



Global Perspectives on Long Term Care: Japan and Hong Kong

Sponsored by the International Actuarial Association Health Section (IAAHS)

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Long Term Care Webcast Series

Mar 2017
US & Germany

Jun 2017
Canada & France

Sep 2017
Japan & Hong Kong

Dec 2017
Australia & Singapore

Highlighting the Long Term Care Report by the International Actuarial Association's Population Issues Working Group

Global Perspectives and Country Specifics

Demographics

**Expenditure and
Financing**

Program Designs

**Public/ Private
Partnership**

**Strategic Issues
and Approaches**

The IAA Paper – Global Perspectives on LTC

- ▶ The importance of the problem
- ▶ Underlying needs
- ▶ Satisfying the needs
- ▶ Financing the needs
- ▶ Challenges
- ▶ Approaches and criteria
- ▶ Roles for actuaries

*The LTC Paper was
published in April 2017*

[www.actuaries.org/LIBRARY/Papers/
PIWG_LTC_Paper_April2017.pdf](http://www.actuaries.org/LIBRARY/Papers/PIWG_LTC_Paper_April2017.pdf)

What is long-term care?

- ▶ Support of Activities of Daily Living (ADLs)



What is long-term care?

- ▶ Support of Instrumental Activities of Daily Livings (IADLs)

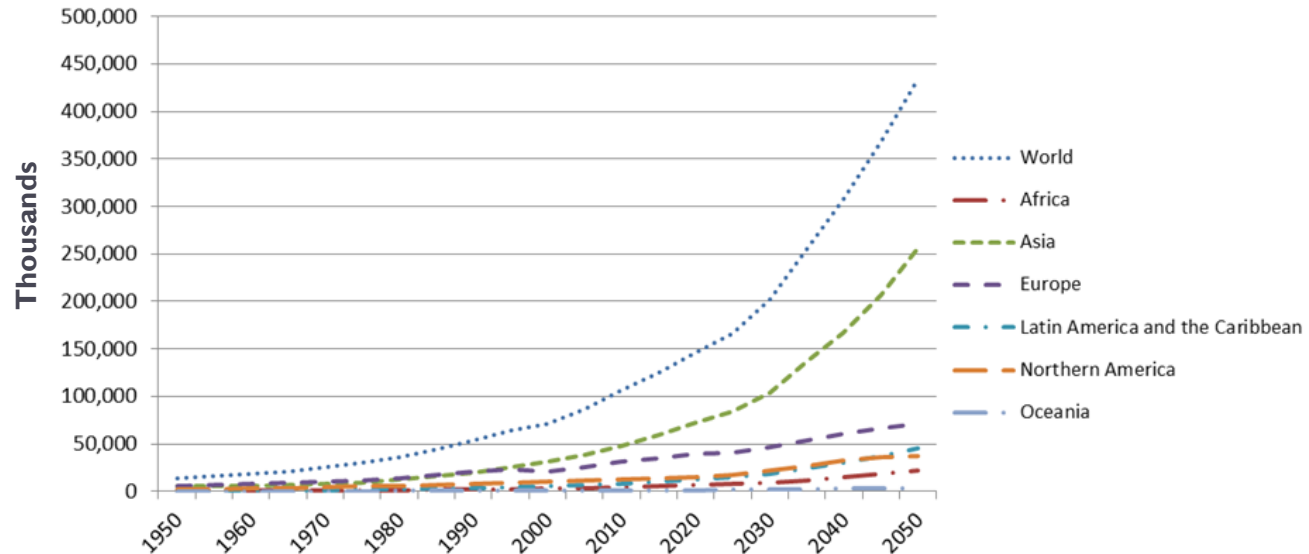


Importance of long-term care

- ▶ Aging society
 - ▶ Improvement in life expectancy and lower fertility
 - ▶ Most significant in countries with a post World War II baby boom
- ▶ Demographic and lifestyle changes
 - ▶ Smaller and less close families
 - ▶ Increased mobility
- ▶ Growing demand for caregivers and other support

Demographic explosion

Age 80+ Population



Source: United Nations 2015 Revision of World Population Prospects

- Number of people age 80+ is expected to increase from about 120 million now to more than 400 million in 2050; largest number will be in Asia

Percent of population 80+ years old

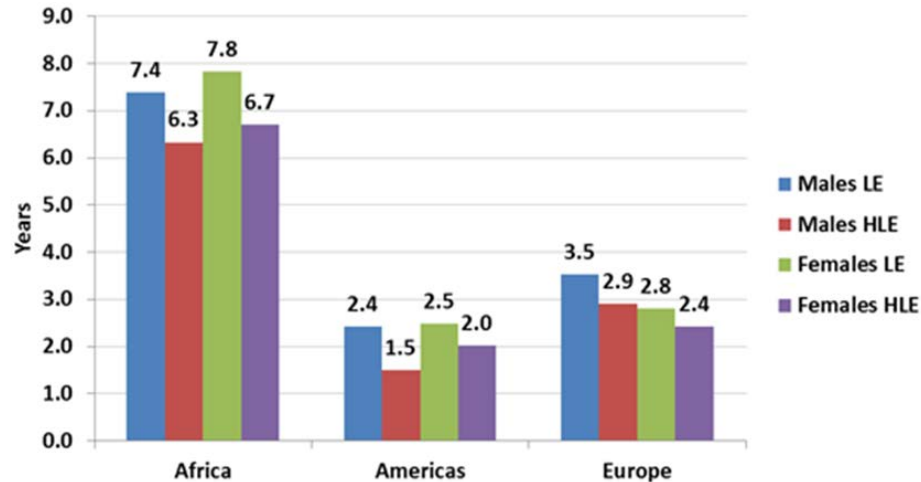
Gender	F	M	F	M	F	M	F	M
Country	Canada		China		France		Germany	
1970	1.8	1.3	0.4	0.2	3.2	1.4	2.4	1.4
1990	3.0	1.6	0.8	0.4	5.0	2.3	5.2	2.2
2010	4.9	2.9	1.6	1.1	6.9	3.8	6.8	3.4
2015	5.1	3.3	1.9	1.3	7.6	4.5	7.2	4.1
2030	7.4	5.6	3.4	2.4	9.2	6.4	9.4	6.6
2050	11.8	9.5	10.2	7.8	13.2	8.8	16.1	12.7
Country	Italy		Japan		South Africa		United States	
1970	2.2	1.4	1.2	0.6	0.6	0.3	2.3	1.5
1990	4.3	2.2	3.0	1.7	0.5	0.2	3.7	1.8
2010	7.4	4.2	8.1	4.4	1.2	0.7	4.5	2.7
2015	8.5	5.1	9.8	5.6	1.3	0.6	4.6	2.9
2030	11.5	7.8	15.4	9.8	1.7	0.4	6.3	4.5
2050	18.0	13.1	18.1	12.0	2.9	1.2	9.4	7.3

- Significant increase in most countries (other than South Africa)
- Caused by increased longevity and decreased fertility

Source: World Bank

Morbidity expansion

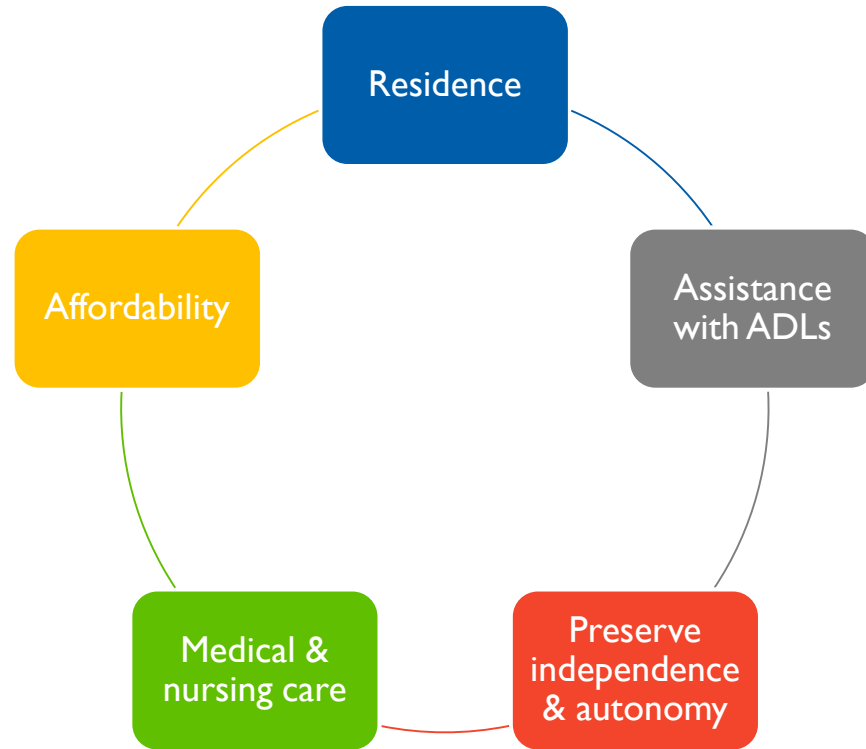
Life expectancy (LE) and Healthy life expectancy (HLE) Changes between 2000 and 2013



Source: World Health Organization

- Apparent expansion to period of morbidity (although certain studies have shown a compression)
- Significant differences by income, especially for healthy life expectancy

Underlying needs



Satisfying needs – Residence



Home / Community



Facility



End-of-life Care

Satisfying needs – Assistance with daily living

- ▶ Assistance provided through caregivers



Informal (unpaid)



Formal (paid)

Satisfying needs – Medical & nursing care

- ▶ Relation with acute care
 - ▶ Transitions to home or nursing facility
- ▶ Availability
 - ▶ At home, in community, in facility
- ▶ Administering medication

Financing the needs

PUBLIC/GOVERNMENT

(National or Local)

Social Security

- General tax dollars
- Inheritance tax

Social Insurance

- Contributory
- Payroll (Germany/Japan)
- Income tax (Netherlands)

Social Assistance / Means Test / Safety Net / Social Care

- Canada
- Israel
- UK
- USA (Medicaid)

National Health System

- Australia
- Belgium
- Italy

PRIVATE

Private Insurance

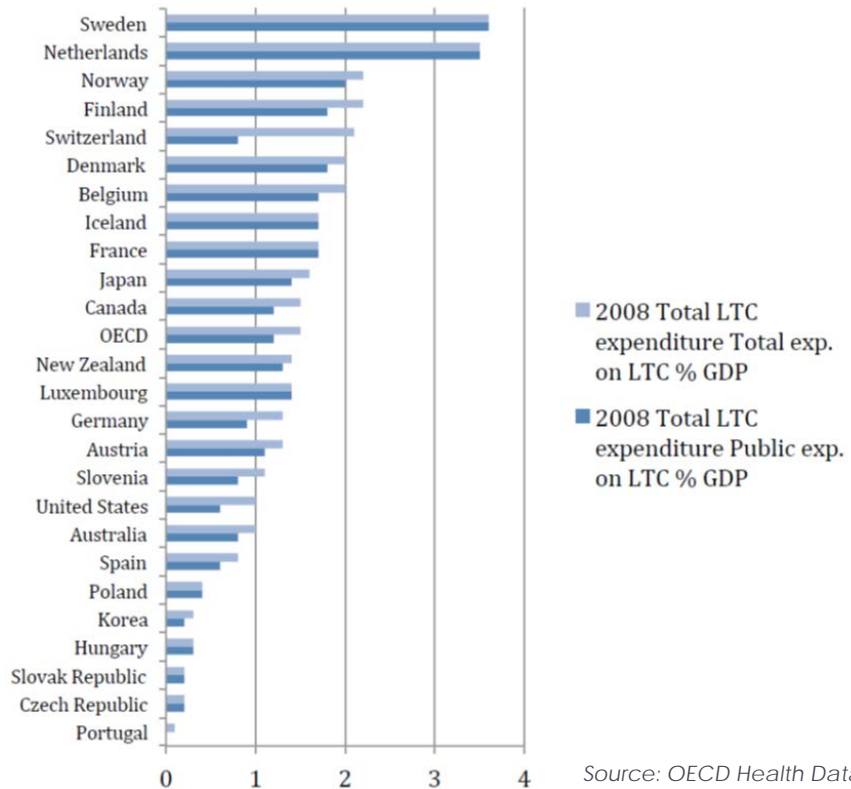
- Standalone
- Hybrid Life/Annuity Products
- Benefits
 - Lump sum
 - Periodic
- Conversion from DI Products

Personal Savings

Home Equity

Family, Friends,
Community & Charity

Long-term care expenditures



Source: OECD Health Data, 2011

Wide range, depending on generosity of benefits and extent of aging

Challenges

- ▶ Cost and affordability
 - ▶ LTC services can be expensive
 - ▶ Sheer numbers of demand will drive this issue
 - ▶ Insufficient savings to finance total LTC needs
- ▶ Caregiving – supply and quality of care
 - ▶ Availability of informal care
 - ▶ Supply and demand for formal care
 - ▶ Specialty training needed
- ▶ Aging-in-place
 - ▶ Impractical for some, especially those suffering from mental conditions and those with limited available support

Approaches around the world

- ▶ Wide range of approaches
- ▶ Typically piecemeal
- ▶ Priorities given to developing solutions
 - ▶ Primarily depends on degree of population aging
 - ▶ Huge potential costs that are and will present significant budgetary problems
- ▶ In many countries, LTC has not been given sufficient policy attention
 - ▶ Will have to address in the next two decades
 - ▶ Need effective coordination with social assistance, healthcare and retirement programs

Program design and cost control

- ▶ Preventive actions
- ▶ Cost-sharing
- ▶ Technology applications
- ▶ Community services
- ▶ Caregiver and family support
- ▶ Provider fee negotiation/caps

Criteria for assessing a long-term care program

1. Coverage

2. Benefit design

3. Affordability

4. Appropriateness
& quality

5. Risk & cost
management

6. Sustainability

7. Unintended
consequences

Roles for actuaries

- ▶ Quantitative analysis
 - ▶ Consider relationship between benefit design and cost
 - ▶ Develop relevant data/information
 - ▶ Identify cost-saving approaches
 - ▶ Evaluate uncertainty and understanding of risks
- ▶ Benefit design
 - ▶ Help minimize moral hazard and anti-selection
- ▶ Contribute to policy discussions