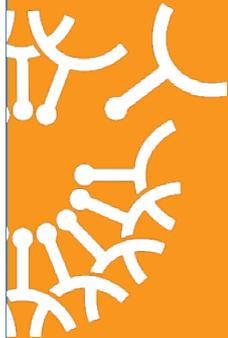


# Can the health system afford all these older people?

- Funding models for the future

Mr Ross Clare, Director Research ASFA



# Funding models for the future

## COTA National Forum

Ross Clare, Director of Research, ASFA

Thursday, 21 July 2016

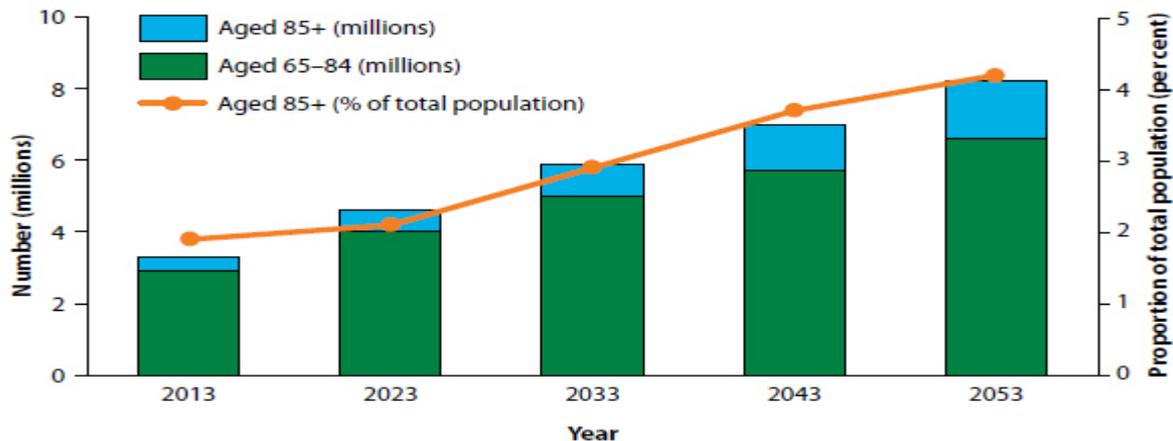
# What I will be talking about

- Impact of ageing at both individual and aggregate level
- Drivers of aggregate health care costs
- Options for reducing costs and for funding
- Relative roles of Commonwealth, States and individuals (and superannuation) in funding health care

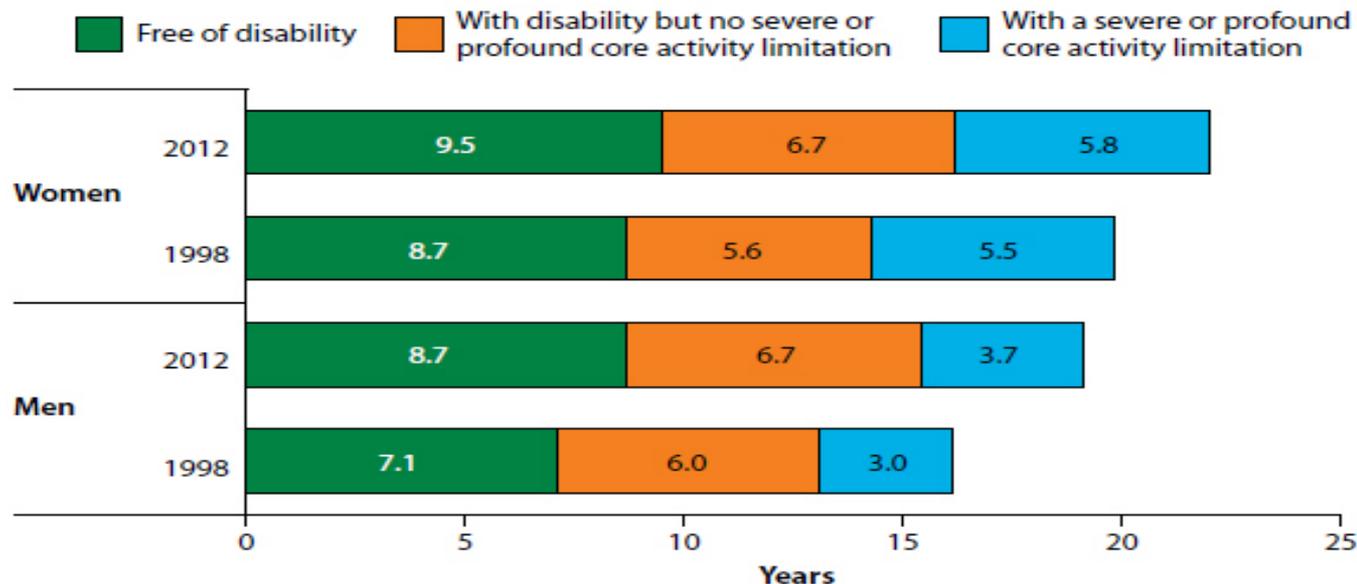
# Defining older Australians

- Individuals who are a fair bit older than me
- Those aged around 65 quite a bit different (on average) to those aged 90
- Changing life expectancy, Age Pension eligibility age and some increase in labour force participation by older workers all relevant to the concept of “old”

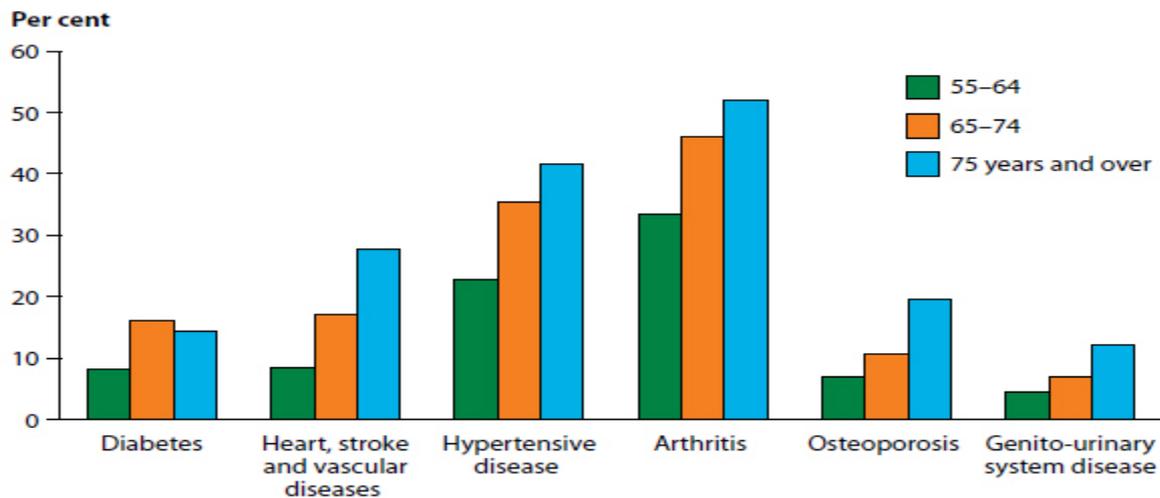
# More older Australians is unavoidable (and a good thing too)



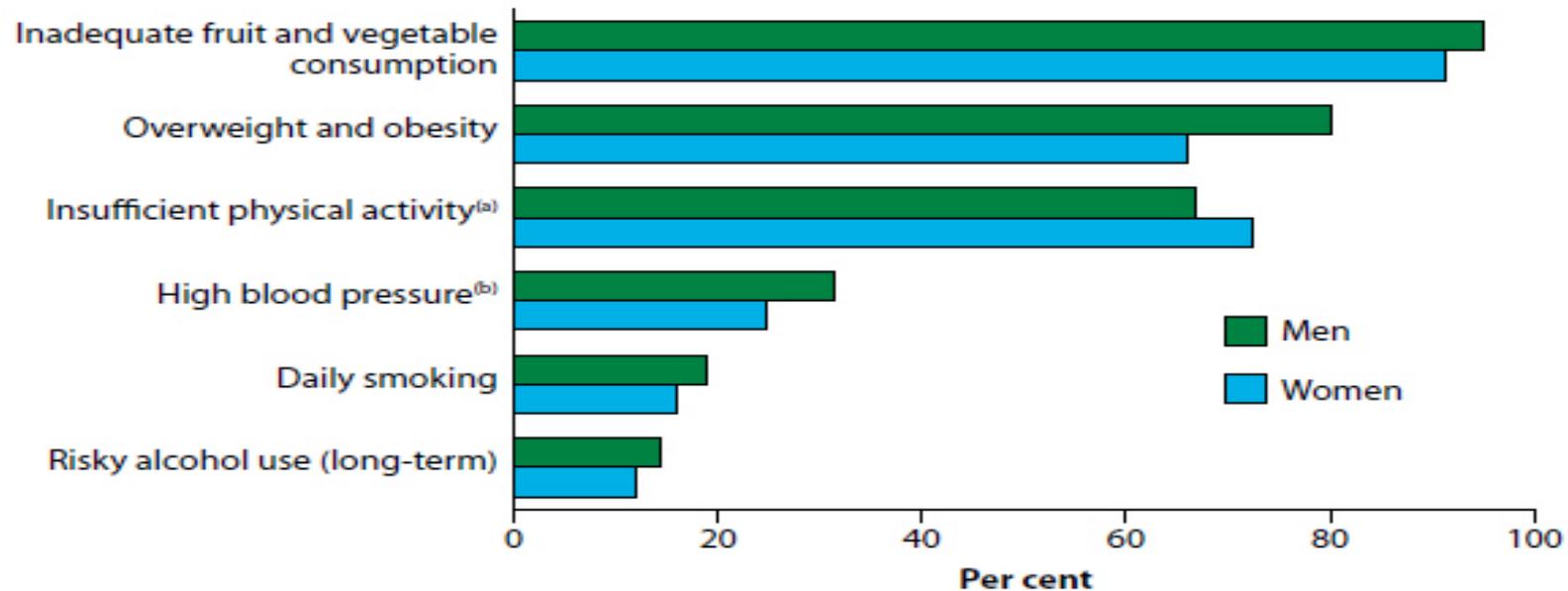
# More years and more illness



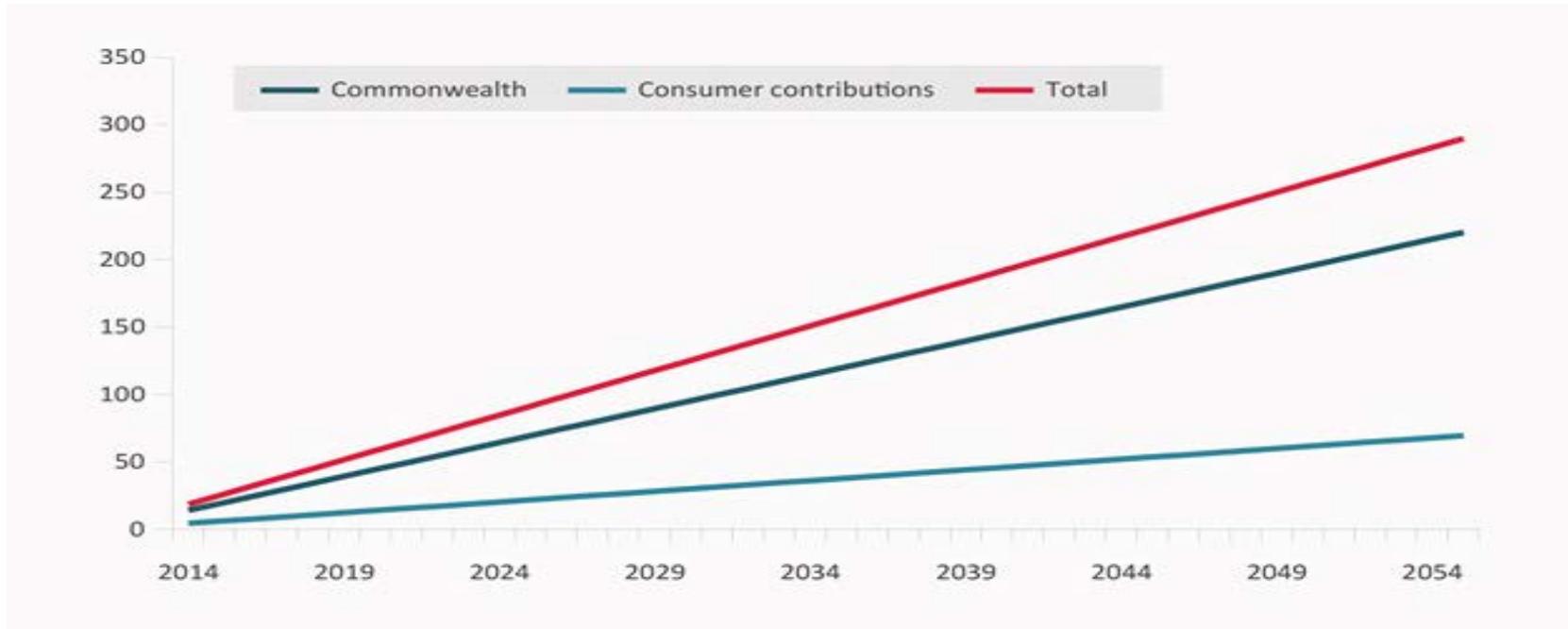
# Things to look forward to



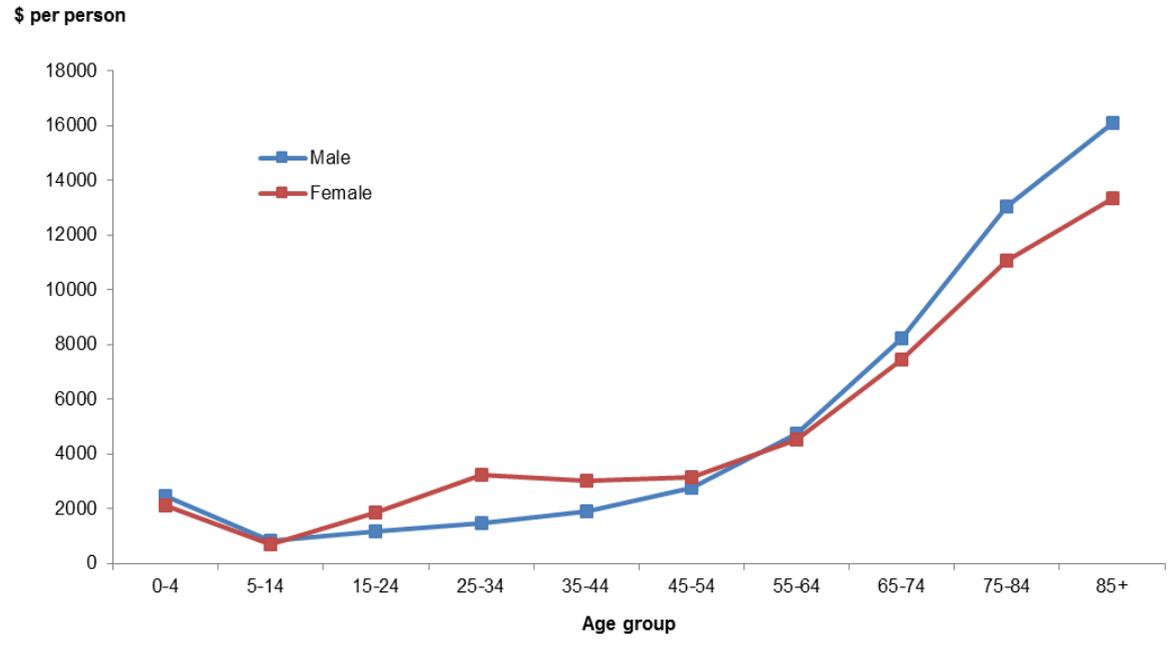
# What people aged 45 to 64 are doing to get ready for later years



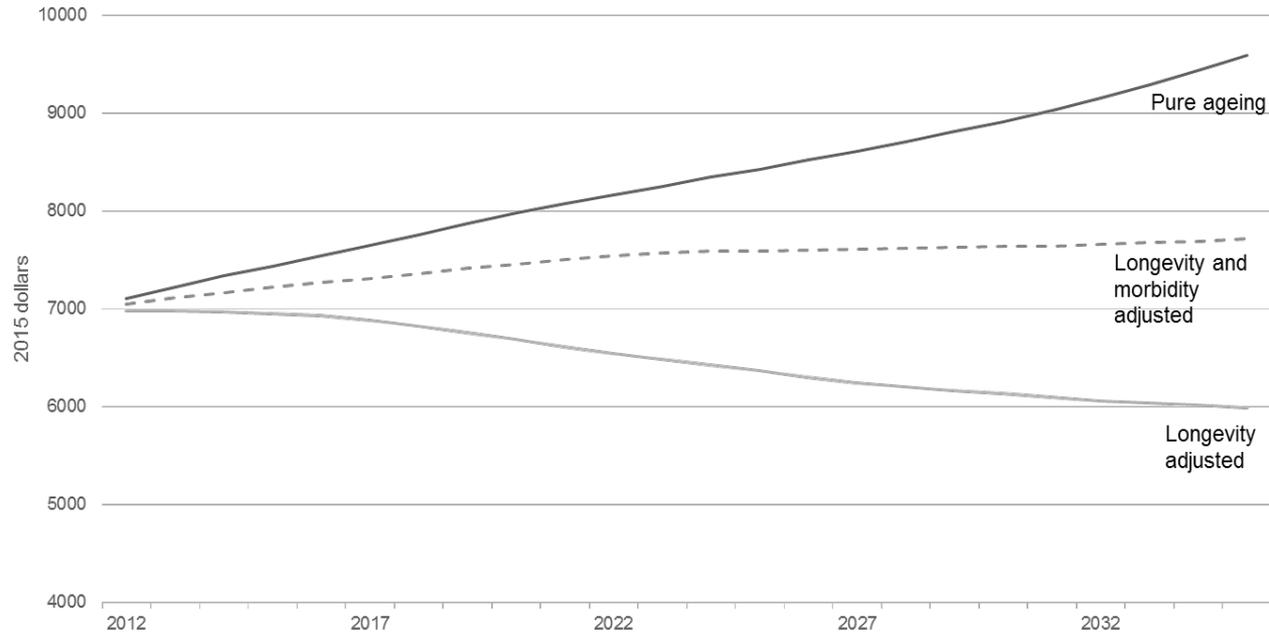
# Counting the cost



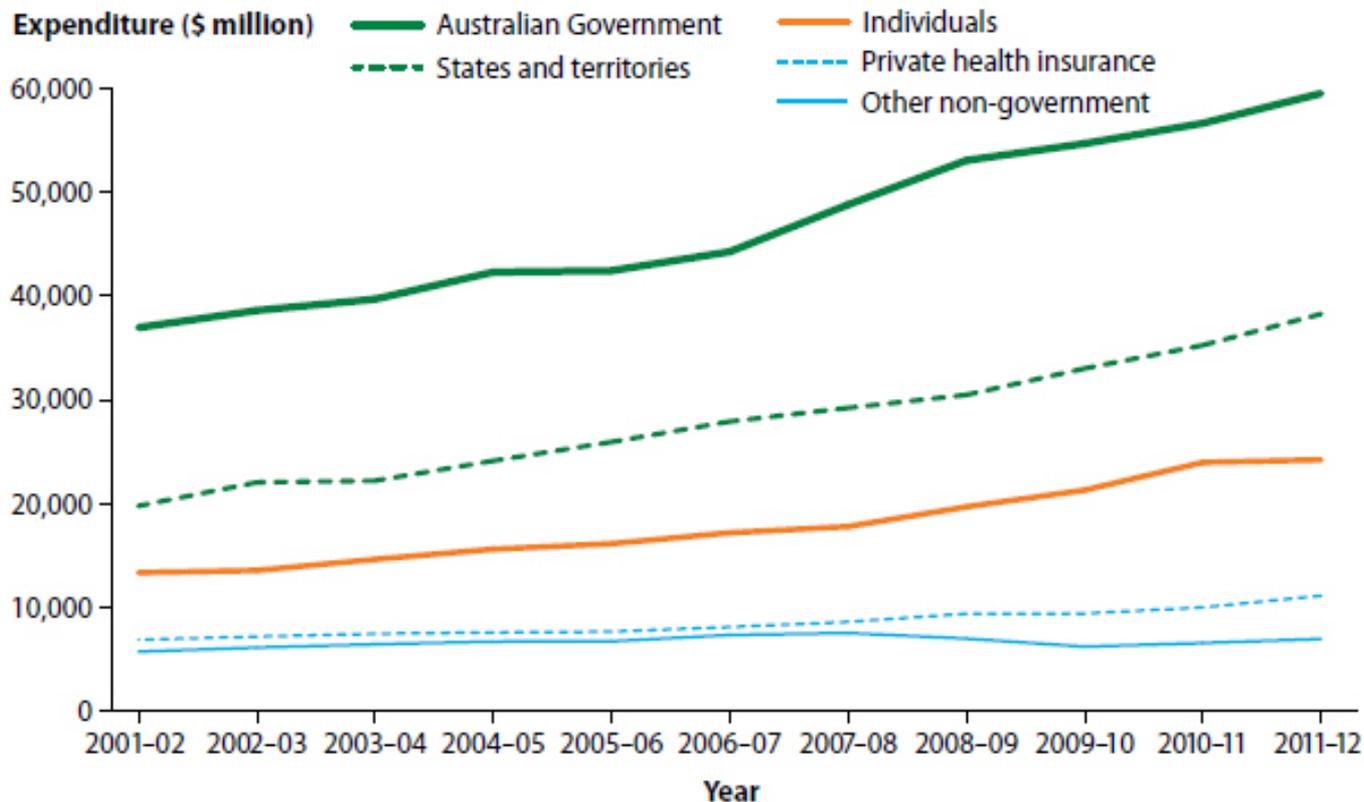
# Per capita total health expenditure by age



# Age related projected health expenditure per person for those 65 years plus



# Expenditure on health costs



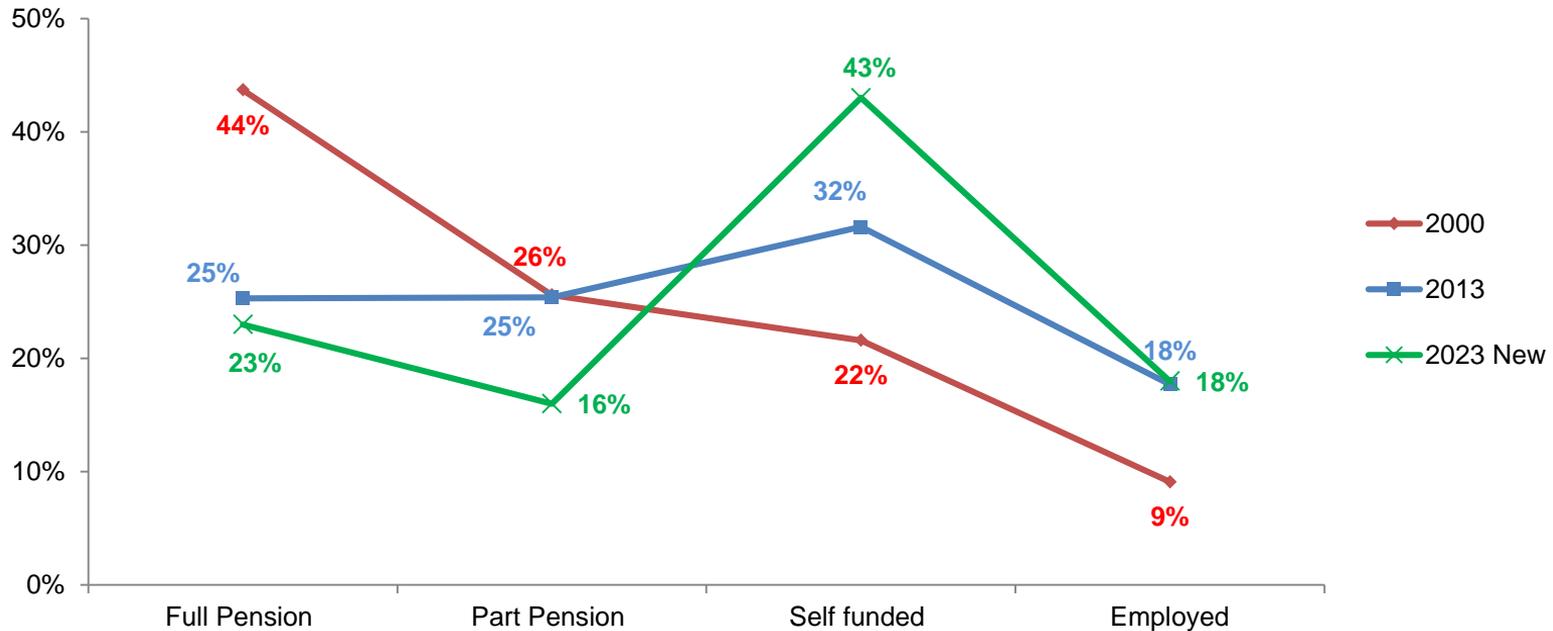
- Control provider costs and increase productivity of health care sector
- Reduce chronic illness incidence amongst the aged
- Ration public provision even more and/or shift costs to individuals?
- Enable more individuals to afford private health insurance and gap payments (more superannuation is good)

# Private health insurance and those over 65

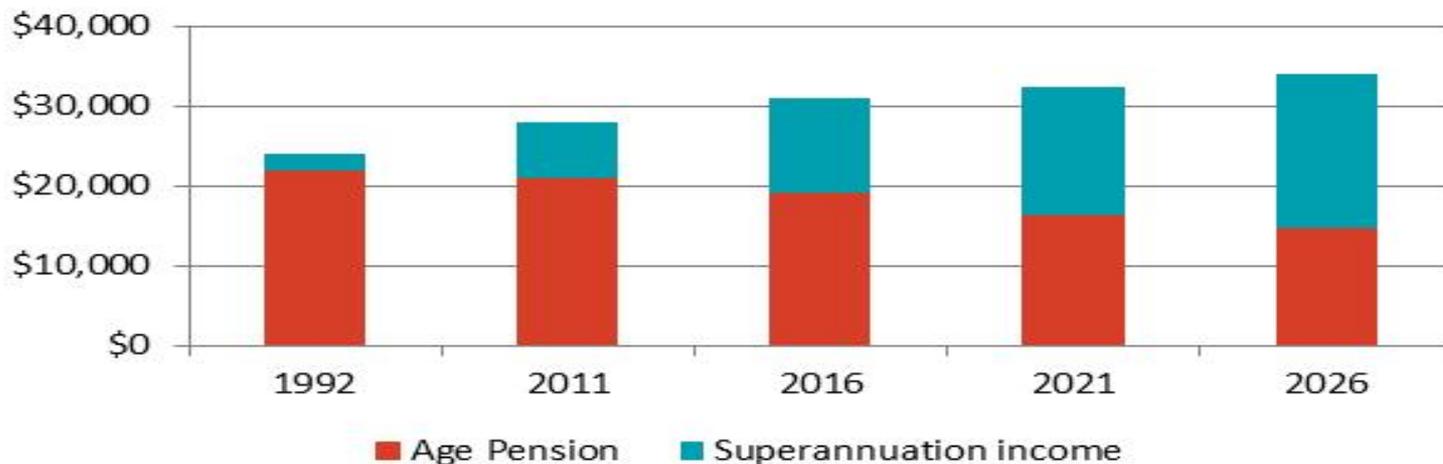
- 51% of people aged 65 and over had private hospital insurance in 2013 compared with 40% in June 2003
- Coverage for extras increased from 31% to 44% in the decade to June 2013
- Among older people, in 2013, 55% of those aged 65-74 had hospital coverage, compared with 38% of those aged 85 and over. The proportion with ancillary coverage was 50% for those aged 65-74, and 27% for those aged 85 and over

# Super is reducing reliance on the Age Pension and providing better incomes

## Retirees at Age Pension eligibility age



## Average retirement income at age 65 (in today's dollars)



Source: ASFA projections

# System goals and objectives



# Insuring against financial consequences of longevity and/or ill health

- Most individuals take out an account based income stream
- Potential role for deferred annuities that cut in at, say, age 85
- Also scope for disability care insurance