



BUSINESS SCHOOL

Retirement Policy and Research Centre

Some equity issues in *health* and *care* policy and provision

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Dr M.Claire Dale



Given New Zealand's ageing population,

1. Intergenerational equity overview
2. Intergenerational equity and health spending
3. Intergenerational equity and 'care' policy and provision
4. What is being done to avert an economic and social crisis?
5. What more could be done to ensure intergenerational equity?

1. Intergenerational equity overview

- Some definitions and examples

INTERGENERATIONAL EQUITY:

Infrastructure:

- each generation should put aside savings for the purpose of establishing and preserving just institutions and the fair value of liberty for their successors (Rawls 1971)

Environment:

- humans hold the natural and cultural environment of the Earth in common both with other members of the present generation and with other generations, past and future (Weiss 1992)

Opportunity:

- equality in treatment and opportunities for different generations (Marshall, Cook and Marshall 1993)
- to ensure a fair treatment to future generations, we should recognize and protect their right to enjoy at least the same capacity of economic and ecological resources that present generations enjoy (Padilla 2002)

No decline in wellbeing:

- the society is functioning sufficiently well to ensure that some measure of intergenerational wellbeing does not decline (Arrow, Dasgupta, Goulder, Mumford and Oleson 2012)

INTERGENERATIONAL *INEQUITY*:

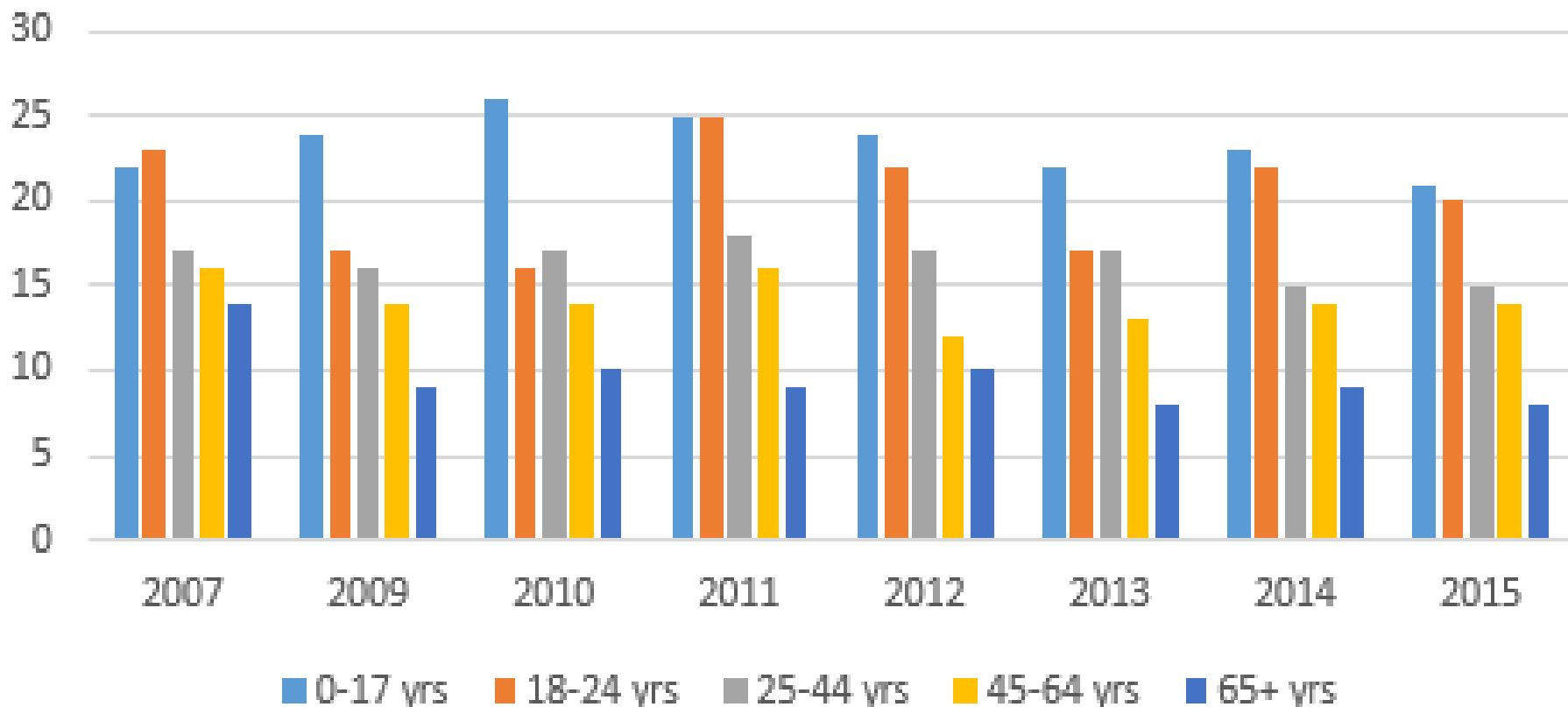
Can be defined as:

The distribution of the economic costs of an aging population, where the young are being deprived of opportunities for their well-being because of the excessive allocation of societal resources to the elderly. (Foot and Venne 2005)

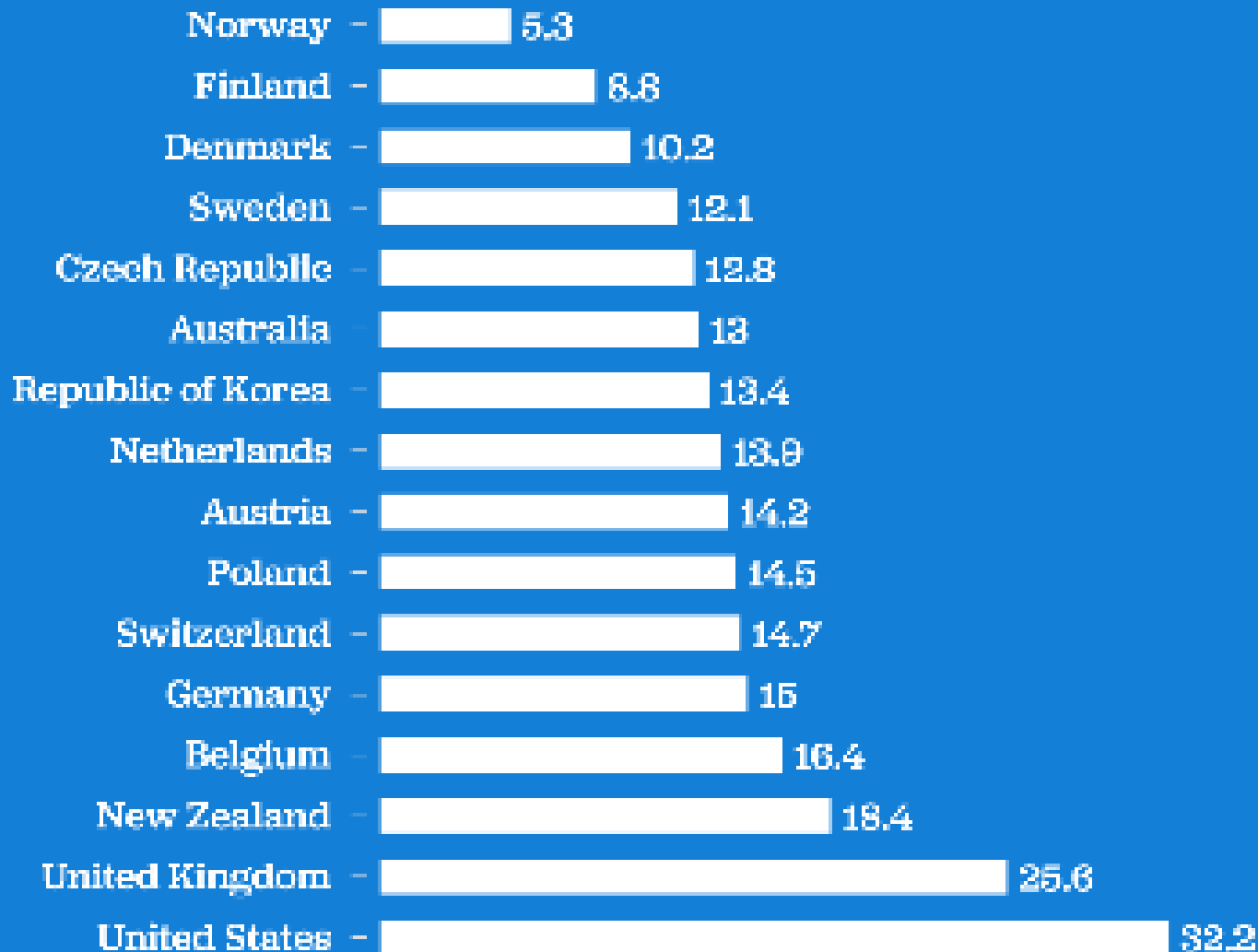
This appears to be the case in New Zealand....

New Zealand's Poverty Rates: young vs old

Proportion of all individuals in low-income households
by age,
60% of median "anchored" threshold (AHC)

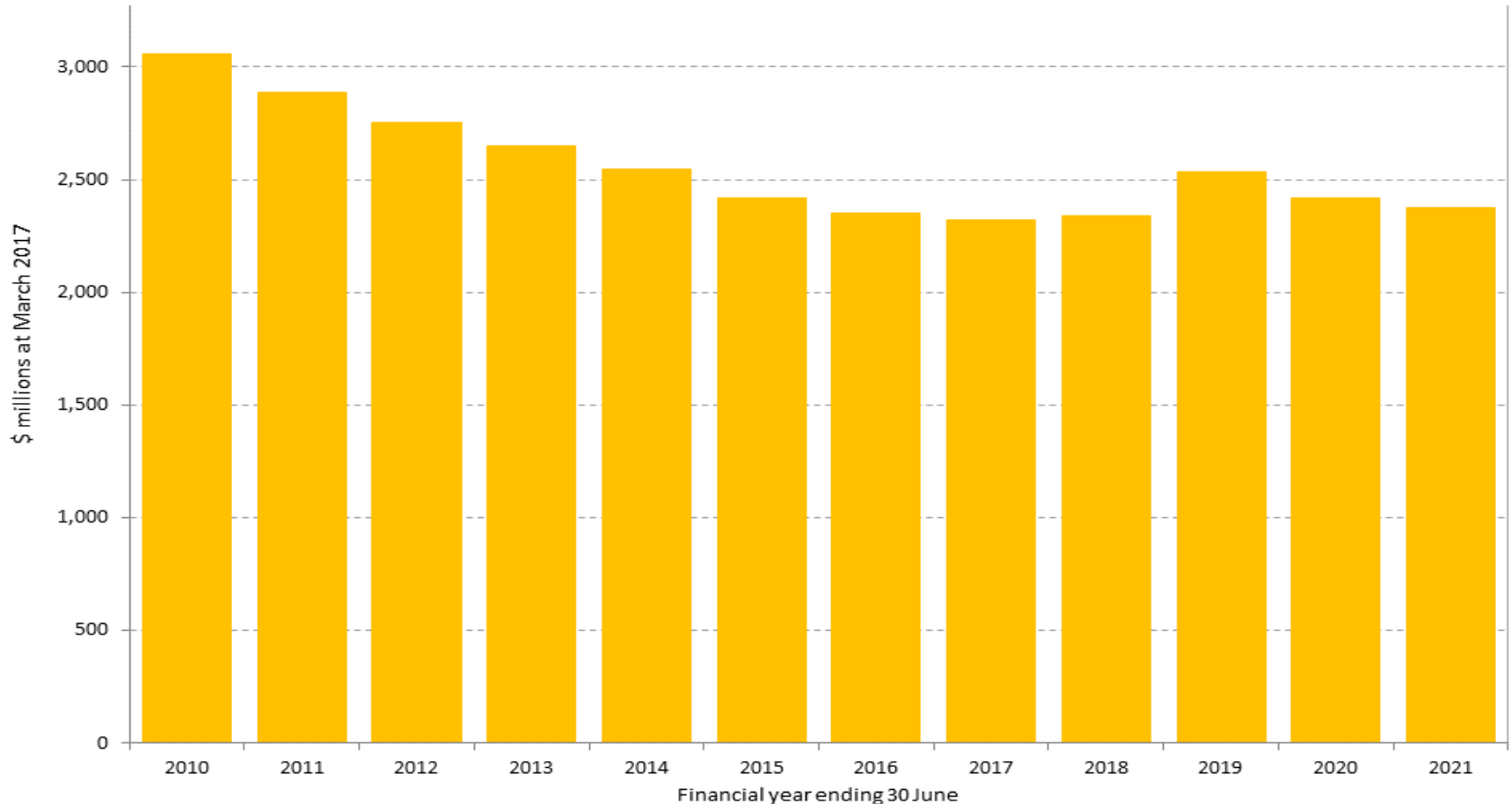


Child Poverty Rate



Source: <http://www.unicef.org/publications/pdf/finz-eng-web.pdf>

Real spending on Working for Families, in March 2017 \$ (Johnson et al., 2017)



Current taxpayers fund:

- Public healthcare,
- compulsory education and
- the universal age pension: New Zealand Superannuation (NZS)

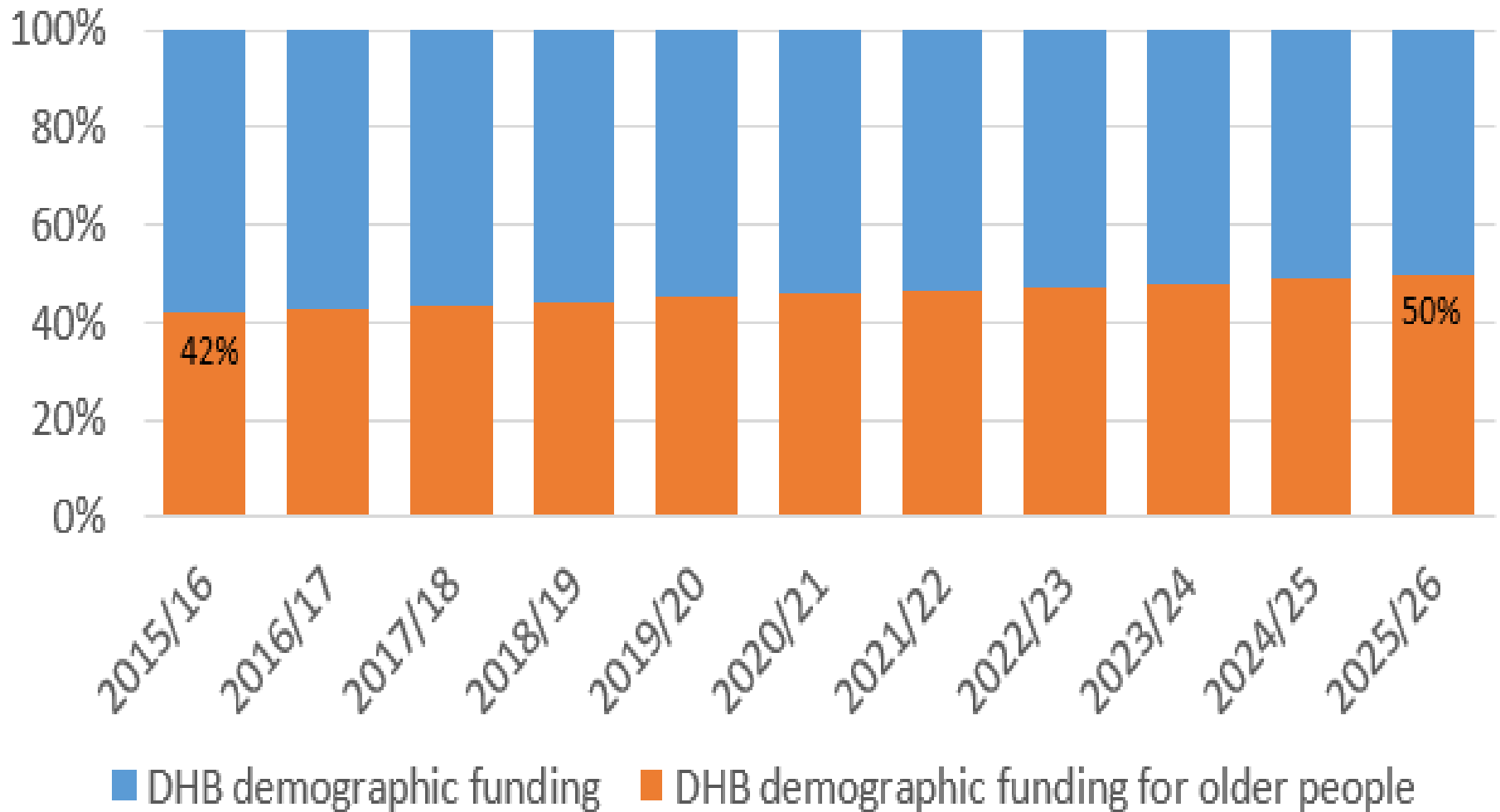
Fiscal projections 2010-2060

% of nominal GDP	2010	2020	2030	2040	2050	2060
Healthcare	6.8	6.8	7.7	8.9	9.9	10.8
NZ Super	4.3	5.1	6.4	7.1	7.2	7.9
Education	6.1	5.3	5.2	5.2	5.1	5.2
Law and order	1.7	1.4	1.4	1.4	1.4	1.4
Welfare (excluding NZ Super)	6.7	4.8	4.4	4.2	4.0	3.8
Other	6.5	5.6	5.7	5.8	5.9	6.1
Debt-financing costs	1.2	1.8	2.5	4.2	7.1	11.7
Total government expenses	33.4	30.8	33.4	36.9	40.6	46.8
Tax revenue	26.5	28.9	29.0	29.0	29.0	29.0
Other revenue	3.2	3.0	3.2	3.2	3.3	3.6
Total government revenue	29.7	31.9	32.2	32.2	32.3	32.6
Expenses less revenue	3.6	-1.1	1.2	4.6	8.3	14.3
Net government debt	13.9	27.4	37.1	67.2	118.9	198.3

2. Intergenerational equity and health spending

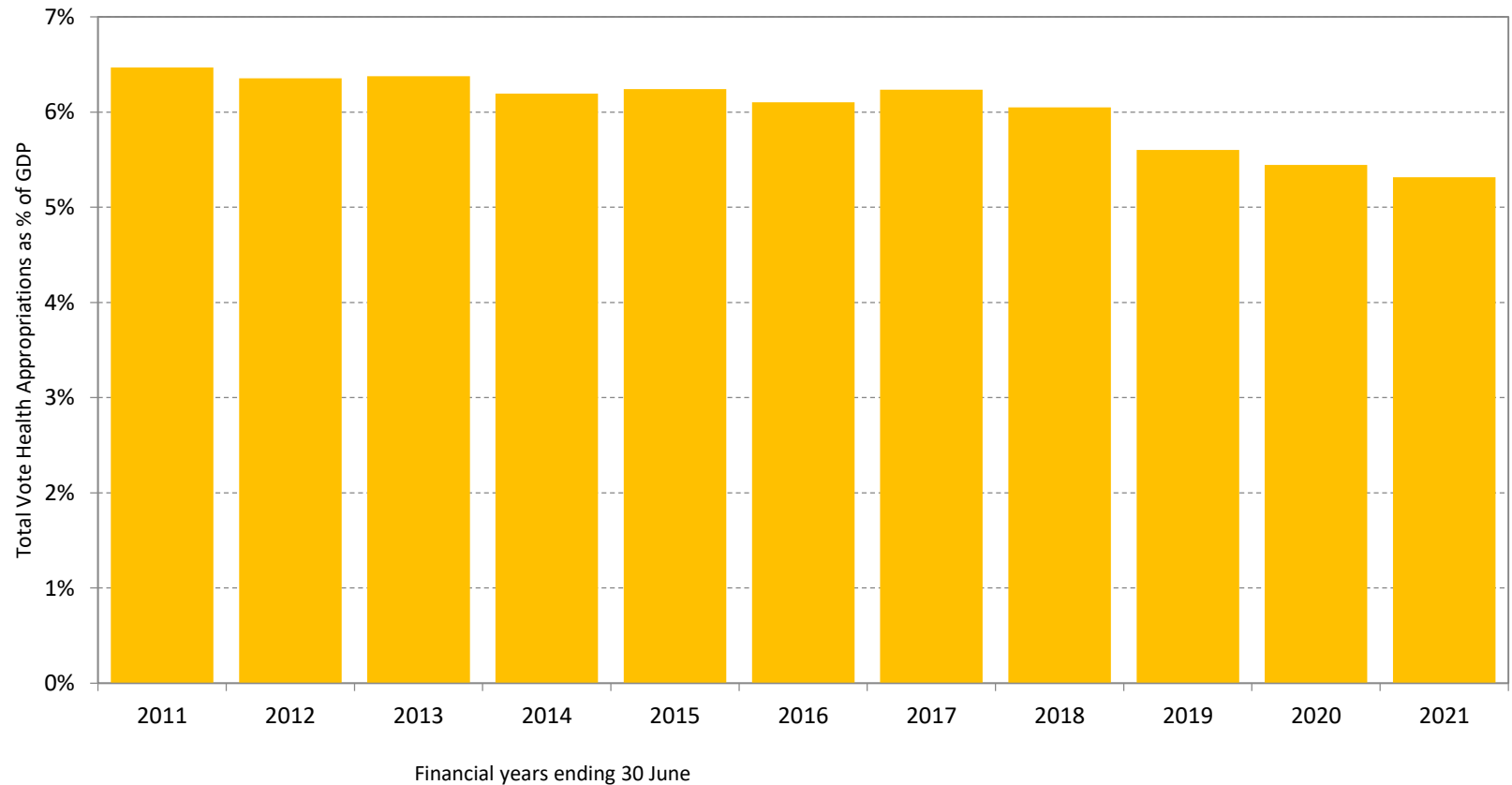
Health provision is an equity issue...

Share of health services used by people aged 65+ ([Ministry of Health 2016](#))



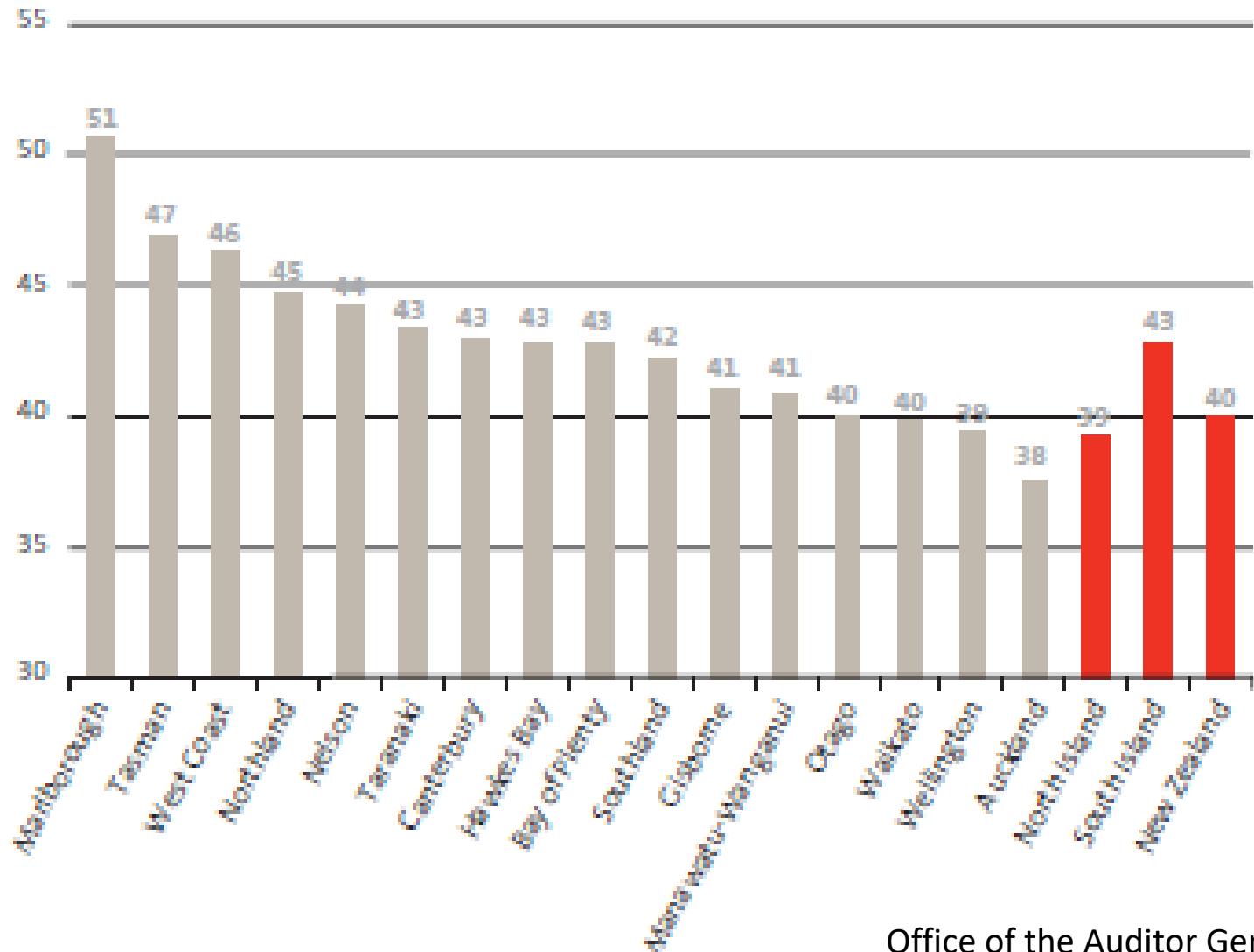
Health spending relative to GDP

(Johnson, et al., 2017)



Enormous regional variation in ageing

Projected median age by region, 2031



District Health Boards (DHBs)

- are funded per head of population.
- DHBs are particularly challenged by shrinking, ageing populations.
- Apart from the fact that the older a person gets, the more likely they are to end up in hospital, funding to DHBs also covers the provision of in-home care.
- An estimated 5% of older people live in residential care

Ageing population \$ impact:

- In 2017, health costs for the aged of residential care, other services and support = \$6,343 billion
- New Zealand Superannuation = \$12,912 billion
- so exceed \$19.2 billion** (est Core Crown Expenses \$80.5 b)
- by 2020 health costs for the aged of residential care, other services and support = \$6,719 billion
- New Zealand Superannuation = \$14,916 billion
- so will exceed \$21.6 billion by 2020** (est Core Crown Expenses \$84.8 b)

3. Intergenerational equity and 'care' policy and provision

- * aged care
- * child care

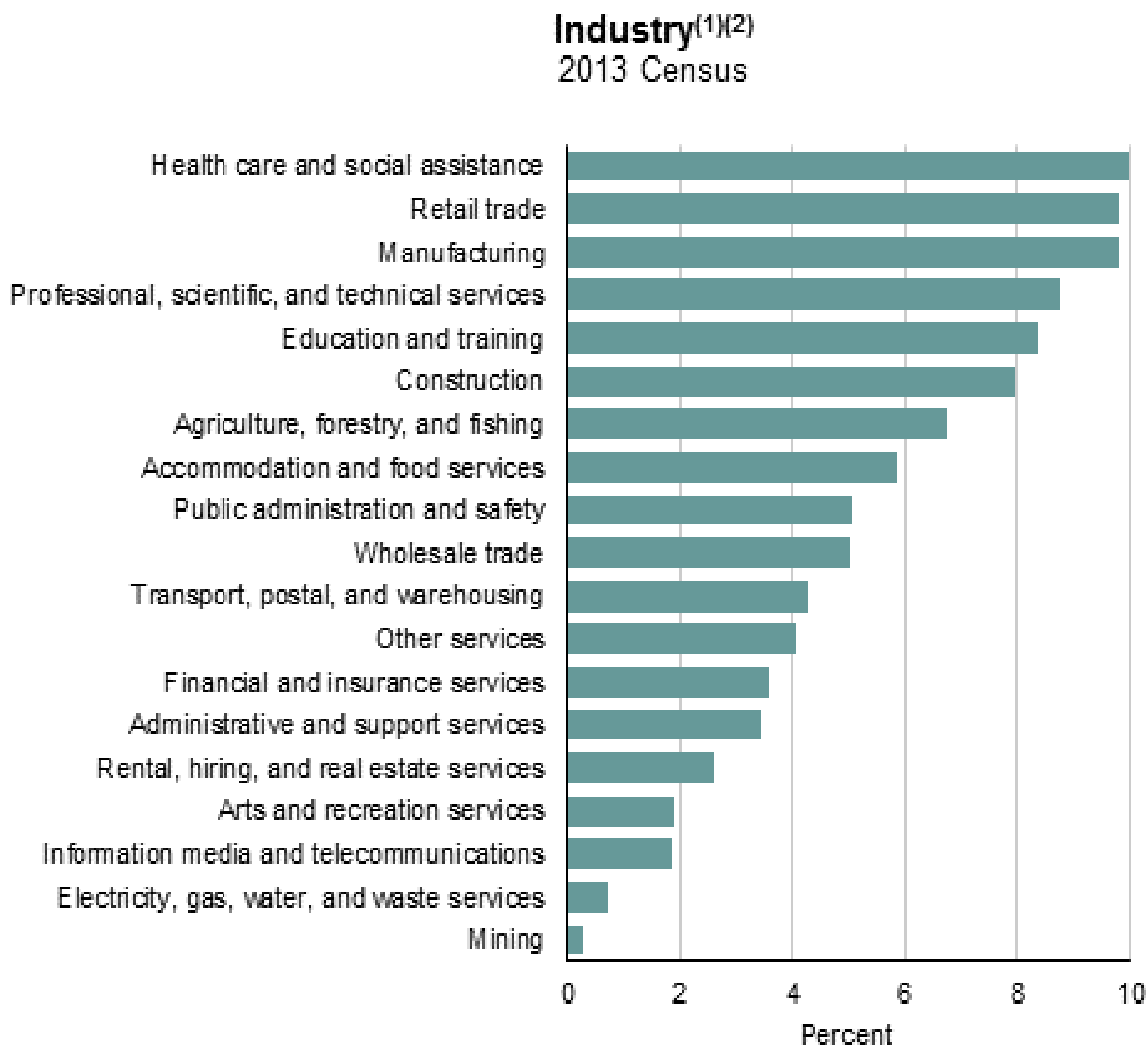
Informal (unpaid) 'care' provision

- Demand for 'aged caregivers' increases with population ageing and public and private preference for ageing in place rather than institutional care.
- The need for informal/unpaid 'child caregivers' also increases with the government preference for 'work first' rather than parental child-rearing.
- **High costs to the care provider**

Formal caregiving

Major industry groups for employed people aged 15 years and over

Census
2013



Other state funding of 'care':

(in addition to Vote Health)

- Ministry of Social Development
- Ministry of Education

Productivity Commission ([2015](#)) reports:
“government agencies quite often pay less than full cost when contracting providers to deliver the Government’s goals and commitments. Such underpayment is unreasonable.”

* Aged care

Formal 'aged care' provision

The Healthy Ageing strategy recognises that adequate provision of support and care services is critical to older people ageing well for longer in their communities.

BUT:

Care-workers themselves are an ageing population

Care-work is increasingly physically demanding as the criteria for residential care are tightened

Care-work is low paid or unpaid, gendered, and considered 'low skill'.

Newsflash!!!

\$2 billion pay equity settlement

Increased longevity =
increased frail years

Unlike Australia, NZ research shows that increased longevity, while increasing 'active' years, also increases 'frail' years.

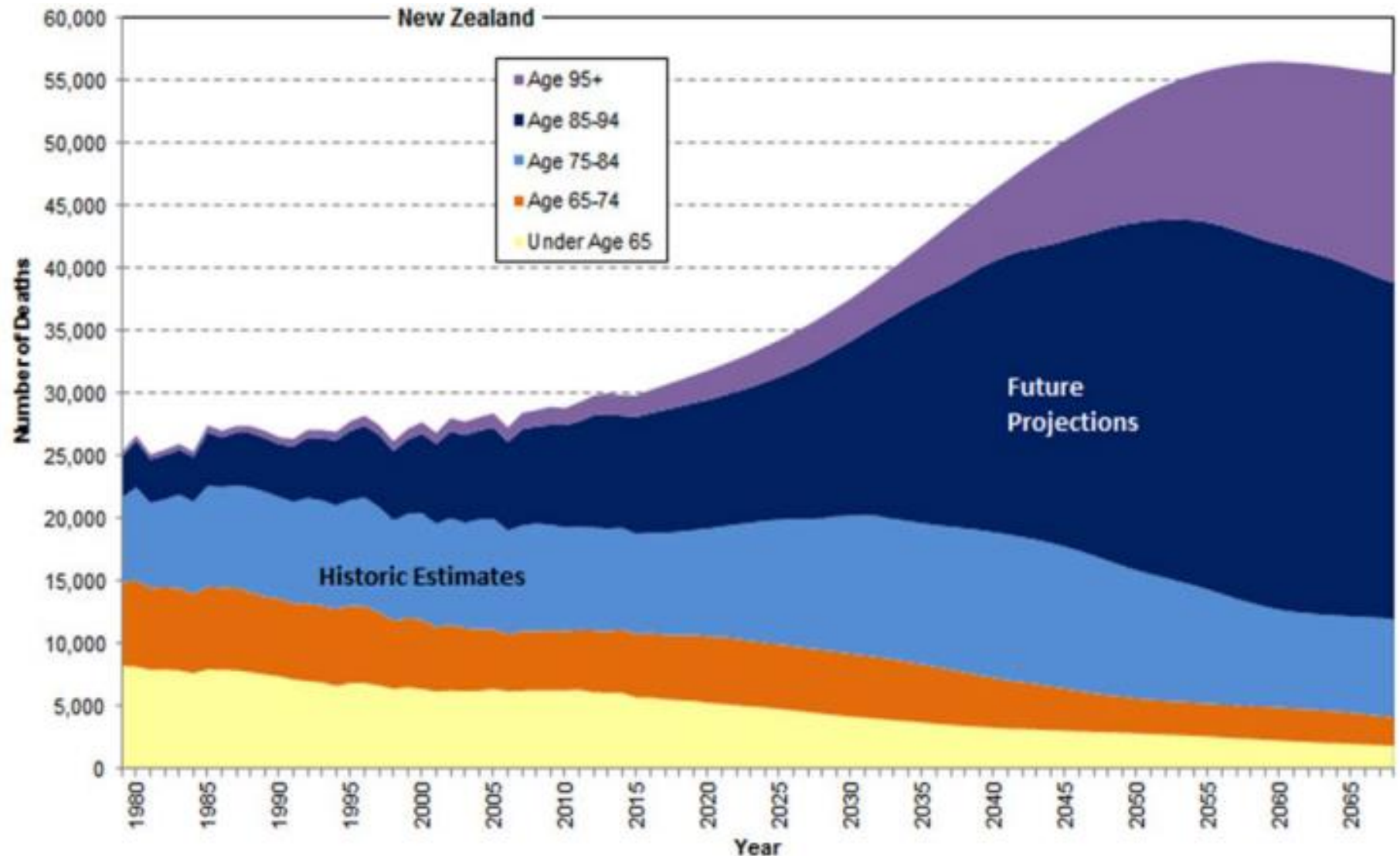
This comes at a high 'care' cost – either resthome or private or public hospital.

Changing face of formal care:

- Ageing in place policy (cost-reduction policy)
= the age-adjusted population proportion in rest home care has decreased
= proportion in hospital level care has stayed steady.
- For example, in Auckland, absolute numbers in residential care beds have stayed roughly steady over 20 years, but with an increase in dependency levels.

Increases in both dependency levels and demand for in-home care have impacted on careworkers.

Historic Deaths and Future Projections of Deaths in New Zealand by Age Band



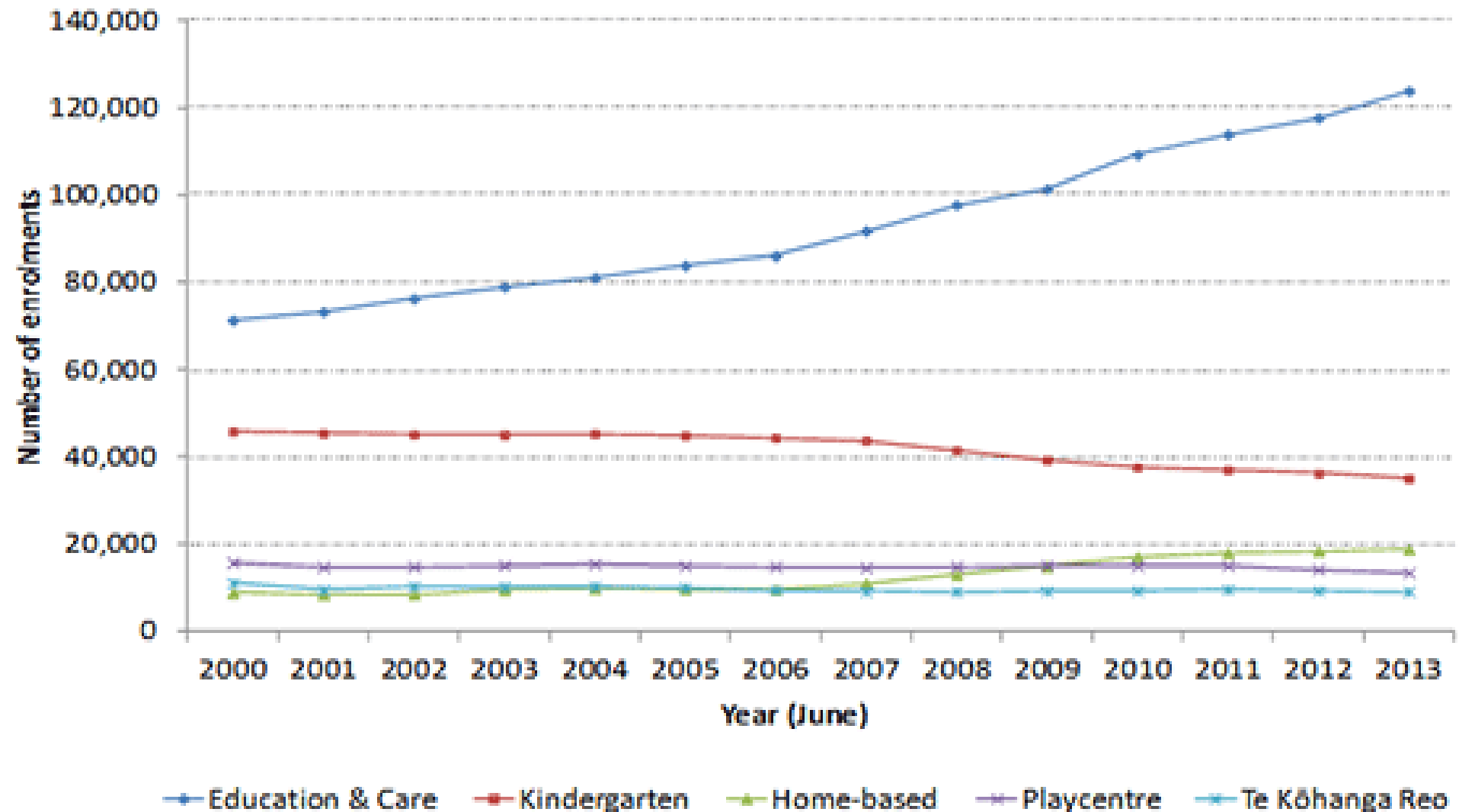
(Palliative Care Council 2015)

* Early childhood care

Good quality early childhood education (ECE)

- is a determinant for later educational success,
- but access to quality ECE in low income areas is limited.
- Overall ECE participation has increased steadily since 2000, and New Zealand is ranked in the top third of OECD countries for participation in ECE.
- The prior ECE attendance of children starting school rose from 90.0% in June 2000 to 96.2% for the year ended June 2015.

Number of enrolments/attendances by service type, 2000-2014



Enrolment rates growth between 2000 and 2014

- highest for children aged one, two and three years:
- the proportion enrolled of all 1 year-olds increased from 29% to 44%,
- the proportion of 2 year-olds increased from 48% to 65% and
- the proportion of 3 year-olds rose from 85% to 96% over the same period.
- This suggests that increased enrolments are supporting parental employment. See

<http://www.educationcounts.govt.nz/indicators/main/student-engagement-participation/1923>.

4. What is being done to avert a future social and economic crisis?

As population ages, dependency ratio shrinks:

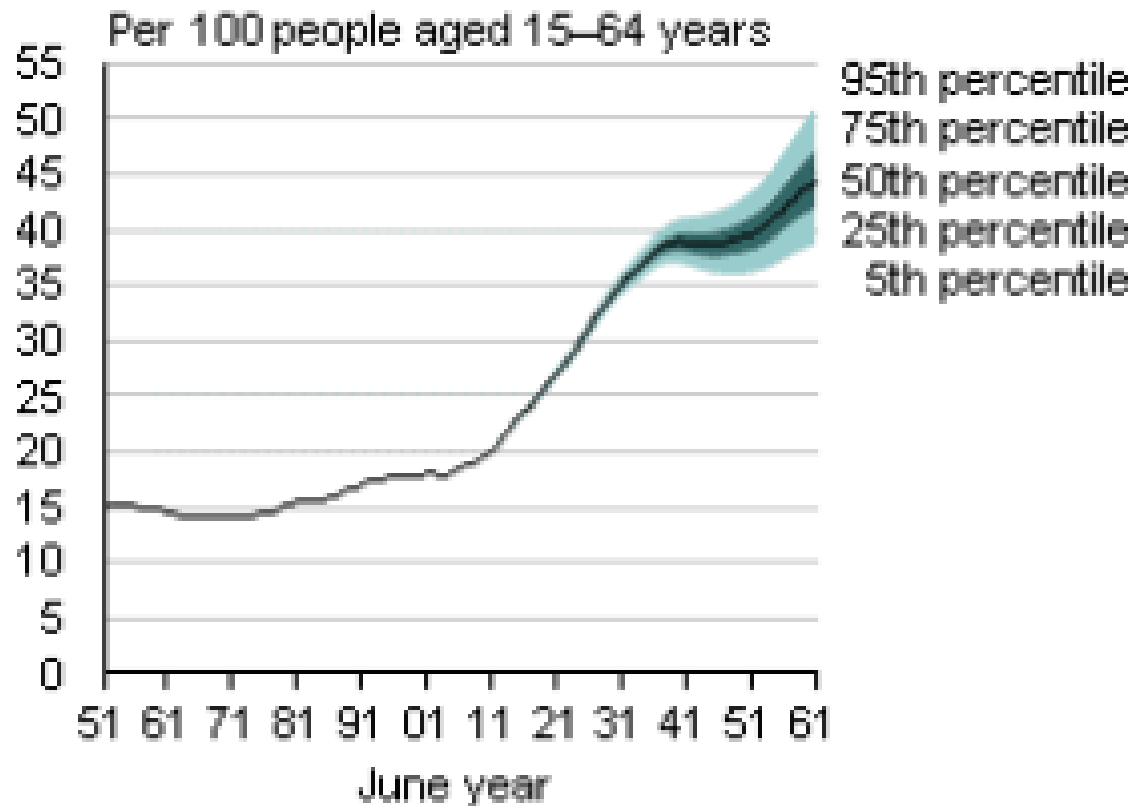
65+ dependency ratio:

-from 7.1 (aged 15 to 64)/ 1 (aged 65+) in mid-1960s

-to 2.6 / 1 in 2036

-and 2.3 / 1 in 2061

65+ dependency ratio
1951–2061



NZ Age pension & healthcare costs are met by current taxpayers.

In less than 10 years, will every 2.6 workers be willing to pay enough tax to cover the pension and health costs of a person over age 65?

Government's primary response to the ageing population: **silence...**

- Some focus on medical/health issues eg *Ageing Well Challenge*
- March 2017, PM announced **new residency requirements** in 2018 (if re-elected): immigrants will have to live in NZ for 20 years (now 10) to access NZS, including 5 after 50 years, and
- Age of eligibility for NZS to begin lifting in 2037, reaching 67 by 2040. Affects anyone born on or after July 1, 1972
- PM justified the changes by saying that **the scheme was forecast to become unaffordable**, and because New Zealanders were now living longer.

Also in place:

- KiwiSaver since 2007 – average balance \$14,903 (2,727,675 members)

Total savings: \$40.65 billion at end of March 2017

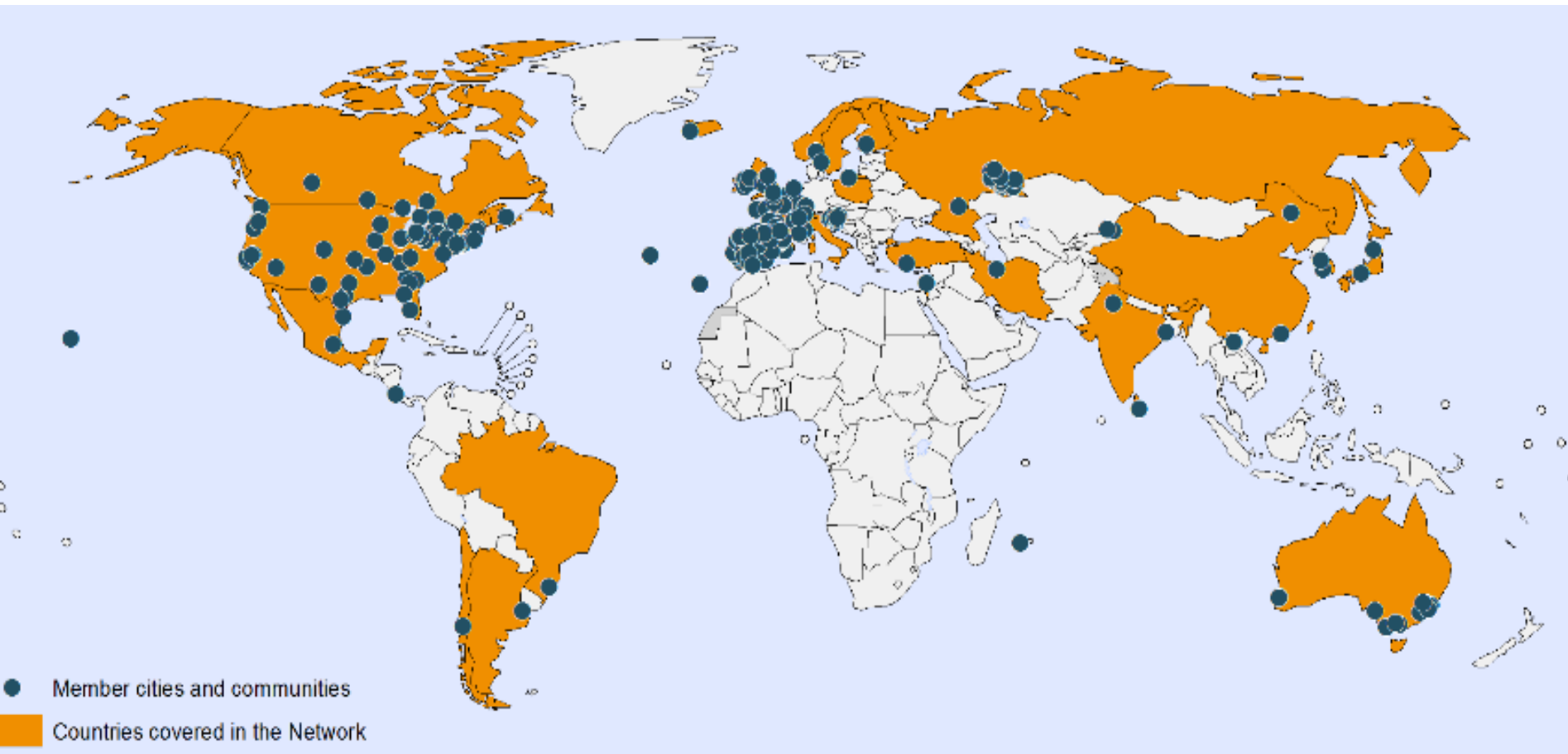
- NZ SuperFund (since 2003) – now \$35b will take the peak off the future cost of NZSuperannuation
- Retirement Commissioner's 3 yearly Retirement Incomes Review – largely ignored despite the sound research and public support

Housing issues:

- Own home
- In-home care (ageing in place)
- Pensioner housing (national/local govt, charitable
- Abbeyfields
- Private rental.....

- Retirement village
- Resthome
- Private hospital
- **Increasing homelessness of young and old**

WHO Global Network of Age-friendly Cities and Communities



5. What more could be done to avert a social and economic crisis and to ensure improved intergenerational equity?

- Improve support for families now
- Join international groups eg. WHO Global Network of Age-friendly Cities and Communities
- Establish a Parliamentary Commission for the Future (Boston & Stuart 2015)
- Support the introduction of safe and fair **long term care insurance** and **annuity products** to enable intragenerational sharing of the costs of the ageing population