
Demographic decline and impact on healthcare for the elderly

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Financing healthcare

- Government finance of private sector
 - Government finance of government-provided service.
 - Private short-term insurance
 - Long-term, fixed-premium insurance
 - Private saving or other private means
 - Charitable provision
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Why government finance?

- Healthcare is a “merit good”
 - Externalities from healthcare (e.g. vaccination programmes)
 - Economies of scale in government finance and difficulties underwriting private insurance
 - None of these requires large-scale intervention
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Why government provision?

- All people should be treated equally - health is a basic human right
 - Radical market failure in provision
 - Gaps in provision unless the state provides a uniform service
 - Economies of scale in health provision
 - None of these reasons is convincing
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Health inequalities in the UK

- State dominated system designed to remove inequalities but...
 - Men in highest social class live five years longer than men in lowest social class
 - Infant mortality higher amongst the poor
 - Budgets much higher in poor areas
 - Inequalities widening on many measures
 - “Voice” determines how resources are allocated
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Demographic decline

- Italy is an extreme case – on current birth rates only 16 Italians left in 500 years
 - Percentage 65 and over in UK likely to rise from 13 per cent in 1971 to 23 per cent in 2031
 - Number over 85 likely to rise from 2.8 million to 4.5 million in 15 years.
 - 2.5 people between 20 and 64 for every person over 65 by 2030
 - Healthy adults per unhealthy adult to fall from 5.1 to 4.3
 - Disability to increase
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...and health policy

- Healthcare costs mainly incurred towards the end of life
 - An ageing population defers healthcare costs per person – it does not necessarily increase them
 - If health is funded through saving, this does not matter
 - If health is funded through taxation, it does
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The future

- Most people can provide for their own healthcare – saving and insurance
 - *We must not discourage* long-term insurance
 - *We must not discourage* diverse methods of provision and finance
 - Importance of health education and prevention
 - Private mutual provision
 - Family and neighbourly provision of personal care should *never be crowded out by the state.*
 - Important role for charity
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