C2: Plan for uneven price-responsiveness across countries

A 20% cut in formal-care costs would barely affect formal-care use in Sweden, but would substantially increase utilisation in Italy, Poland, and Spain. A one-size-fits-all subsidy design ignores these differences and may misjudge the magnitude of the response by a factor of up to five, depending on the country.

Recommendations:

- **Calibrate subsidies to each country's LTC-system generosity.** Avoid applying a uniform EU-wide subsidy rate or simply replicating policies that have worked elsewhere. This recommendation concerns the allocation of a given subsidy budget across countries, not the overall size of that budget, which is a separate fiscal decision.
- **Low-generosity systems** (e.g. Italy, Poland, Spain): prioritise affordability-focused subsidies. Formal care is the most price-elastic here (**-0.44**) and the response is broad-based across nursing home, formal home care, and mixed care. *These are also the systems where public LTC spending is projected to rise fastest on current trends, so subsidy design should be coordinated with, not added on top of, planned spending increases.*
- **Pair financial support with non-price fixes**, such as accessibility, quality, and the perceived acceptability of formal care, since equalising prices alone would not close the formal-care usage gap between high- and low-generosity systems.
- **High-generosity systems** (e.g. Sweden): target subsidies at *formal home care specifically*. Flat subsidies here mostly redirect spending toward costlier nursing-home care rather than reaching new households.
- **Build regular evaluation into subsidy design.** As LTC systems evolve and demographic pressures intensify, subsidy schemes should be adjusted in light of updated evidence on behavioural responses.

In short:

- Calibrate subsidies to national LTC-system generosity.
- Prioritise affordability-focused subsidies in low-generosity systems.
- Combine financial support with measures that improve accessibility and quality.
- Target support towards formal home care in high-generosity systems.
- Review subsidy design regularly as demographic and institutional conditions evolve.

Why this matters

Europe's care needs are rising while the family structures that traditionally met them shrink. As informal care becomes scarcer, formal care (nursing homes, formal home care, or a mix) will have to absorb a growing share of demand. Some governments have already begun subsidising formal-care costs to speed this up.[1]

The open question is not *whether* to subsidise formal care. It is *how much a subsidy actually changes behaviour*, and the answer depends heavily on where in the EU it is applied.

[1] For example, France's *Allocation Personnalisée d'Autonomie* (APA).

The headline number hides the real story

BB-Future's cooperative-siblings model simulated a 20% cut in formal-care out-of-pocket costs[2] across Europe. The average result indicates that formal care use rises 4.0%, which corresponds to a price elasticity of **-0.20**.

That average is not usable for policy design on its own. When splitting by LTC-system generosity, the picture changes sharply:

Country group	Increase in formal care	Elasticity
High generosity (e.g. Sweden)	1.5%	-0.08
Middle generosity (e.g. France)	2.9%	-0.15
Low generosity (e.g. Italy, Poland, Spain)	8.8%	-0.44
All Europe	4.0%	-0.20

Table 1: Estimated increase in formal care use following a 20% reduction in out-of-pocket costs. The high-generosity group is composed by Belgium, Denmark, Finland, the Netherlands and Sweden. The middle-generosity group is composed by Austria, Czechia, France, Germany, Ireland, Luxembourg and Switzerland. The low-generosity group is composed by Croatia, Estonia, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Slovakia, Slovenia and Spain. Source: Barczyk, Koh and Kredler (2026) based on SHARE data.

The same 20% price cut changes behaviour roughly five times more in low-generosity countries than in high-generosity ones. A subsidy scheme built for Italy would not deliver the same outcome in Sweden, and vice-versa.

Subsidies do not just add formal care, they reshuffle it

In *high-generosity* systems, a subsidy mostly **shifts households from home care into nursing homes**, rather than pulling new households into formal care at all:

- Nursing home use: **+2.6 pp**
- Formal home care: **-1.2 pp**
- Mixed care: **-0.8 pp**

Since nursing home care is the most expensive option, this reshuffling can raise public spending *without* expanding coverage and works against "ageing at home" policies that could be desirable in some Member States.

In *middle- and low-generosity* systems, the subsidy instead **expands the whole formal care sector**. Nursing home and formal home care both grow modestly, because families are switching out of informal care altogether rather than reallocating within formal care.

This assumes the workforce is there to deliver it

The elasticities above are *demand-side* responses, as they assume any additional demand for formal care is met by supply. That assumption is least safe precisely where the recommendation matters most.

[2] According to Eurostat, 'Household out-of-pocket payment' refers to a direct payment for healthcare goods and services from the household primary income or savings, where the payment is made by the user at the time of the purchase of goods or the use of services.

Poland, for example, has the smallest formal care system in the BB-Future sample, so meeting even *current* unmet demand would require a fundamental expansion of its care infrastructure, separate from any change in prices.

Subsidies that lower the price of formal care without a parallel expansion of the formal-care workforce risk simply bidding up wages and waiting lists rather than expanding access. This recommendation should therefore be read alongside Policy Recommendation C1, not as a substitute for it.

Why the response is so uneven

Care decisions are not driven by prices alone. The model shows that non-monetary costs (family preferences, social norms, and perceptions of formal care quality) matter just as much:

- Ignoring these preferences overstates the behavioural response by **roughly 100%**, in both directions.
- Equalising prices alone would leave the formal care gap between high- and low-generosity systems **largely unchanged**.

Bottom line: affordability measures alone are not enough. They need to be complemented by policies that improve accessibility, quality, and acceptability, particularly in low-generosity countries, where informal care remains prevalent but is expected to become increasingly scarce.

Demographics will make this more urgent, not less

As families shrink, the number of potential informal caregivers per elderly parent keeps falling. This decline is projected to be the **dominant driver** of rising formal-care demand by 2050, more so that labour-market participation or family structure. Low- and middle-generosity countries face both the sharpest coming rise in demand *and* the greatest behavioural leverage from reform. **They should act early.**

The analysis in this document is based on the following BB-Future sources:

- Barczyk, D., Y. Koh and M. Kredler (2026) 'Preference heterogeneity versus economic incentives: what determines long-term care arrangements in Europe?', SSRN Working Paper, available at: https://doi.org/10.2139/ssrn.7126885
- Börsch-Supan, A. and H. Horton (2026) 'Projections of the care gap in selected European countries based on demographic and health projections', Deliverable 4.4, BB-Future, available at: https://www.bb-future.eu/deliverables/
- Horton, H. and A. Börsch-Supan (2026) 'The future of the care gap in Europe', BB-Future Digest 6, 26 June, BB-Future, available at: https://www.bb-future.eu/wp-content/uploads/2026/06/BB-Future-Digest-6_26062026.pdf
- Kredler, M., Y. K. Koh and D. Barczyk (2026) 'Do formal care subsidies replace family care?', BB-Future Digest 10, 24 July, BB-Future, available at: https://www.bb-future.eu/wp-content/uploads/2026/07/BB-Future-Digest-10_24072026.pdf.