

# Does long-term care insurance enhance consumption of the elderly? Evidence from China



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# 1. Introduction

## Elderly consumption

The elderly consumption is booming, with seniors driving trillions "silver economy" focused on healthcare, tourism, smart products, and et al.

## LTCI

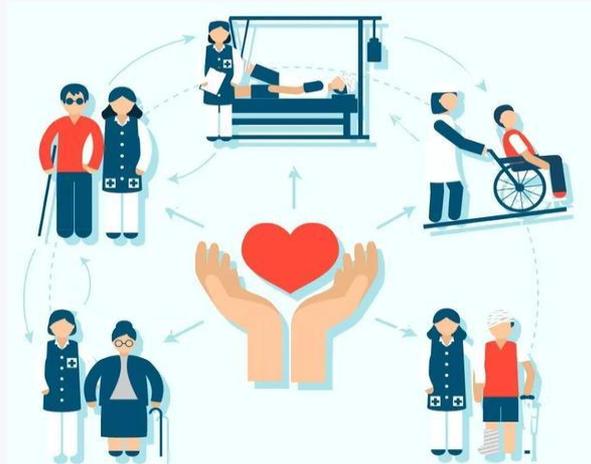
It provides financial support for daily care service to elderly or disabled individuals requiring long-term assistance.



# 2. Policy background and literature review

## 2.1 Policy background

China's LTCI policy has undergone a transformative journey since 2016, evolving from 15 initial city pilots to establish a unified national system as the "sixth social insurance pillar", prioritizing home/community-based care.



# 2. Policy background and literature review

## 2.2 Literature review



Elderly consumption and its influencing factors

Factors such as health risks shape elderly consumption while simultaneously restructuring consumption priorities toward healthcare needs (Modigliani & Brumberg, 1954; Lin, et al., 2025; et al.).

LTCI affects household consumption behavior, but the specific nature of its impact has not yet been agreed upon in previous studies (Ariizumi, 2008; Iwamoto et al., 2010; Lee et al., 2019; Yun & Kim, 2023; et al.).

Long-term care insurance and consumption effects



# 3. Theoretical analysis and hypotheses

## 3.1 Long-term care insurance and the elderly consumption

Long-term care insurance enhances the elderly total consumption, as well as the upgrading of consumption.



# 3. Theoretical analysis and hypotheses

## 3.2 Hypotheses of mechanisms

Precautionary  
savings  
reduction

Psychological  
and emotional  
well-being

Intergenerational  
support  
reconfiguration

# Precautionary savings reduction

**LTCI triggers a substitution effect (Feldstein, 1974) by insuring against catastrophic care costs, which reduces elderly households' precautionary savings and converts defensive reserves into consumption expenditures.**

**By mitigating longevity risk and health shock uncertainty, LTCI optimizes lifetime consumption welfare, enabling behavioral shifts from risk-averse savings to well-being-oriented spending.**

# **Psychological and emotional well-being**

**LTCI alleviates financial anxiety over catastrophic care costs, reducing depressive symptoms and enhancing life satisfaction by providing psychological security through improved mental health metrics among recipients.**

**This uplift in subjective well-being that driven by reduced uncertainty triggers a behavioral shift from defensive savings toward discretionary consumption.**

# **Intergenerational support reconfiguration**

**LTCI reallocates family resources by directly reducing upward financial transfers to elderly parents due to care-cost substitution while freeing working-age caregivers especially women from intensive care duties, thereby boosting their labor force participation and household income generation capacity.**

**This shift expands extended families' collective economic resources and reorients intergenerational support toward non-financial forms such as emotional companionship, discretionary time, ultimately enhancing funds available for elderly well-being-oriented consumption**

# 4. Data, variables, and models

Data of LTCI pilots,  
CHARLS and City  
Statistical Yearbook  
from 2011 to 2020

LTCI, elderly  
consumption, and  
control variables

DID



# 5. Empirical analysis

**5.1**

**Baseline  
estimation**

**5.2**

**Endogeneity  
and robustness**

**5.3**

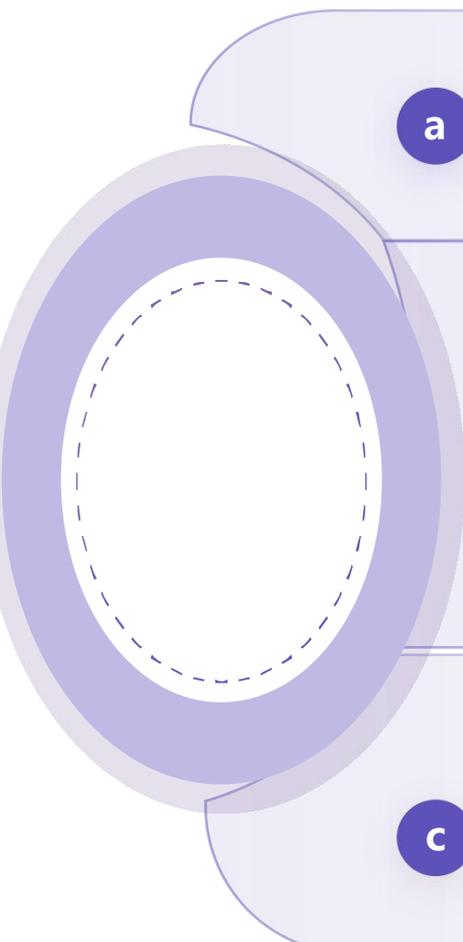
**Mechanism  
examination**



**5.4**

**Heterogeneity  
analysis**

# Main results



**a** LTCI raises consumption and encourages consumption upgrading of the elderly.

**b** LTCI contributes to increased and upgraded elderly consumption by lowering precautionary savings, enhancing mental well-being, and strengthening intergenerational assistance.

**c** The influence of LTCI differs significantly among urban and rural areas, across geographical regions, and within diverse population groups.

# Implication

**The findings emphasize the effectiveness of LTCI in both stimulating and upgrading the elderly consumption, thereby advocating for appropriate policy interventions to fully leverage its potential in addressing ageing-related challenges and fostering sustainable growth.**

Thank you !