

# Decentralised funding of homes for the elderly and infirm in Croatia

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# PRESS RELEASES

## Decentralised funding of homes for the elderly and infirm in Croatia

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**The Government annually adopts a Decision on the Minimum Financial Standards, Criteria and Benchmarks for Decentralised Funding of Homes for the Elderly and Infirm. The decision governs the funding of the nursing homes for which the founding rights have been transferred from government to counties and the City of Zagreb. Previously, this decision comprised the planned revenues and expenditures of the homes by county. However, the decision for 2017, as well as the recently published **Decision for 2018**, only specify the differences between the homes' revenues and expenditures to be allocated from budgets of the counties and the City of Zagreb (a total of HRK 164.5m in 2018).**

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The Republic of Croatia owns two homes for the elderly and infirm. There are also 46 decentralised (county-owned) homes and about a hundred privately owned ones (not including branches and family homes). Decentralised homes, with about 11,000 (two thirds of total) users predominate in the nursing home scheme. The accommodation capacities of those homes have changed only slightly, while the demand has grown steadily. According to the latest available data (as at end-2015), there were over 70,000 submitted accommodation applications, of which over 25,000 applicants were interested in immediate accommodation<sup>1</sup>. For the sake of comparison, at the end of 2005, there were about 22,000 submitted applications and about 12,000 applicants for immediate accommodation.

The decentralised home accommodation prices are below the market prices. Such practice is made possible by the effective nursing home funding regulations. Specifically, according to the Act on the Financing of Units of Local and Regional Self-government, the units are entitled to an additional share in the personal income tax revenues for the purpose of nursing home funding. Until 2007, that share stood at 1.6% and went up to 1.7% later on. In 2015, however, it dropped to 0.6%. The said revenues are used by counties and the City of Zagreb, to finance the operations of nursing homes up to the amount of the difference between their revenues and expenditures. Where the revenues of the counties and the City of Zagreb from the additional personal income tax share are not sufficient to cover the gap, the necessary funds are provided from the state budget equalisation grants for decentralised functions. In short, the counties and the City of Zagreb allocate budget funds to the nursing homes which they have founded.

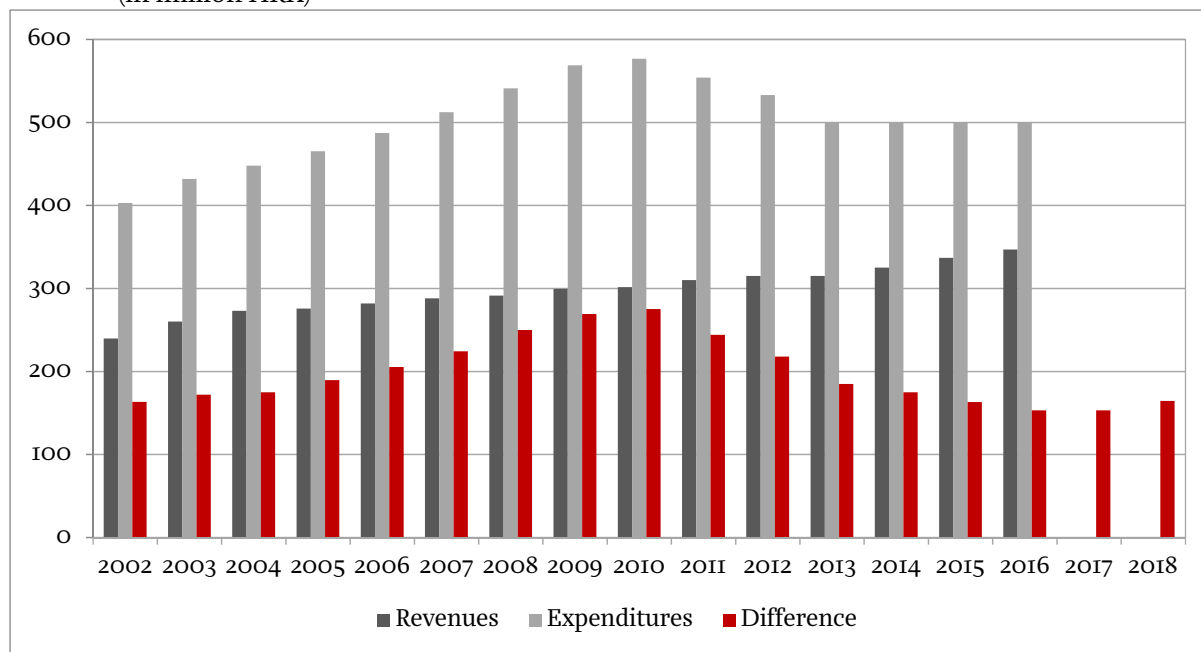
As shown in Graph 1, the nursing homes' revenues realised by charging the price of out-of-home care have grown continuously, while expenditures grew until 2010 and then fell. The gap between them

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<sup>1</sup> The Ministry of Demography, Family, Youth and Social Policy publishes annual statistics on nursing homes and social welfare beneficiaries. Unlike in the previous statistics, the accommodation demand data are not included in the latest published report (for 2016). It is worth noting that a certain number of elderly persons submit their applications considerably before the need for accommodation arises. Moreover, applications can be filed with multiple nursing homes.

was the widest in 2010 (HRK 275.2m), but then shrank gradually until 2018, when it widened again to HRK 164.5m. In the past, the decisions included not only revenues and expenditures, but also the structure of expenditures (e.g. expenditures for employees and for the acquisition of non-financial assets, material and financial expenditures, etc.). Currently, however, the cause of the gap widening cannot be seen, although it is probably the increase in expenditures for employees.

**Graph 1** Revenues and expenditures of decentralised homes for the elderly and infirm (in million HRK)



Note: The revenues and expenditures for 2017 and 2018 have not been published.

Sources: Bađun (2017), and Decisions on the Minimum Financial Standards, Criteria and Benchmarks for Decentralised Funding of Homes for the Elderly and Infirm, 2016, 2017 and 2018 (OG 33/16, 14/17 and 7/18).

In contrast to earlier decisions, the decisions for 2017 and 2018 do not contain the number of home users, so that the difference between revenues and expenditures per user is not indicated, nor is it possible to make a comparison between the counties and the City of Zagreb based on that indicator. Nevertheless, in 2016, the overall monthly amount of that difference was HRK 1,100. The lowest amount was recorded in the City of Zagreb (about HRK 300) and the highest in the Istria County (about HRK 2,200). It should be noted that, apart from direct allocation of budget funds to the nursing homes for their operations, the government (i.e. Ministry of Demography, Family, Youth and Social Policy) also covers the accommodation costs for users who are unable to do so (either themselves or with the help of their families). However, these amounts are not published.<sup>2</sup> According to the Social Welfare Act, the pricing methodology (including the determination of accommodation prices) in the welfare services network is laid down in a rulebook issued by the competent minister. However, as such a rulebook (or at least a draft of it) has not been released, accommodation prices are set by the homes' founders.

The current nursing home funding system produces great inequalities between decentralised home users and those who are forced to live in more expensive private homes because of no vacancies in the decentralised homes. Persons needing urgent accommodation are in a particularly difficult position, given the unclear and uneven criteria for decentralised home accommodation. Applications for accommodation are decided on by the nursing home's commission in accordance with the Rulebook on Admission and Discharge of Home Users (issued by the home's governing board) which only specifies the conditions laid down in the Social Welfare Act, whereas the order of admission is decided on by the aforementioned commission.

<sup>2</sup> For more details, please see Bađun (2017).

Due to accelerated population ageing in Croatia, accompanied by a decline in the number of potential family care providers (as a result of fewer children in families, an increase in the divorce rate and the number of single-person households, as well as employment growth of women), the demand for long-term accommodation in nursing homes is very likely to go up. The Government should clearly define criteria for admission to nursing homes at the national level, making use of international experience, and urgently adopt a rulebook on the methodology of accommodation pricing, taking account of equality between the users of decentralised homes and those accommodated in private homes. It is necessary to enhance transparency by publishing, on a single website, accommodation prices, the number of vacancies and the up-to-date number of applicants for each home. It is recommended that the Government should publish as much financial data as possible to provide a basis for more effective policy measures in the field of long-term care.