12]. Han et al. also include annual informal caring hours as a mechanism variable and explain their results through a substitution effect, namely that community health centers and nursing homes can replace part of hospital-based care and reduce the family's need to manage care through crisis-driven hospitalization [3]. This logic is important for this paper. If family members need to provide less care, then older adults do not need to depend as heavily on co-residence with children. Therefore, the reduction in informal care burden is one major channel through which LTCI can support aging in place.

4.3. Family living arrangements: changes in older adults' living location and coresidence under LTCI

The third mechanism is the reorganization of the family living conditions, which is the nearest channel between LTCI and the viability of aging in place. With the growth of professional care networks and the decrease in domestic caregiving load, elderly people are more willing to keep their own homes or live with their partners. The need to live with adult children, with the main aim of ensuring physical support, is reduced tremendously. This trend is strongly supported by Zhu and Bai. Their findings, based on Chinese Longitudinal Healthy Longevity Survey (CLHLS) panel data between 2014 and 2021, showed that the introduction of LTCI significantly increased the likelihood of elderly people living alone or with a spouse, at the same time reducing the risk of intergenerational co-residence [4]. The authors attribute this move in residence to two main factors: the policy introduces direct subsistence into home-based care through strengthened community infrastructure and, at the same time, the physical autonomy through reduced occurrence of acute health crises [4]. In support of these dynamics, Chen showed that simple eligibility in LTCI in pilot municipalities significantly directs older age groups to home care as opposed to institutionalization [7]. Finally, these studies have highlighted the importance of household structures as not fixed demographic factors, but as dynamically reacting to the interventions of the state. They serve as harbingers of care availability change, intergenerational change, and altering the economic calculus of independent living. Therefore, observing the change of patterns of cohabitation within the family is one of the basic measures of assessing the actual effectiveness of LTCI in aging in place.

4.4. Family spillover effects: impacts of LTCI on older adults and their relatives

The fourth process revolves around family spillover impacts. Through its direct benefits to the elderly enrollees, LTCI spins off into the entire household environment, making a significant impact on the time constraint, career path, and even financial security of the spouses, children, and even the grandchildren. Pei et al. provide impressive empirical evidence of this dynamic. In their analysis, based on longitudinal China Health and Retirement Longitudinal Study (CHARLS) data between

2011 and 2018, they were able to show that LTCI had a significant impact on reducing the burden of caregiving on informal family members and also increased household income [6]. In particular, the statistics showed that there was a decline in spousal caregiving responsibilities of 8.5 hours in a month, and an annual average increase in income of 4,534 yuan for younger family members [6]. Moreover, they also show that LTCI has a very strong effect on the labor market of younger caregivers- a group that is usually in their prime earning years and is usually disproportionately burdened by family care responsibilities.

These spillover impacts are quite pertinent to the main thesis of this paper since they assist in putting into perspective the changes in residential trends seen. Reduced potential caregiving burden on descendants when the members of the up-generation are few means that the younger generations are under less pressure to live with their parents during their old age and to delay their entry into the workforce in order to offer informal care. Chen supports this dynamic by saying that the extent to which family members are attached to the labor market is a critical determinant of whether or not home-based or institutional care is chosen [7]. After all, LTCI does not simply allow the elderly to age in place but essentially liberates the entire family unit by soothing it out of excessive burden of caregiving.

4.5. A combined mechanism: from care support to aging in place

When the evidence available is synthesized, it becomes evident that these dynamics are not four independent effects, but one, highly integrated mechanism. The process starts with formal care options being scaled up by LTCI and the economic barriers to the acquisition of professional help being pushed down by LTCI beyond the normal scope of acute hospital environments and family networks. This, in turn, minimizes the unmet care needs and is included in the informal care burden that spouses and children bear. Consequently, living with adult children will be less of a necessity, and independent living, either alone or in a marriage, will become a possibility. At the same time, the reduction in family care burden creates positive spillovers for other household members, especially those in the labor market [2, 6, 12]. This combined mechanism is also consistent with the broader shift in China's long-term care policy toward home- and community-based services and away from pure reliance on either hospitals or family-only care [10]. Therefore, the effect of LTCI on aging in place should be understood as the result of an institutional change in the care system, not as a simple change in residential preference.

5. Conclusion

This paper argues that China's LTCI pilot policies have generally supported ageing in place, but this effect is achieved through several connected channels rather than through a single direct change. LTCI helps expand formal care, reduce part of the family caregiving burden, and make more independent living arrangements possible for older adults. In this sense, LTCI should be understood not only as an insurance arrangement, but also as an important support system for home- and community-based ageing.

This paper also shows that the relationship between LTCI and ageing in place should be examined from a broader family perspective, including living arrangements and spillover effects within households. At the same time, this study has clear limitations. It is based mainly on policy documents and existing studies rather than original empirical estimation, and ageing in place is discussed mainly through care feasibility and living arrangements. Future research should therefore

pay more attention to local policy differences and to the long-term effects of broader LTCI implementation.

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