



Long-term care expenditure projections. Methodology and results of the Ageing Report 2012

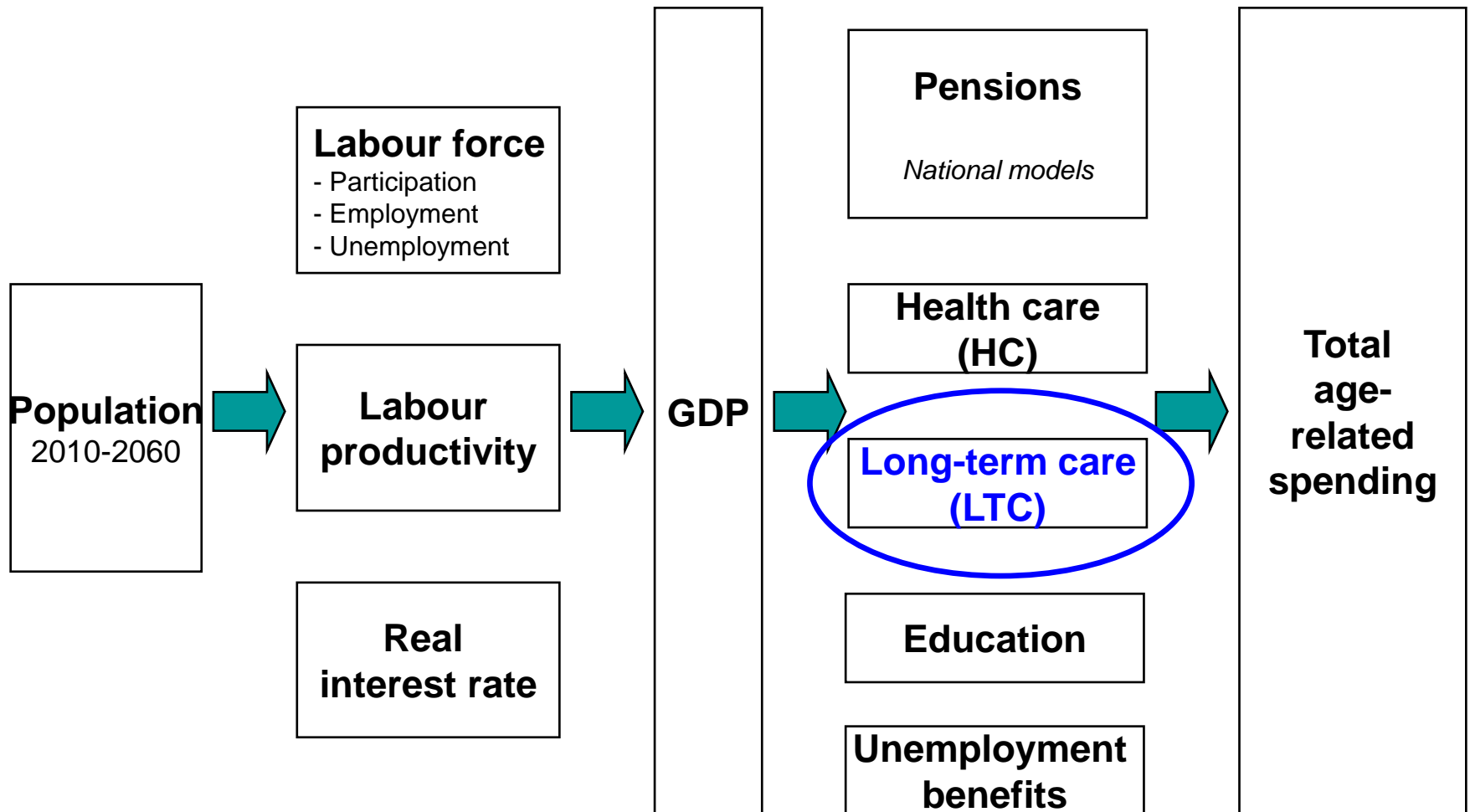
**ILPN - 2nd International Conference
on Evidence-based Policy in Long-term Care
London
September 2012**

**Barbara Lipszyc,
European Commission, DG ECFIN**

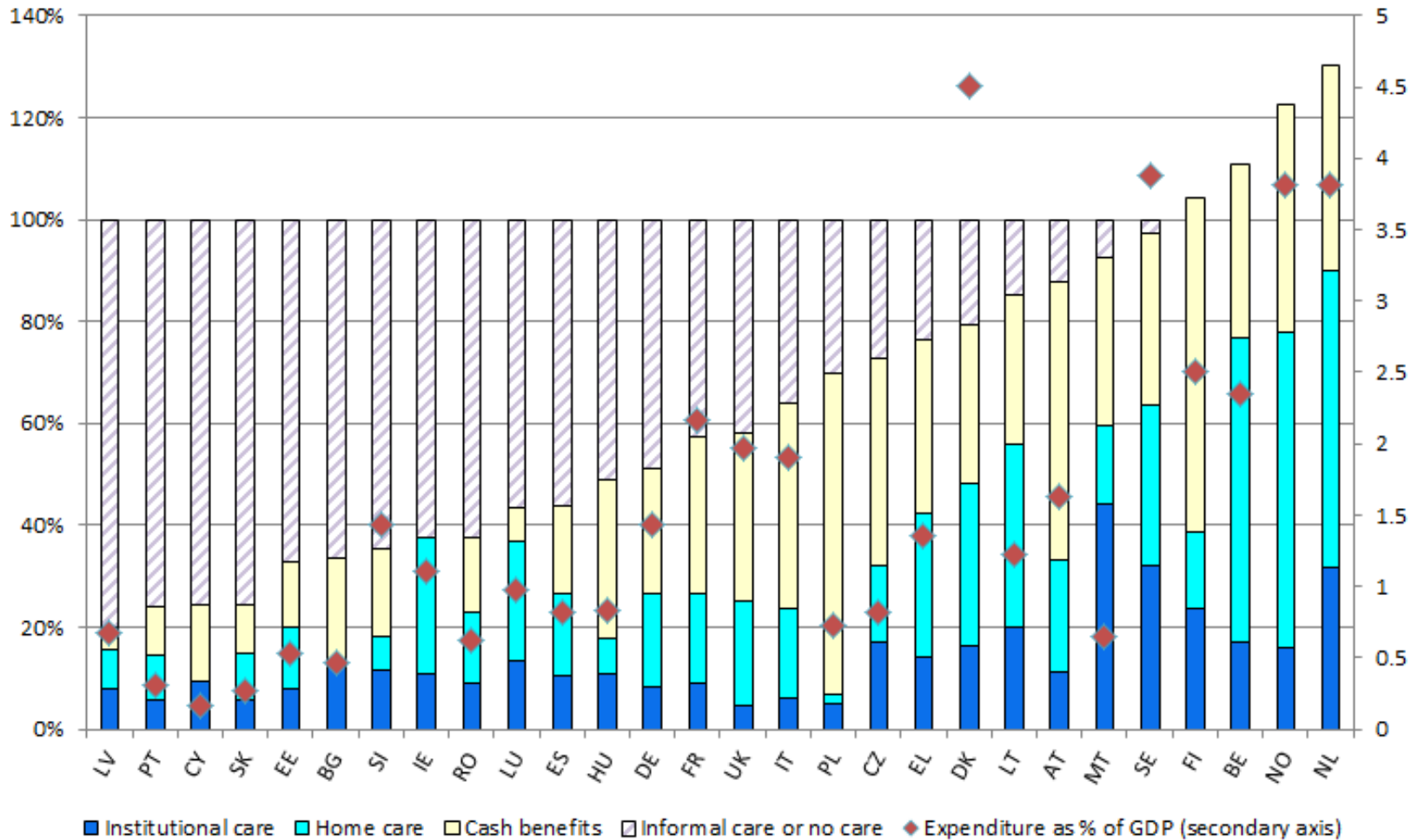
Outline

1. Scene setting
2. Projection methodology
3. Input data
4. Overview of the LTC scenarios
5. LTC public expenditure projections: main results 2012
6. Some implications

1. Overview of the projection exercise (2012 Ageing Report)



1. Overview – Broad range of situations

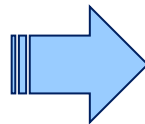


Source: Commission services.

1. Overview – Broad range of situations

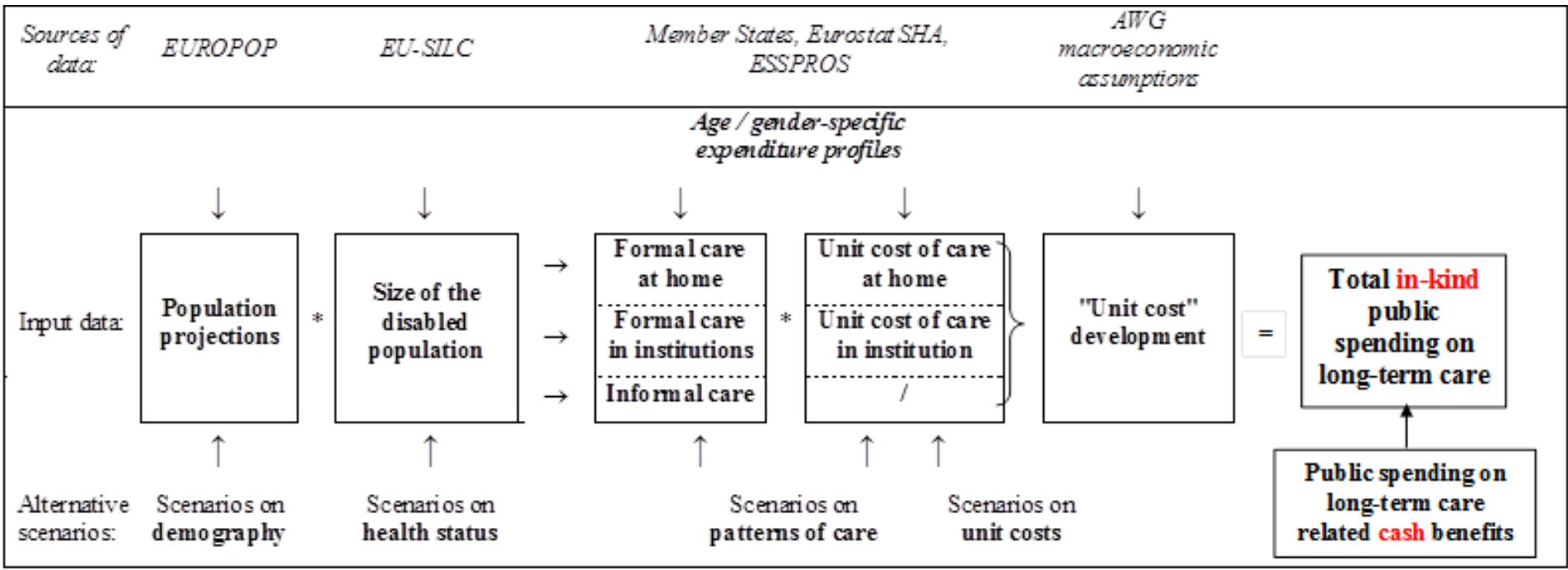
Table 1 – Unit cost of each type of formal care, as % of GDP per capita, 2010

| Country | Institutional Care | Home Care | Cash benefits |
|-------------|--------------------|------------|---------------|
| BE | 102% | 14% | 18% |
| BG | 30% | n.a. | 33% |
| CZ | 21% | 6% | 22% |
| DK | 88% | 52% | 88% |
| DE | 67% | 22% | 38% |
| EE | 33% | 2% | 36% |
| IE | 185% | 16% | 0% |
| EL | 13% | 43% | 14% |
| ES | 81% | 25% | 15% |
| FR | 183% | 30% | 14% |
| IT | 123% | 39% | 29% |
| CY | 2% | n.a. | 17% |
| LV | 107% | 10% | 43% |
| LT | 30% | 16% | 9% |
| LU | 69% | 25% | 22% |
| HU | 28% | 2% | 23% |
| MT | 23% | 11% | 0.1% |
| NL | 98% | 14% | 52% |
| AT | 32% | 22% | 16% |
| PL | 89% | 56% | 9% |
| PT | 14% | 26% | 0.3% |
| RO | 7% | 67% | 1% |
| SI | 59% | 30% | 30% |
| SK | 15% | 16% | 6% |
| FI | 75% | 56% | 6% |
| SE | 77% | 77% | 6% |
| UK | 150% | 54% | 23% |
| EU27 | 106% | 36% | 24% |



| Country | Institutional Care | Home Care | Cash benefits |
|---------|--------------------|-----------|---------------|
| BE | 102% | 14% | / |
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| UK | 150% | 54% | 23% |

2. Projection methodology for LTC: schematic presentation



Source: Commission services.

3. Input data: sources

General data

- *EUROPOP2010*: demographic projections
- *AMECO* (macroeconomic var.) + AWG macroeconomic assumptions

Specific LTC-related data

- *SHA joint OECD, Eurostat and WHO questionnaire data*:
expenditure (core health care function (HC.3)
and health care related function (HC.R.6.1))
- *ESSPROS*: expenditure (social protection schemes/benefits)
- *EU-SILC*: disability rates
- *Data possibly provided by Member States*:
 - numbers of recipients and disaggregated exp. (by type of care: cash benefits, LTC services at home, LTC services in institution)
 - cost profiles

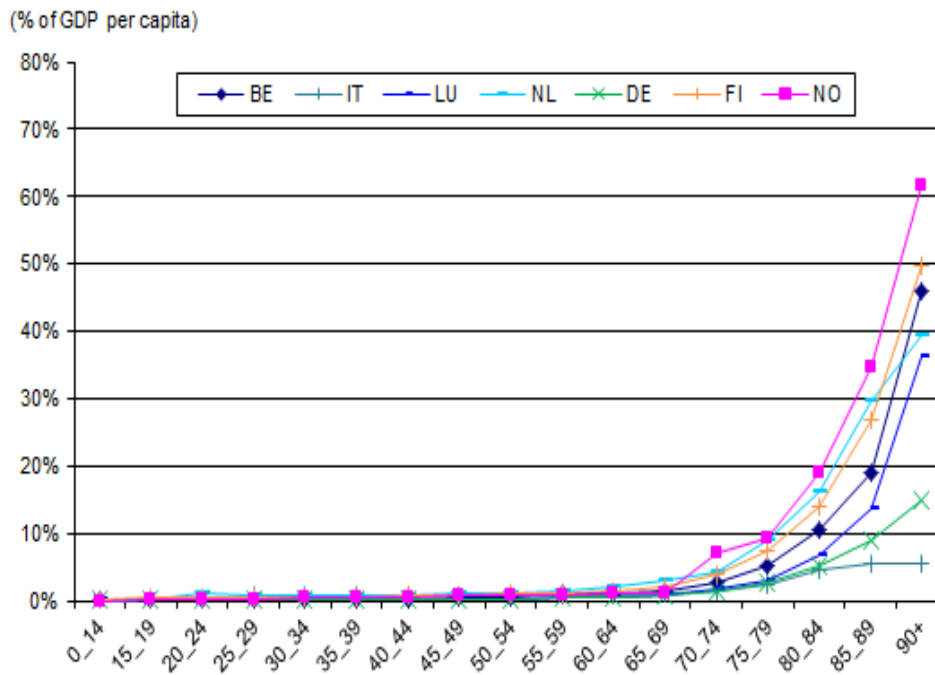
4. Overview of the LTC scenarios

| Scenario | Driver(s) |
|-------------------------------|---|
| Demographic | ageing |
| ➤ Base case | ageing + highly labour-intensive characteristic of the long-term care services |
| High life expectancy | LE at birth in 2060 is one year higher |
| ➤ Constant disability | dependency: potential impact of assumed improvements in the health (or non-disability) status |
| Shift to formal care | 10-year progressive shift into the formal service sector of 1% per year of dependent population who have so far received only cash benefits or informal care. |
| ➤ Coverage convergence | extension of the formal/public coverage in any form (institutional, home care or cash benefits) towards the EU-average rate |
| Cost convergence | potential impact of a convergence in real living standards |
| AWG reference | intermediate between the "demographic" and the "constant disability" scenarios |
| AWG risk | combines the "AWG reference" and the "EU27 cost convergence" |

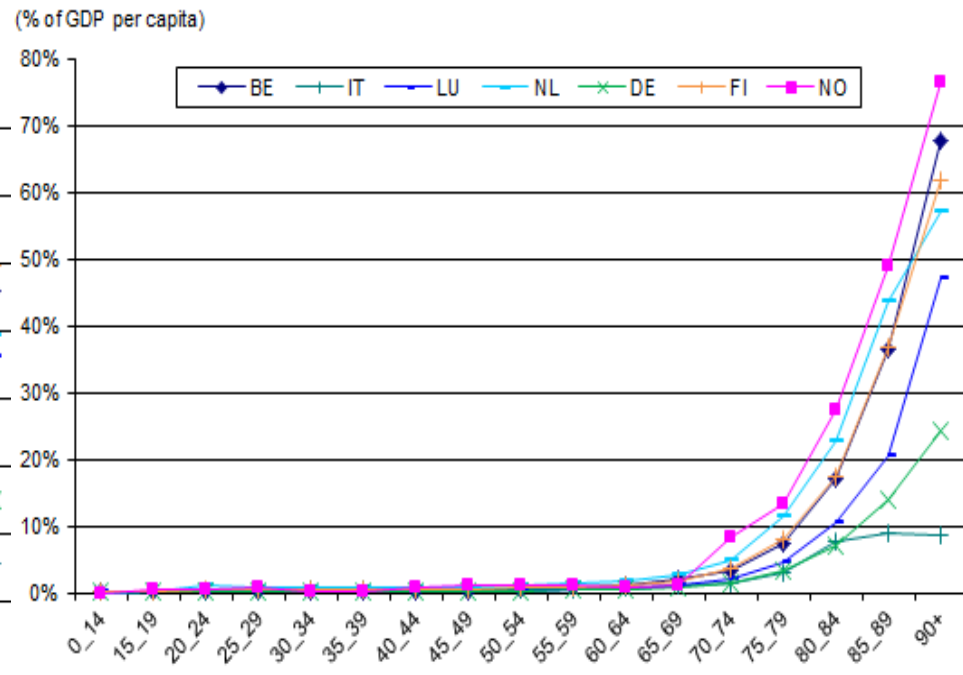
***5. LTC public expenditure projections:
main results
Ageing Report 2012***

Cost per capita

LTC - EU15 (+NO) - males



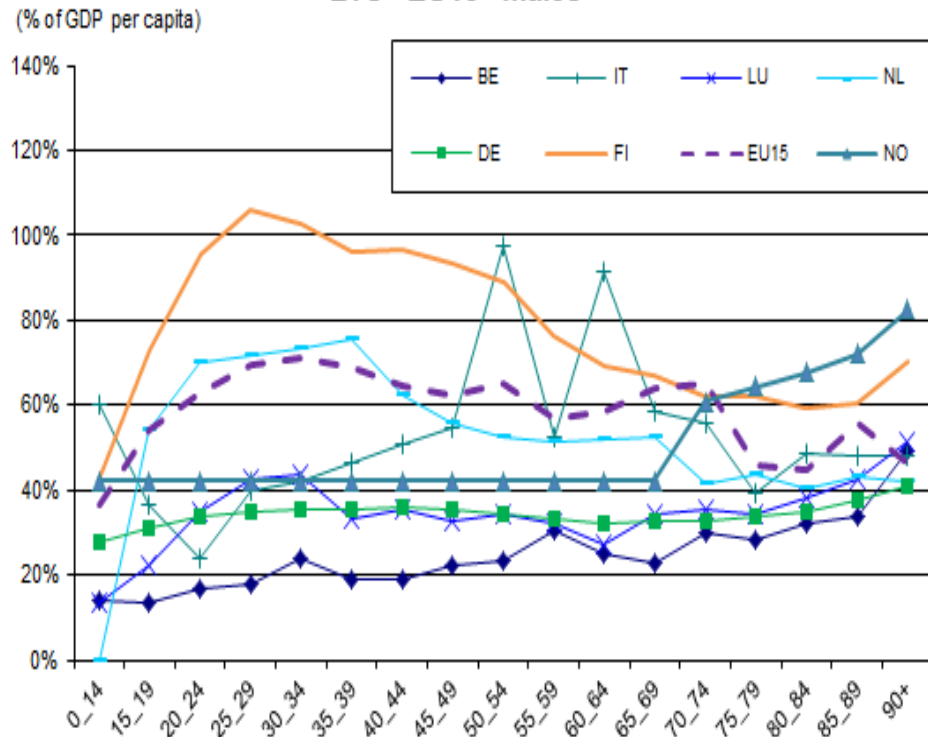
LTC - EU15 (+NO) - females



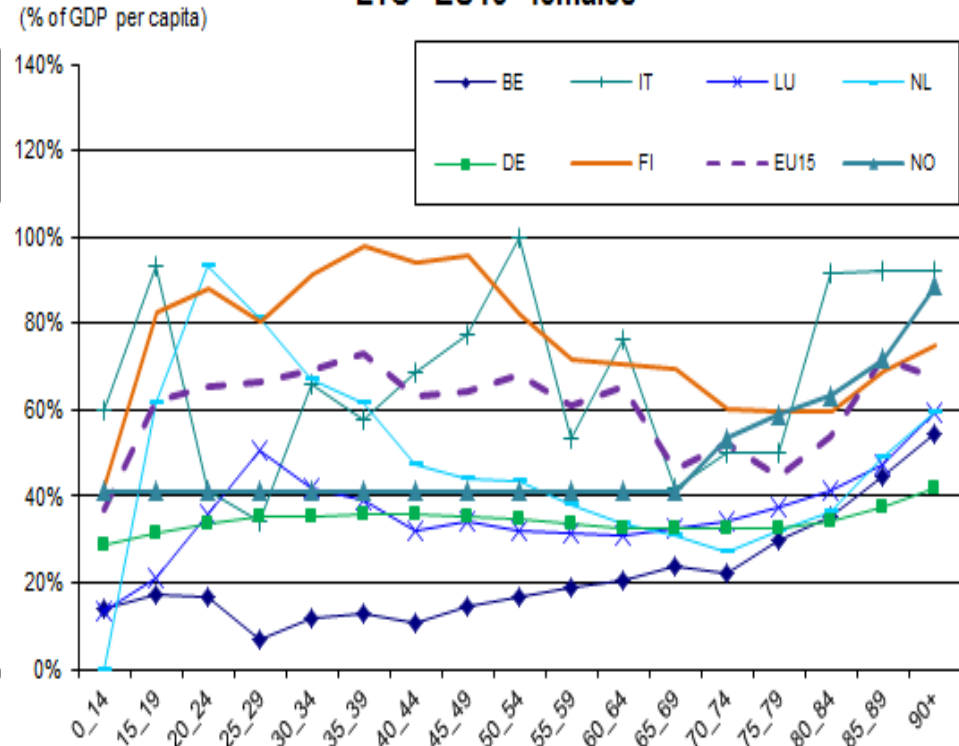
Source: Commission services.

Cost per user (in-kind)

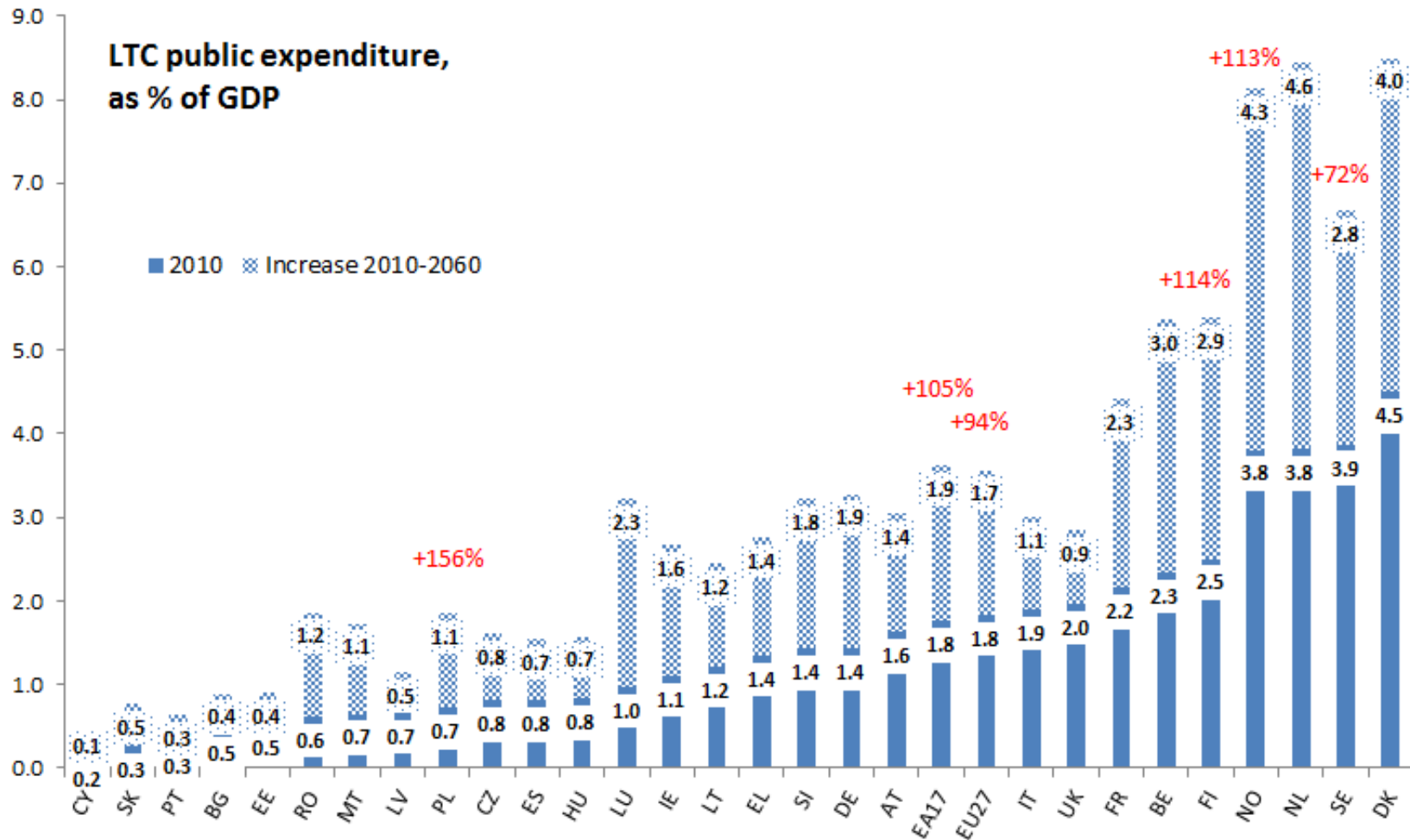
LTC - EU15 - males



LTC - EU15 - females

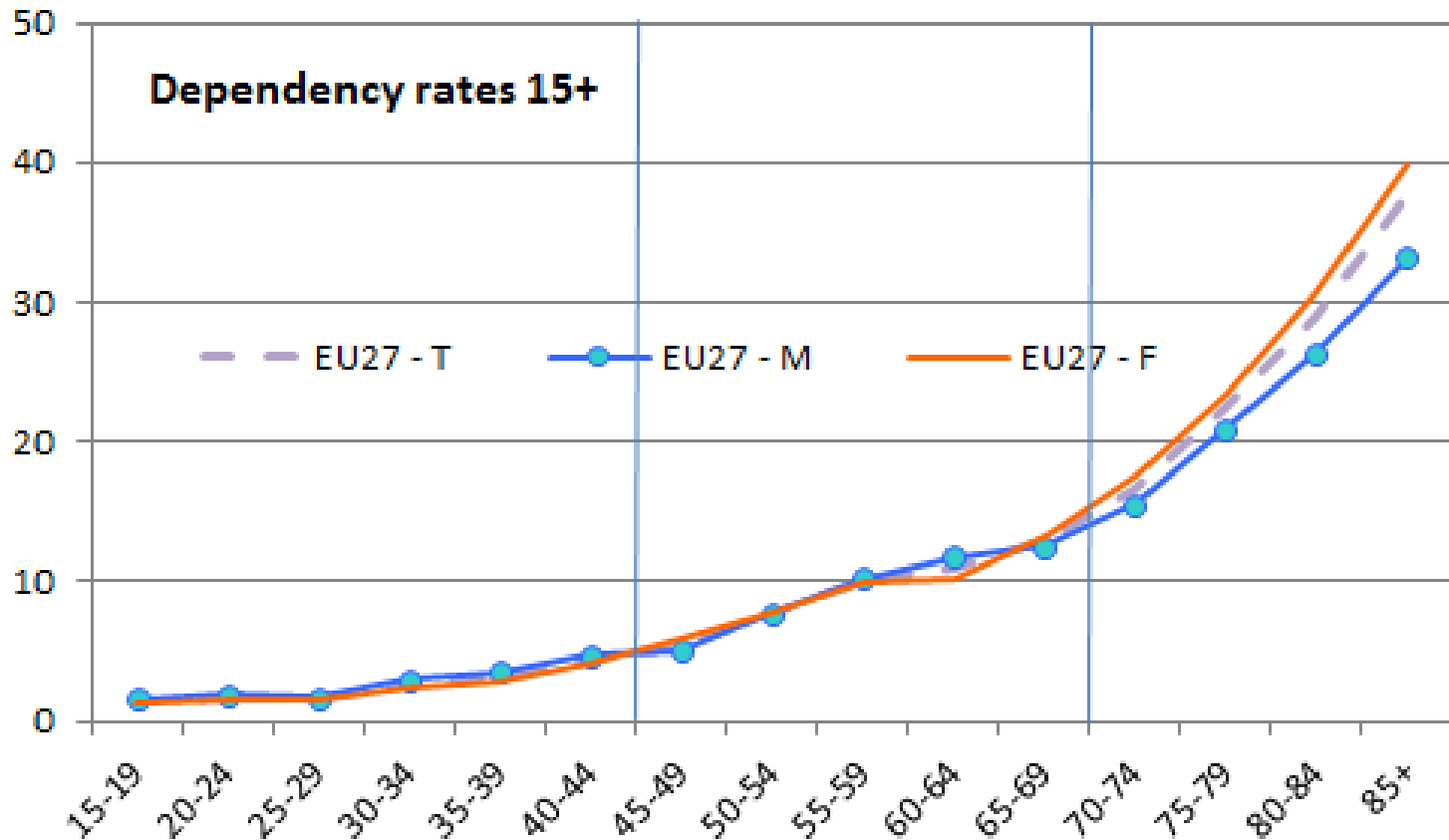


Effect of demographic change: base case scenario



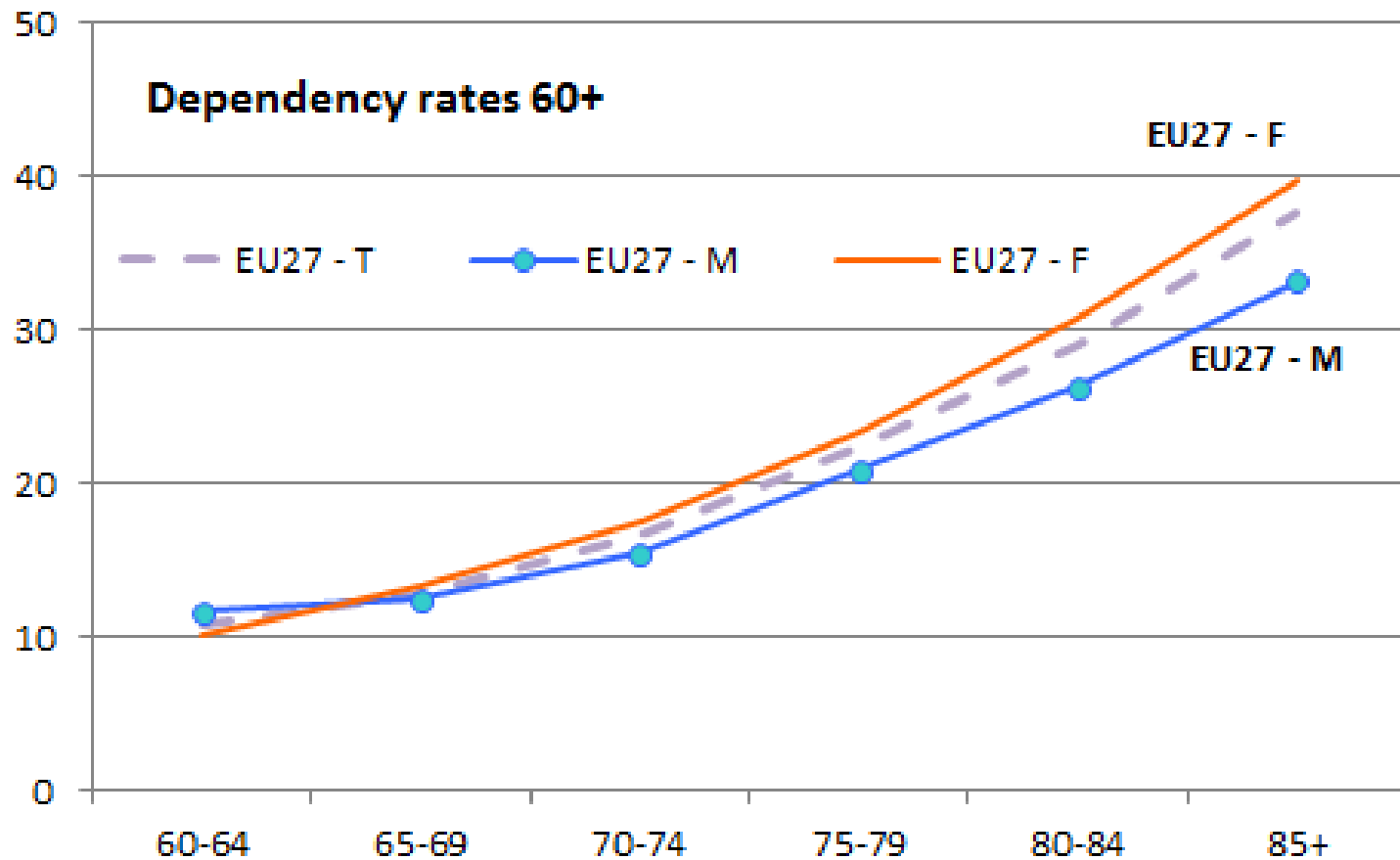
Source: Commission services.

Modelling health/autonomy improvements; possible savings?



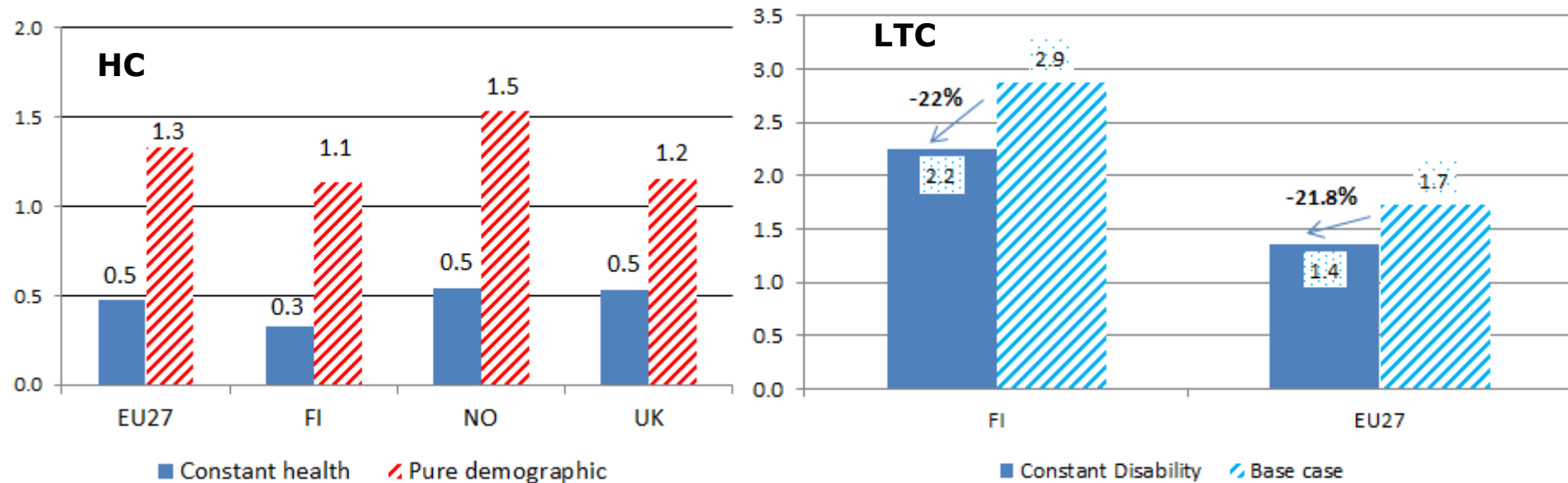
Source: Commission services.

Modelling health/autonomy improvements; possible savings?

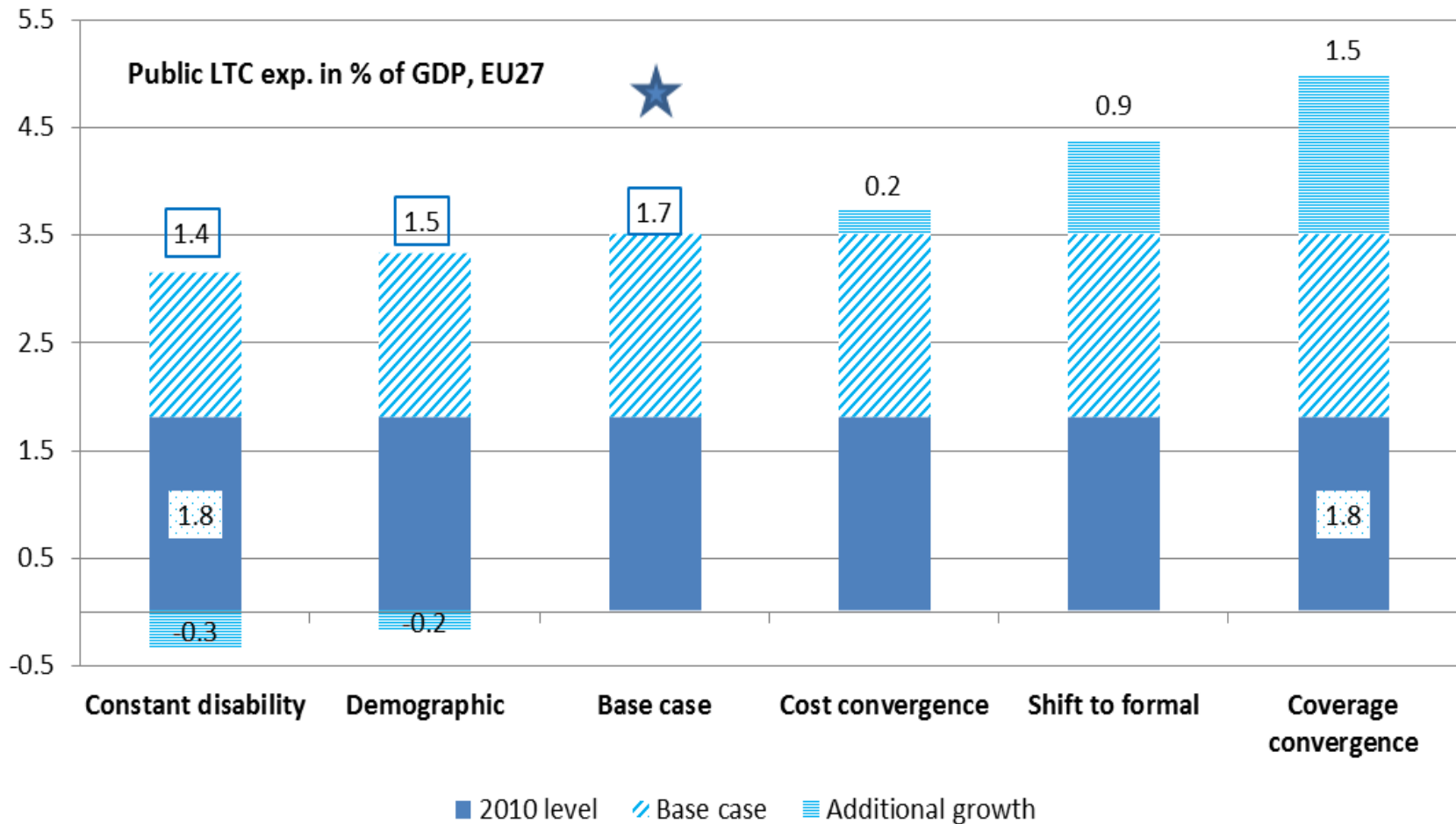


Modelling health improvements Possible savings?

Change in projected exp. increase

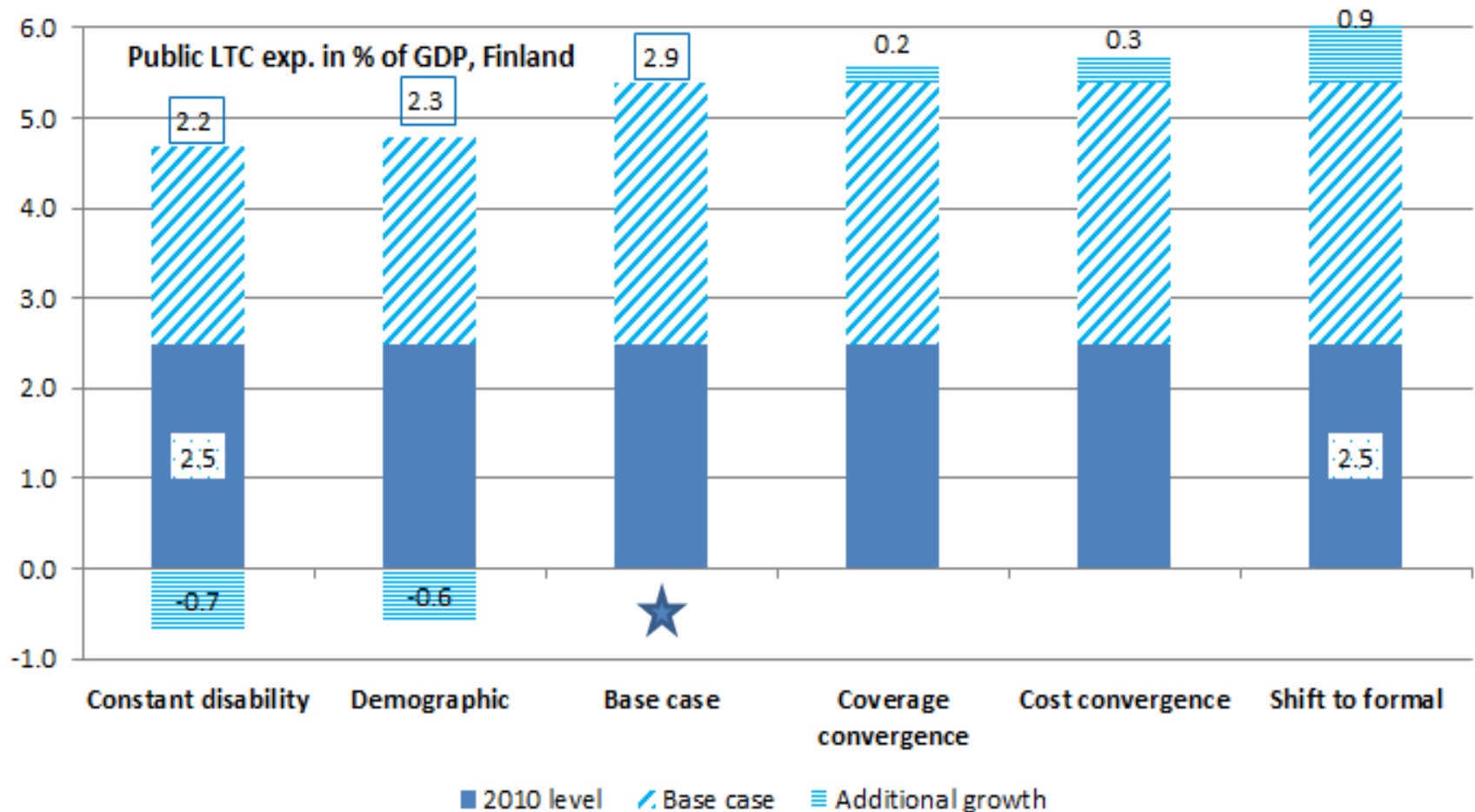


Alternative scenarios – EU27

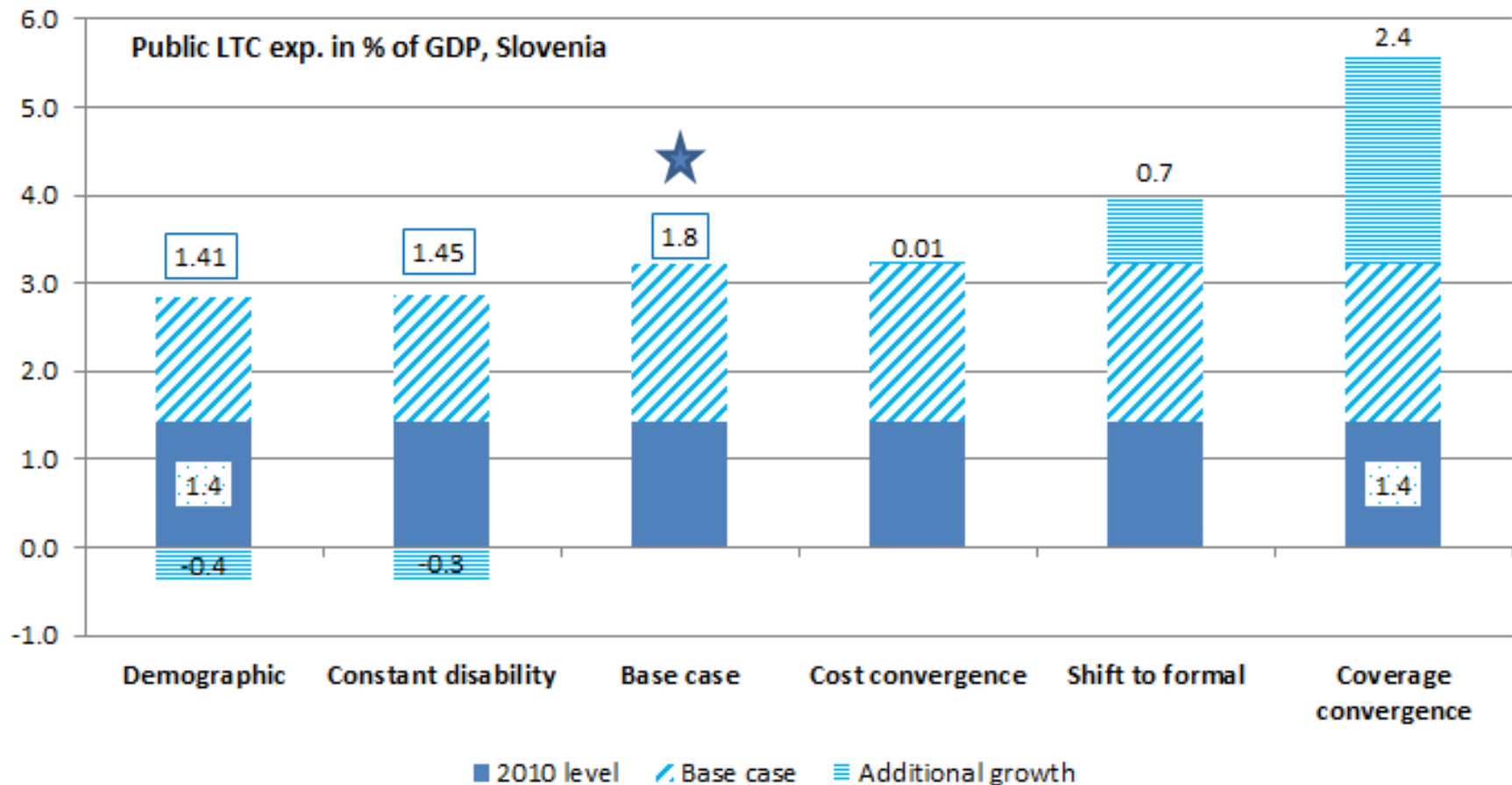


Source: Commission services.

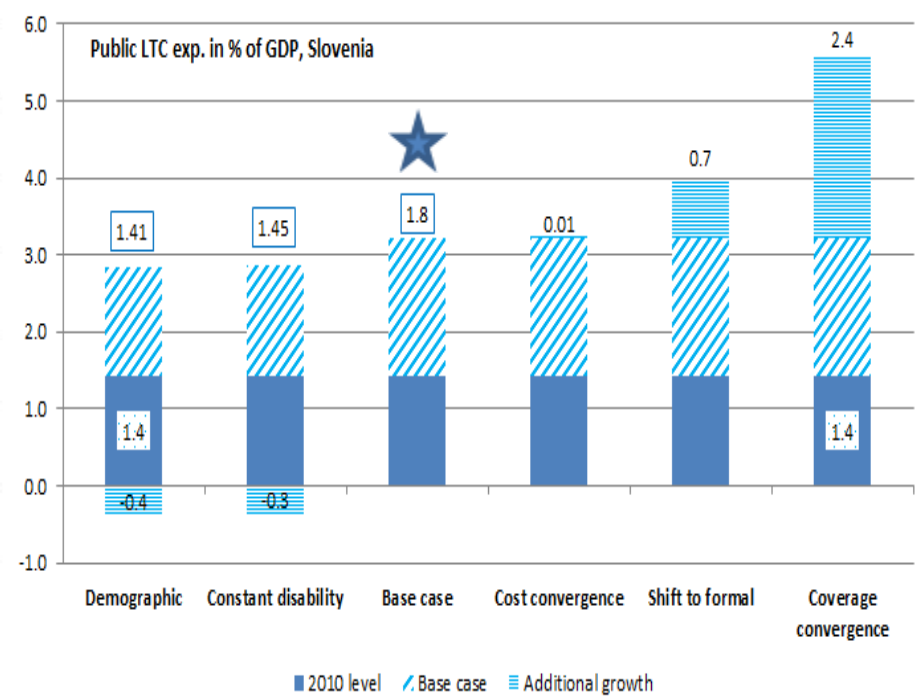
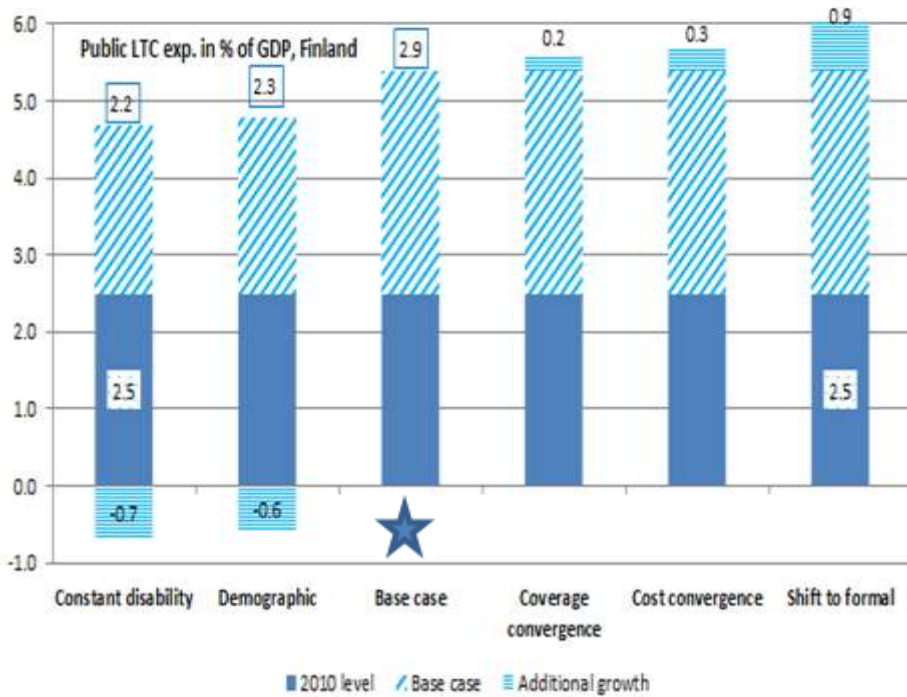
Alternative scenarios – FI



Alternative scenarios – SI



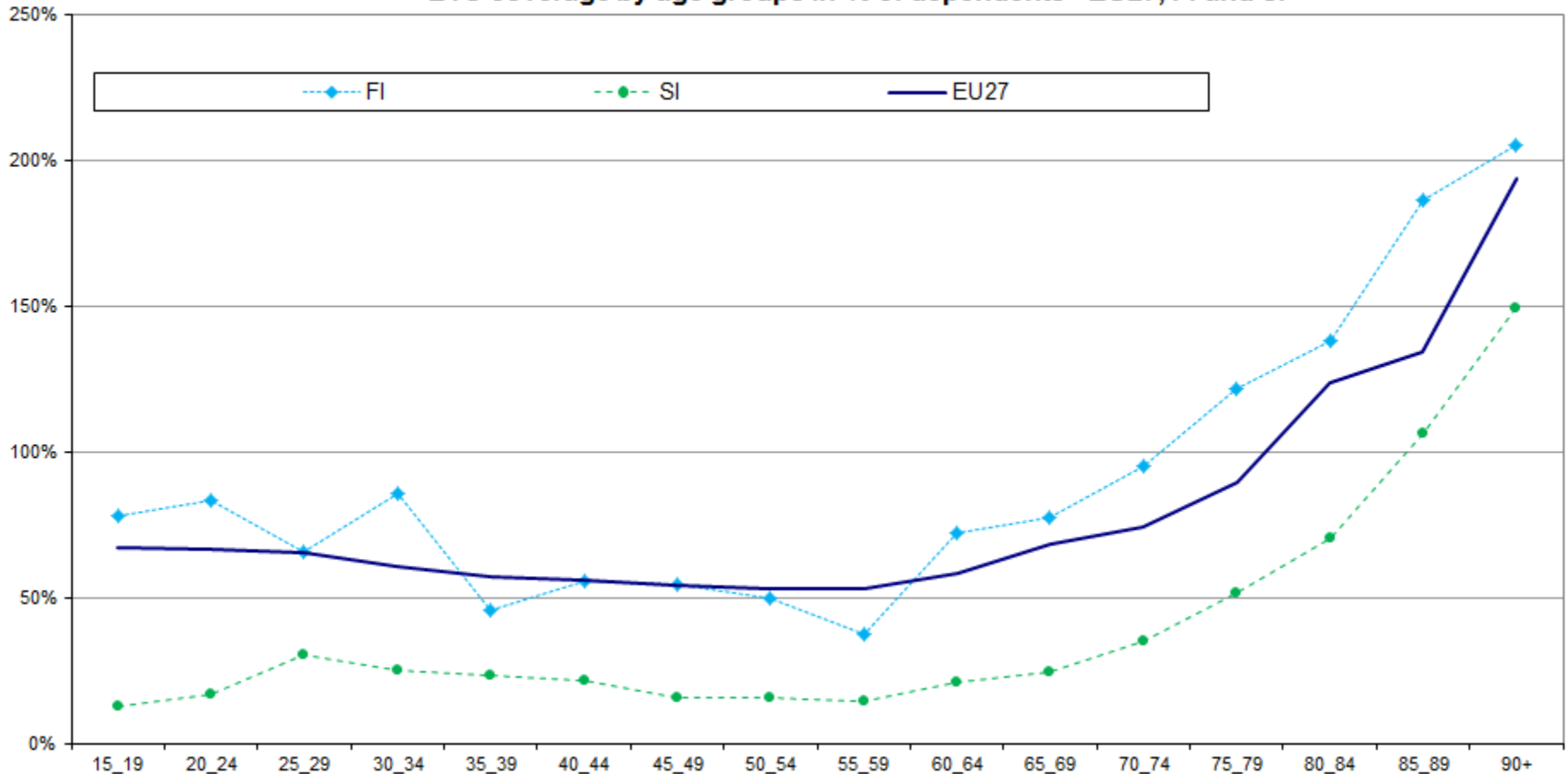
Alternative scenarios – FI // SI



Source: Commission services.

Coverage convergence

LTC coverage by age groups in % of dependents - EU27, FI and SI



6. Some implications

Demand

- Ageing has strong impact on long-term care public expenditure;
- Public expenditure is very sensitive to trends in prevalence of disability/dependency among the elderly -> prevention and improvement in health status could substantially offset ageing effects, limiting future spending (see "constant disability" scenario);
- In addition, a population with increased autonomy will be able to work longer as it grows older, allowing higher productivity and labour participation, and will need less (health and long-term) care, ultimately resulting in decreased pressure on public finances;

6. Some implications

Supply

- Relations between formal - informal care provision and labour market situation;
- Gap between the number of elderly in need for care and the actual supply of formal care services;
- Governments need to find the right/sustainable mix between different types of LTC;
- Need to reconcile two opposite trends:
 - increasing need for formal LTC provision (+ prevention and informal care support) \Rightarrow net cost/benefit ?
 - growing pressure on public finances.



The full 2012 report can be found at DG ECFINs website:

http://ec.europa.eu/economy_finance/publications/european_economy/2012/2012-ageing-report_en.htm

• Thank you for your attention