

Fiscal sustainability: are health systems the problem or the solution?

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This talk

- Sustainability of health systems
 - Underlying trends
 - Future scenarios
- General economic trends and pressures on public finances
 - Macroeconomic growth
 - Constraints to growth
- How the health system can help
 - Improving labour market participation
 - Long term care
 - Reducing burden of public pensions

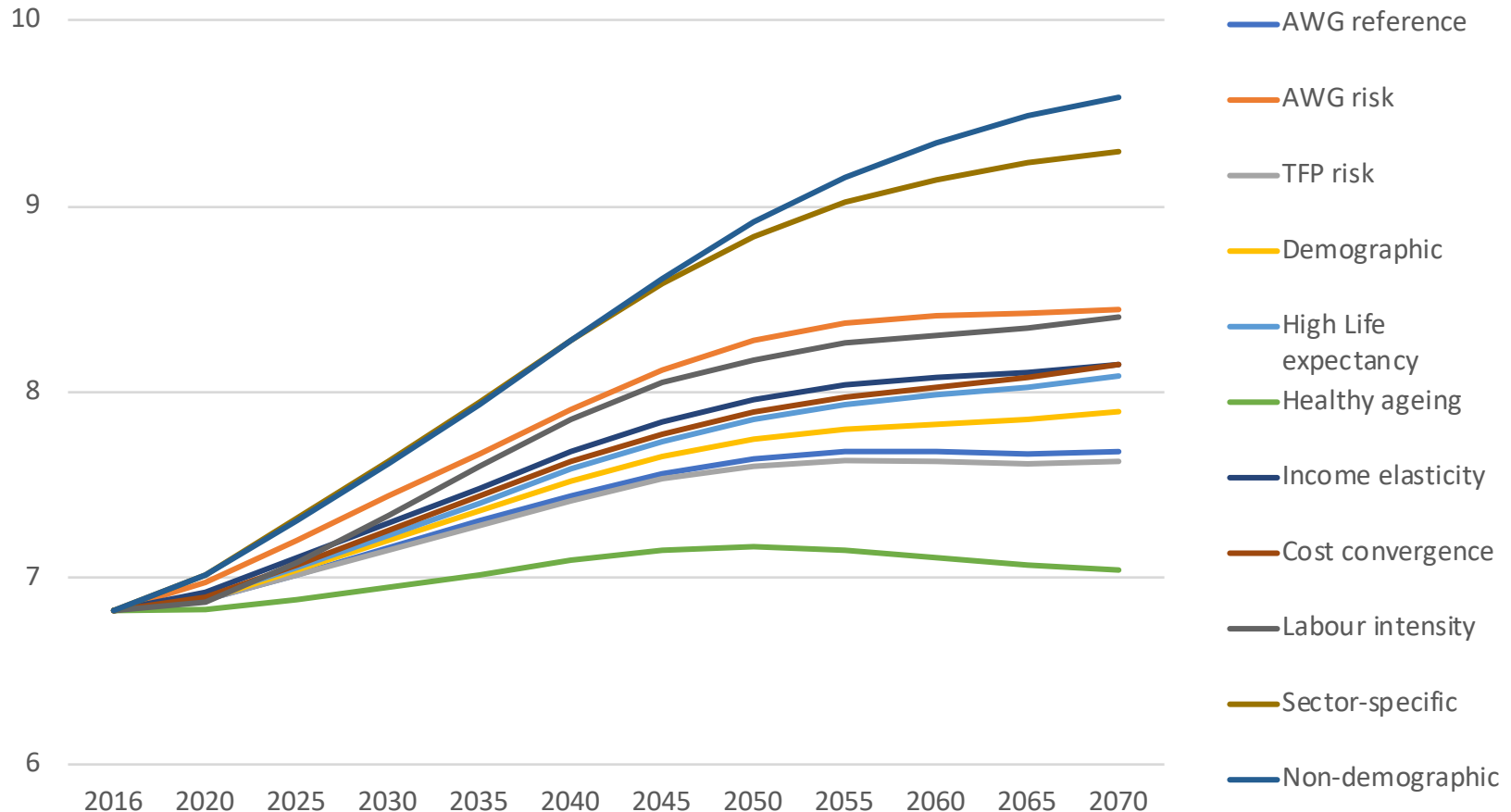
What is fiscal sustainability?

- The OECD defines sustainability as **“the ability of a government to maintain public finances at a credible and serviceable position over the long term”**.
- In the health sector this means securing a long run balance between income and expenditure, without breaching reasonable public expectations on access to health services.
- But keep in mind the broader need to maintain aggregate fiscal balance across all publicly funded programmes.

Forecasting health spending

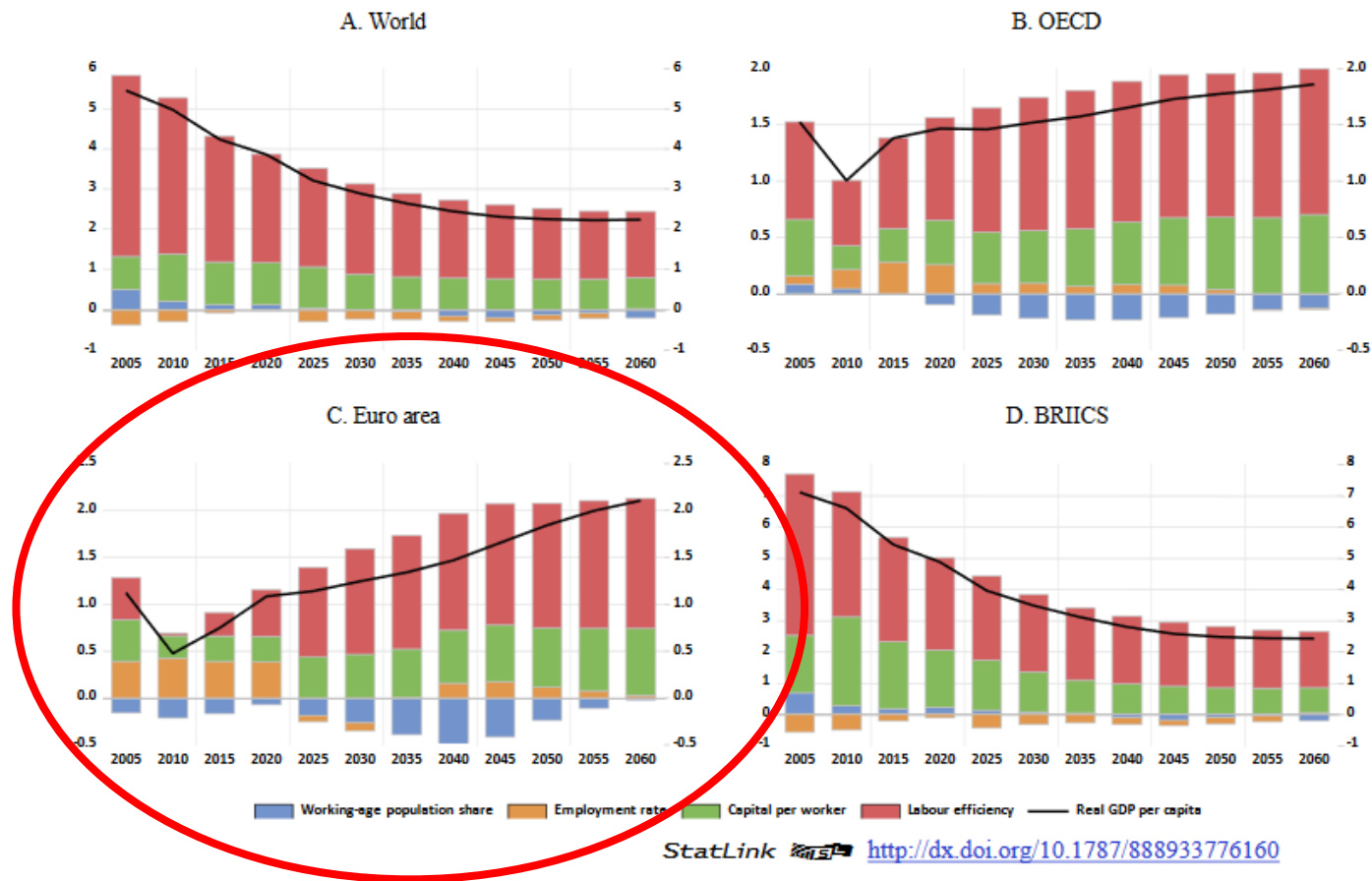
- Demography
 - Larger numbers of older people
- Income effects
 - Preference for health spending as national income increases
- Other cost pressures
 - Efficiency growth
 - Relative costs
 - Technological change
 - Change in epidemiology (especially chronic disease)

Health spending as % GDP under different scenarios



Source: European Commission: *The 2018 Ageing Report*

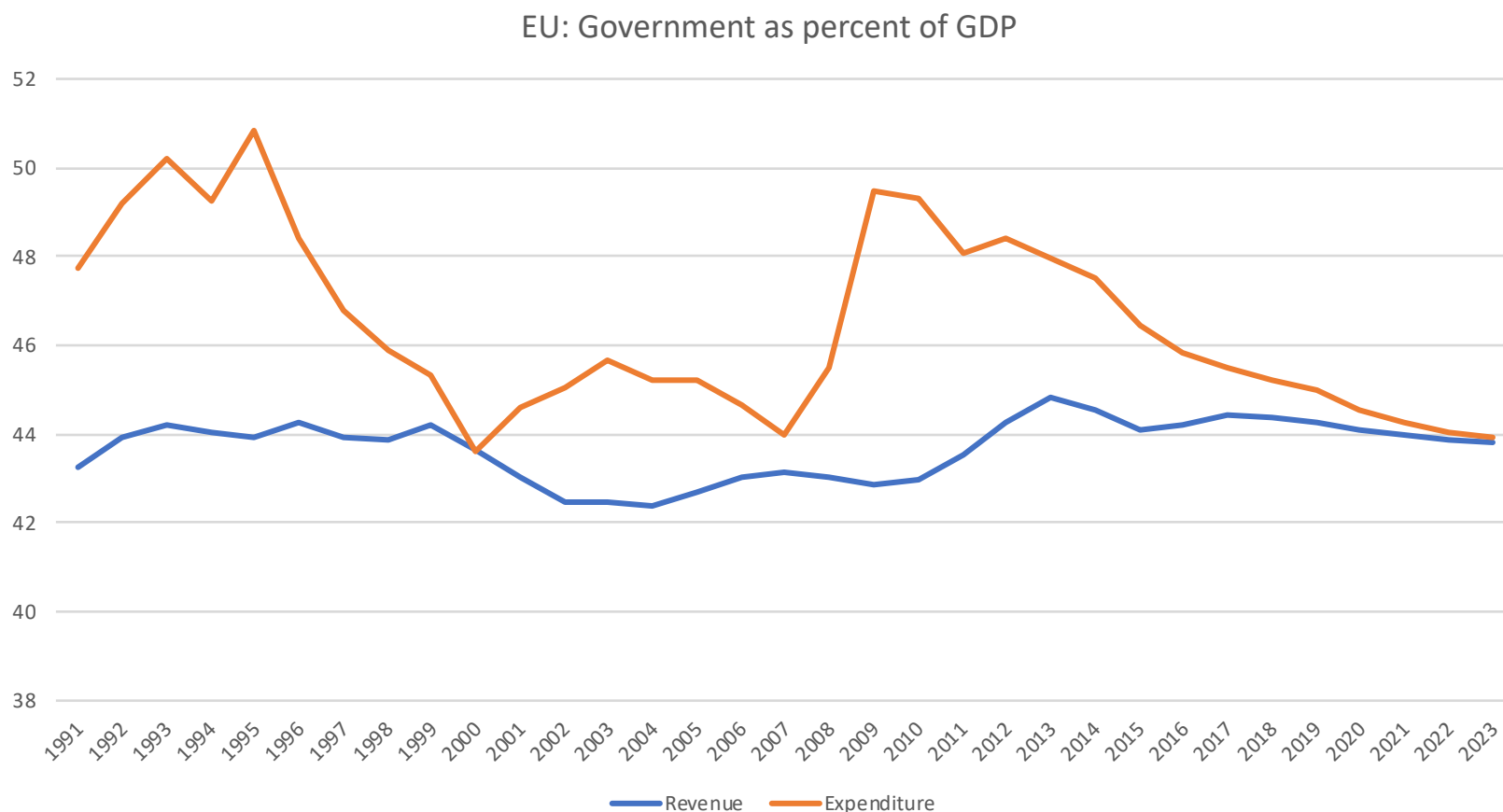
Projected trend annual real GDP per capita growth %, 2018-2060



Source: OECD (2018), The Long View: Scenarios for the World Economy to 2060

https://www.oecd-ilibrary.org/economics/the-long-view_b4f4e03e-en

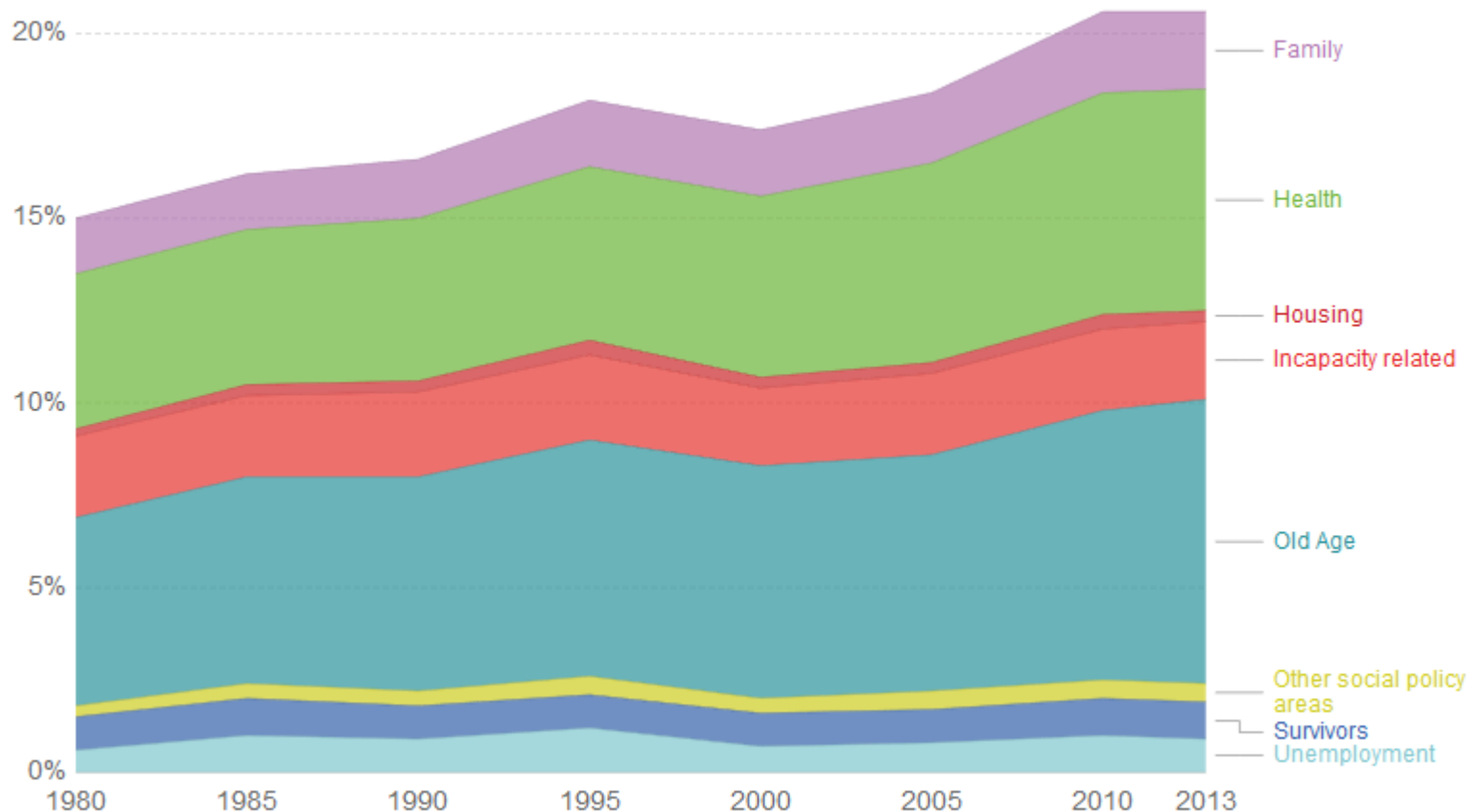
IMF: EU government revenue and expenditure



Source: IMF World Economic Outlook Database September 2018

<https://www.imf.org/external/pubs/ft/weo/2018/01/weodata/index.aspx>

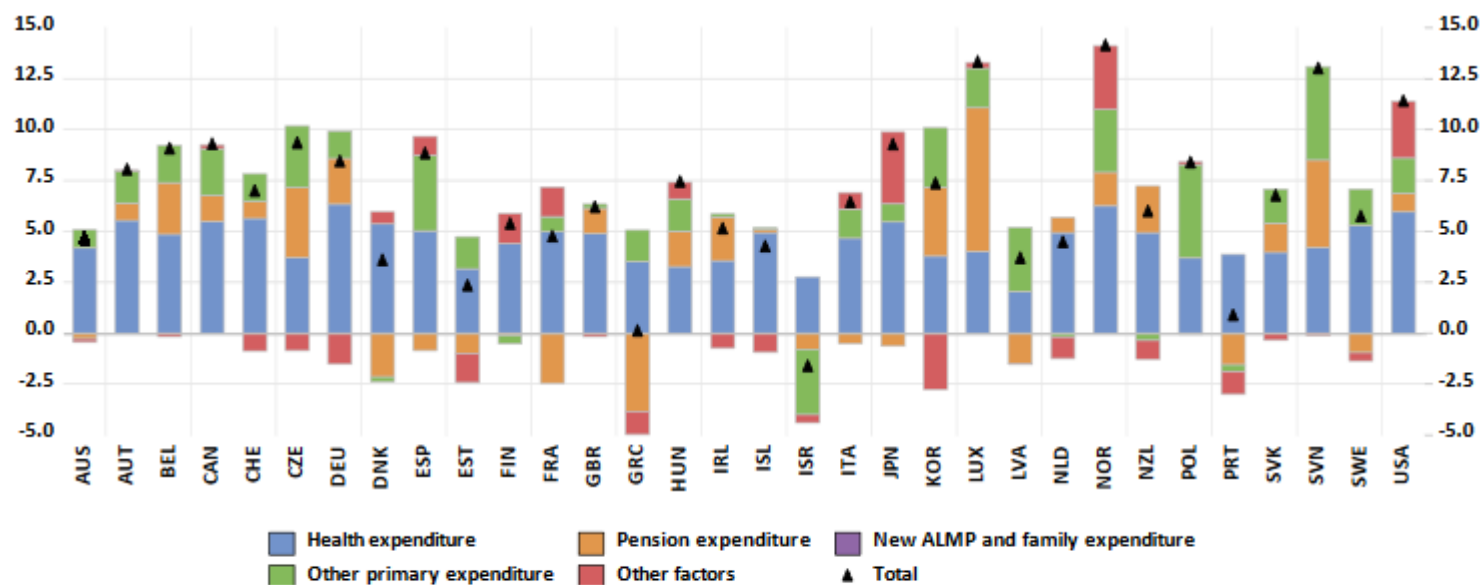
Social expenditure by branch of spending as % GDP; OECD countries



Source: OECD data http://stats.oecd.org/Index.aspx?datasetcode=SOCX_AGG

As presented at: <https://ourworldindata.org/public-spending>

Change in primary revenue necessary by 2060 to stabilise public debt ratios, % pts of potential GDP: baseline scenario

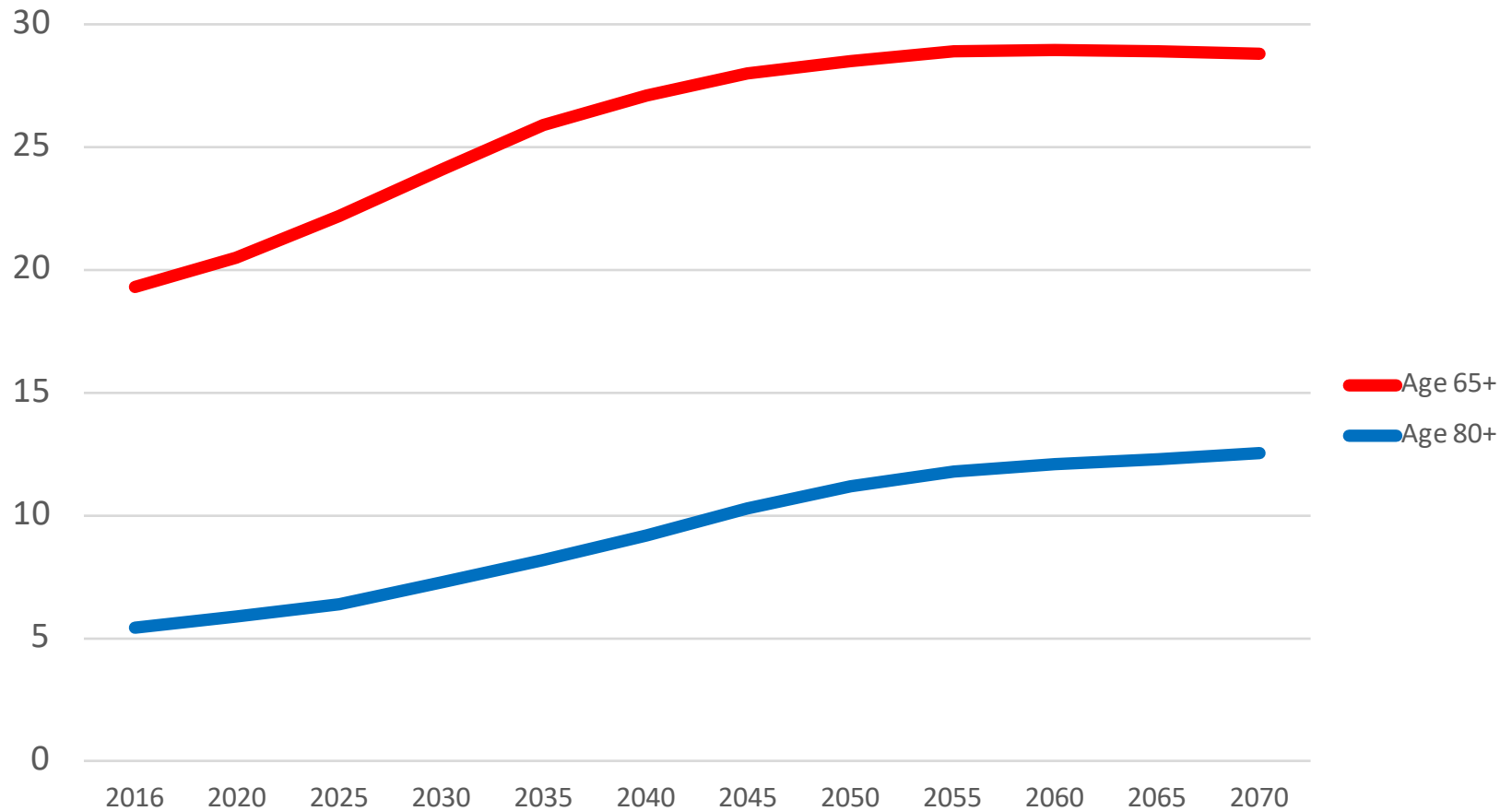


StatLink  <http://dx.doi.org/10.1787/888933776559>

Source: OECD (2018), The Long View: Scenarios for the World Economy to 2060

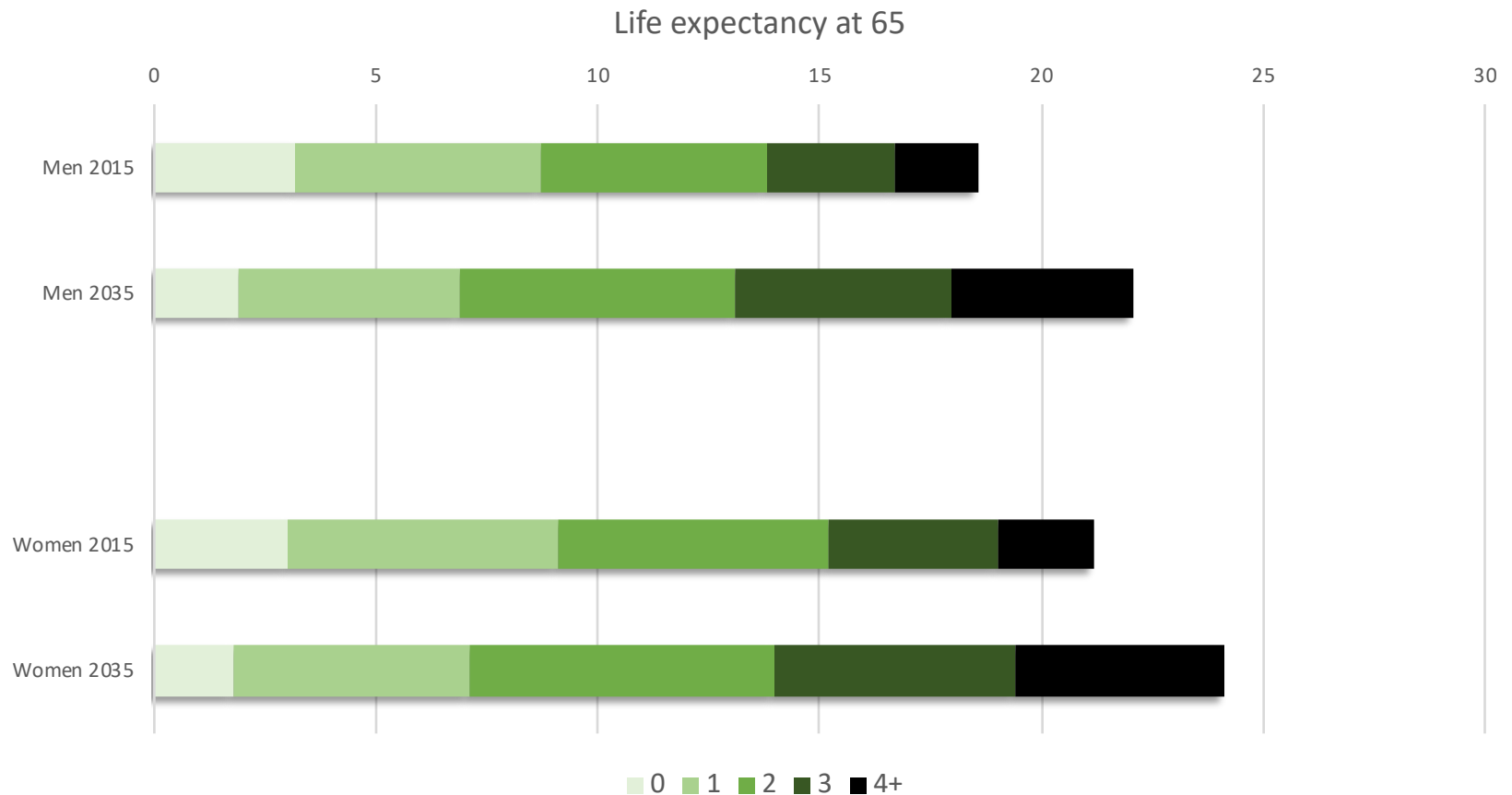
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Older people as % of total population, EU, 2016-2070



Source: European Commission: *The 2018 Ageing Report*

Life expectancy at 65 by number of diseases, 2015 and 2035

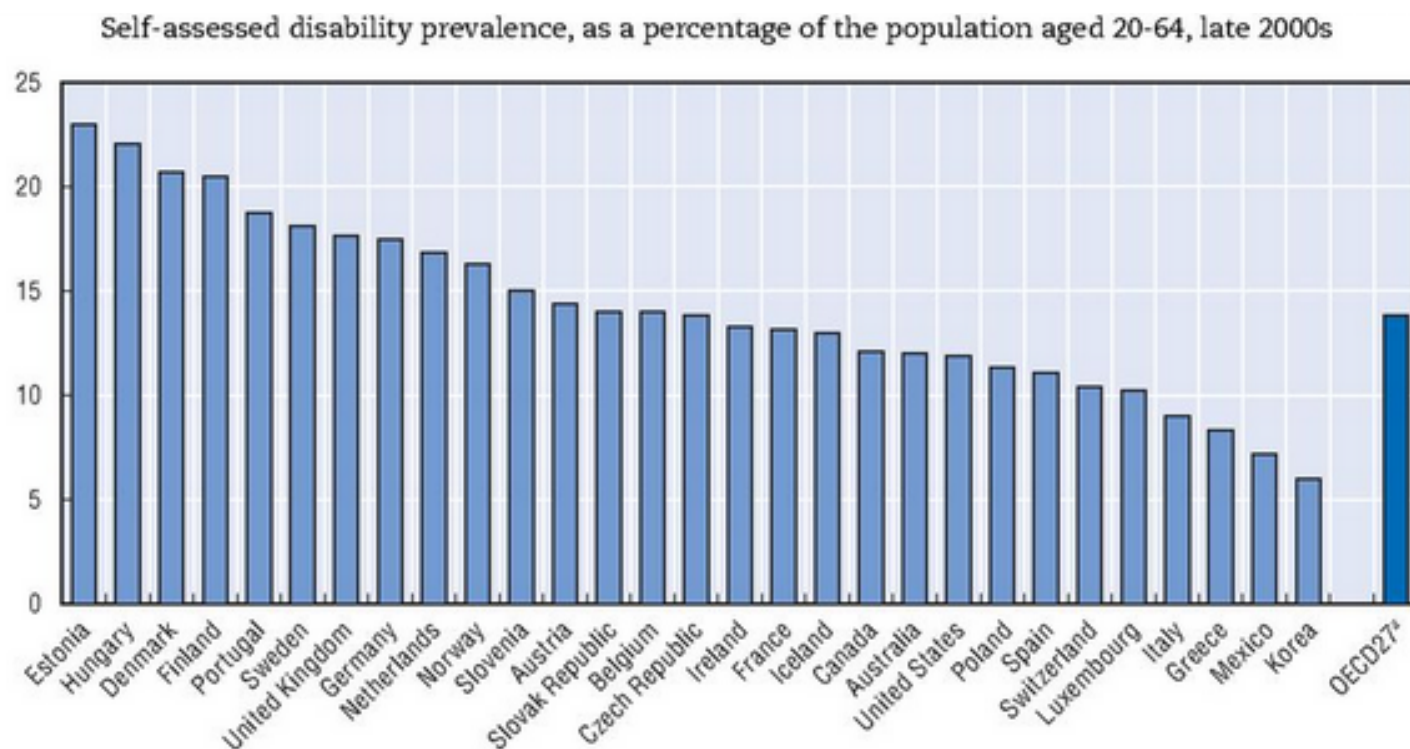


Source: Kingston, A. et al, "Projections of multi-morbidity in the older population in England to 2035: estimates from the Population Ageing and Care Simulation (PACSim) model", *Age and Ageing* 2018; 47: 374–380.

The health system contribution:

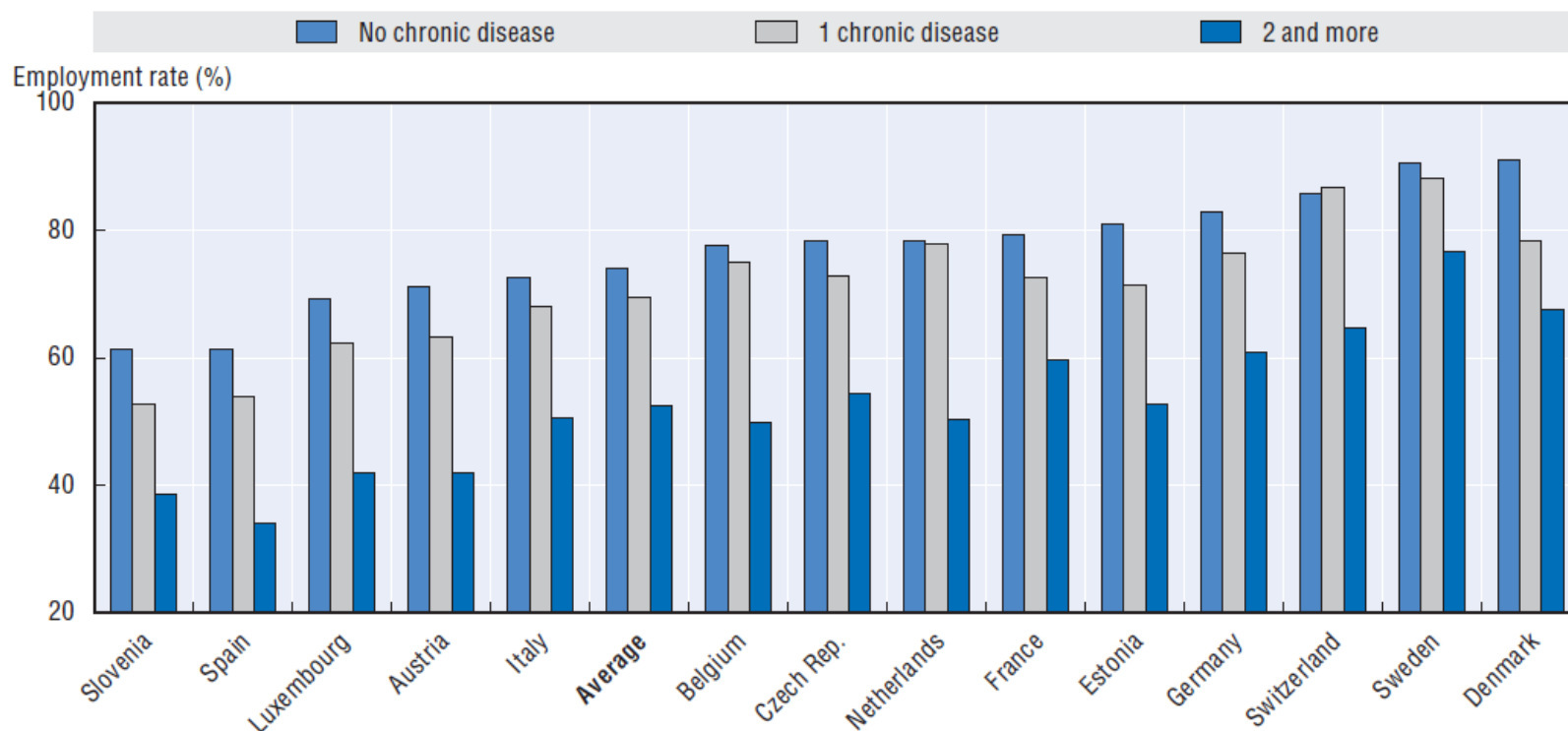
- Improving labour market participation
 - Improving productivity
 - Increasing tax revenues
- Long term care
 - Reducing growth in expenditure
 - Allowing caregivers to participate in labour market
- Reducing burden of public pensions
 - Keeping people economically active for longer

Disability prevalence at working age




OECD (2010): Sickness, disability and work: breaking down the barriers

Employment rate among people aged 50-59, with and without chronic diseases, 2013

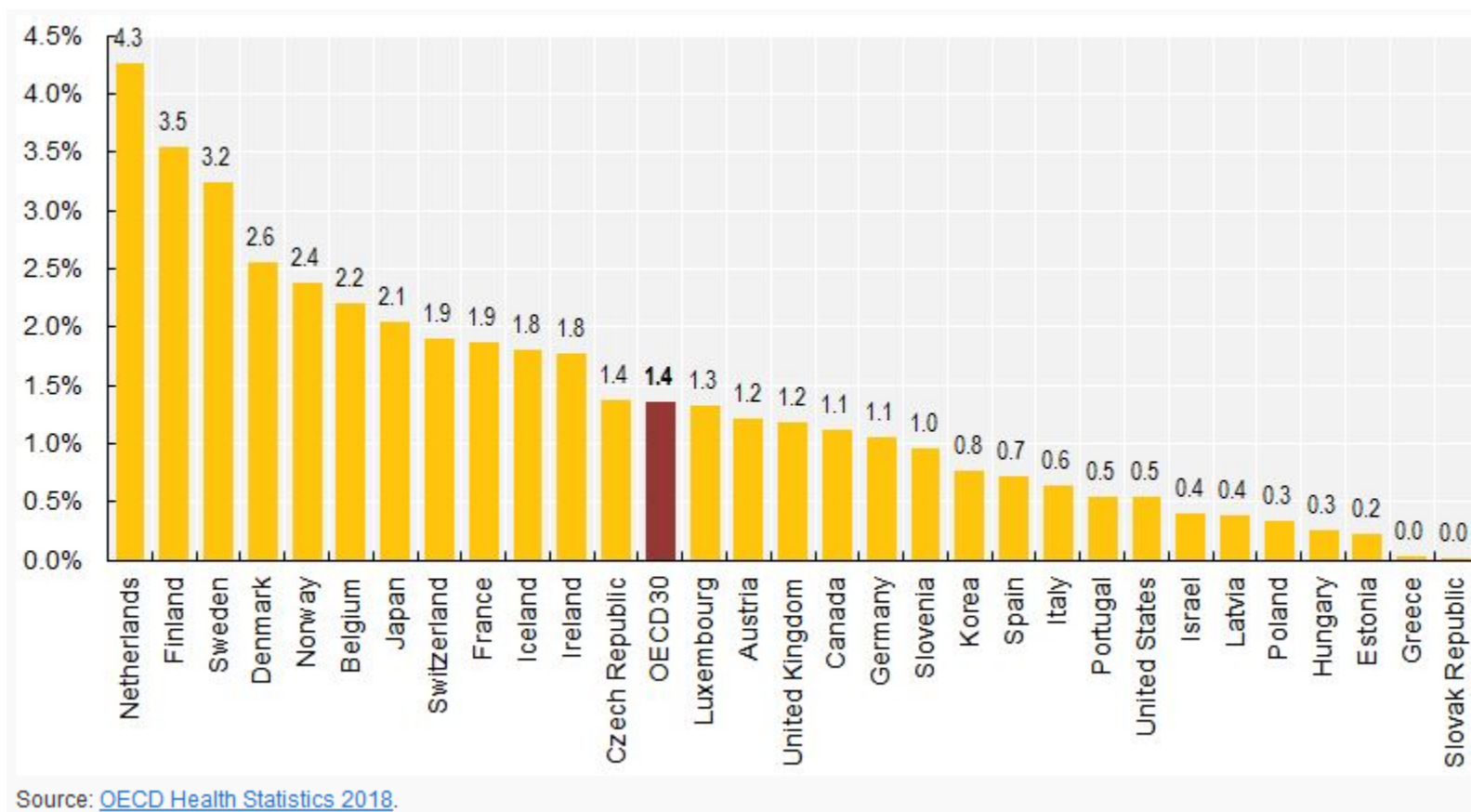


Note: N = 17 666 in the 14 countries studied. See the Statlink for further details on the methodology.

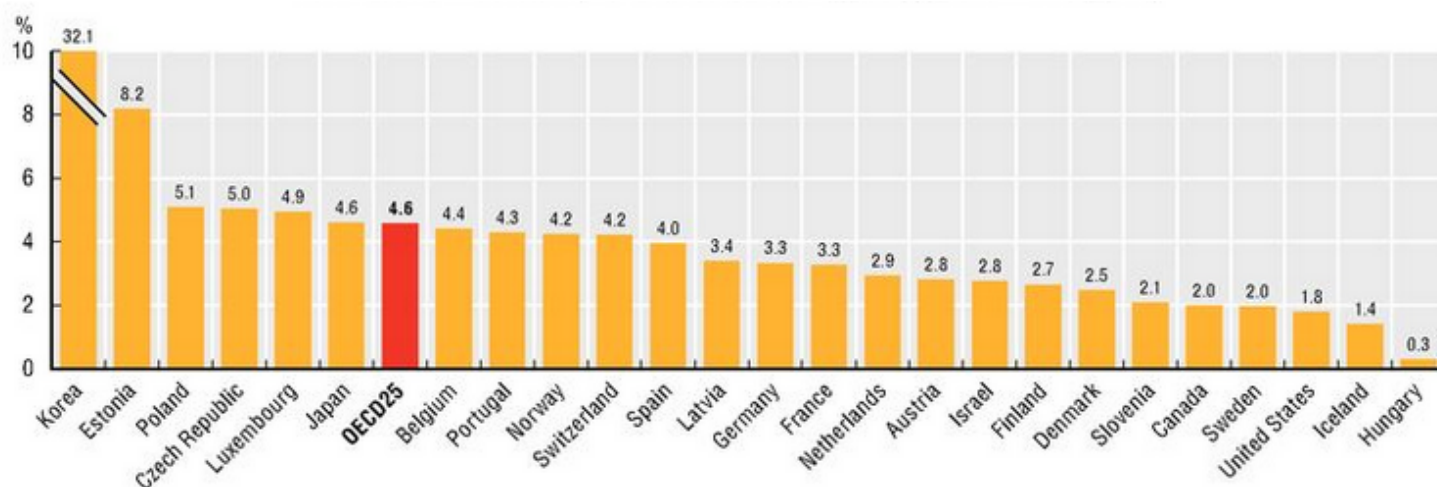
Source: OECD estimates based on SHARE data (wave 5).

StatLink  <http://dx.doi.org/10.1787/888933428282>


Public spending on long-term care (health and social components) in 2014 as a % of GDP



Annual real terms growth rate in long term care public expenditure 2005-15 or nearest year

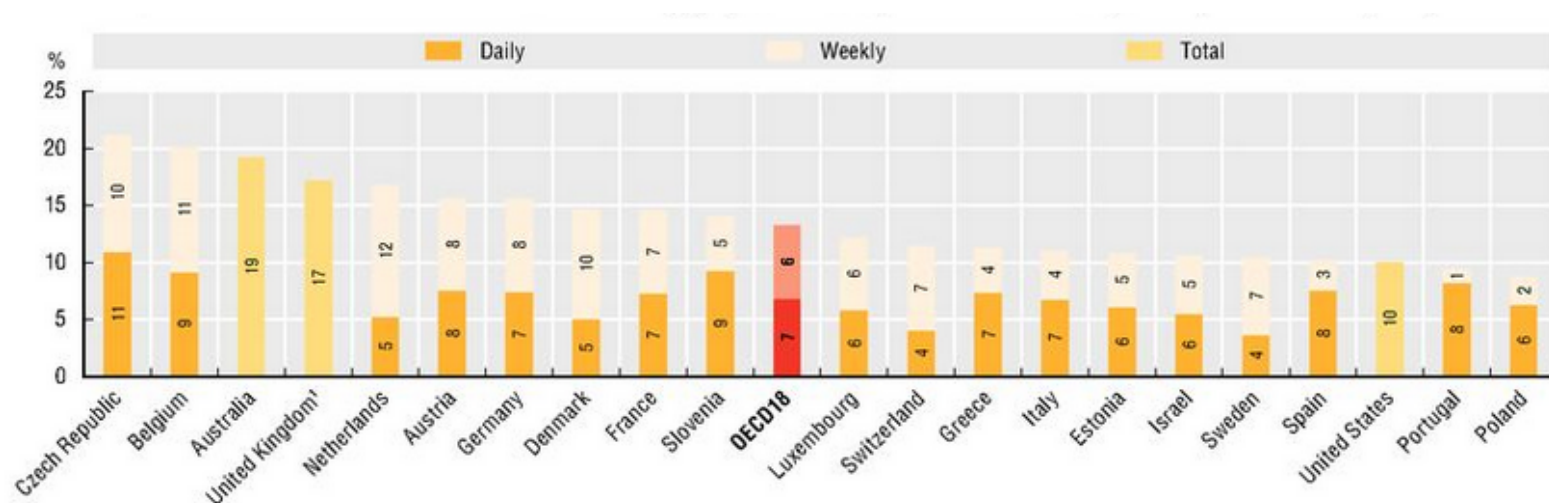


Source: OECD Health Statistics 2017.

StatLink  <http://dx.doi.org/10.1787/888933606129>

Source: OECD Health at a Glance 2017


Share of informal carers among population aged 50 and over, 2015 (or nearest year)



Note: The definition of informal carers differs between surveys (see Definition and comparability).

1. United Kingdom refers to England.

Source: Wave 6 of the Survey of Health, Ageing and Retirement in Europe (2015), Survey of Disability, Ageing and Carers for Australia (2015), wave 7 of the English Longitudinal Study of Ageing (2015), wave 12 of the Health and Retirement Survey for the United States (2014).

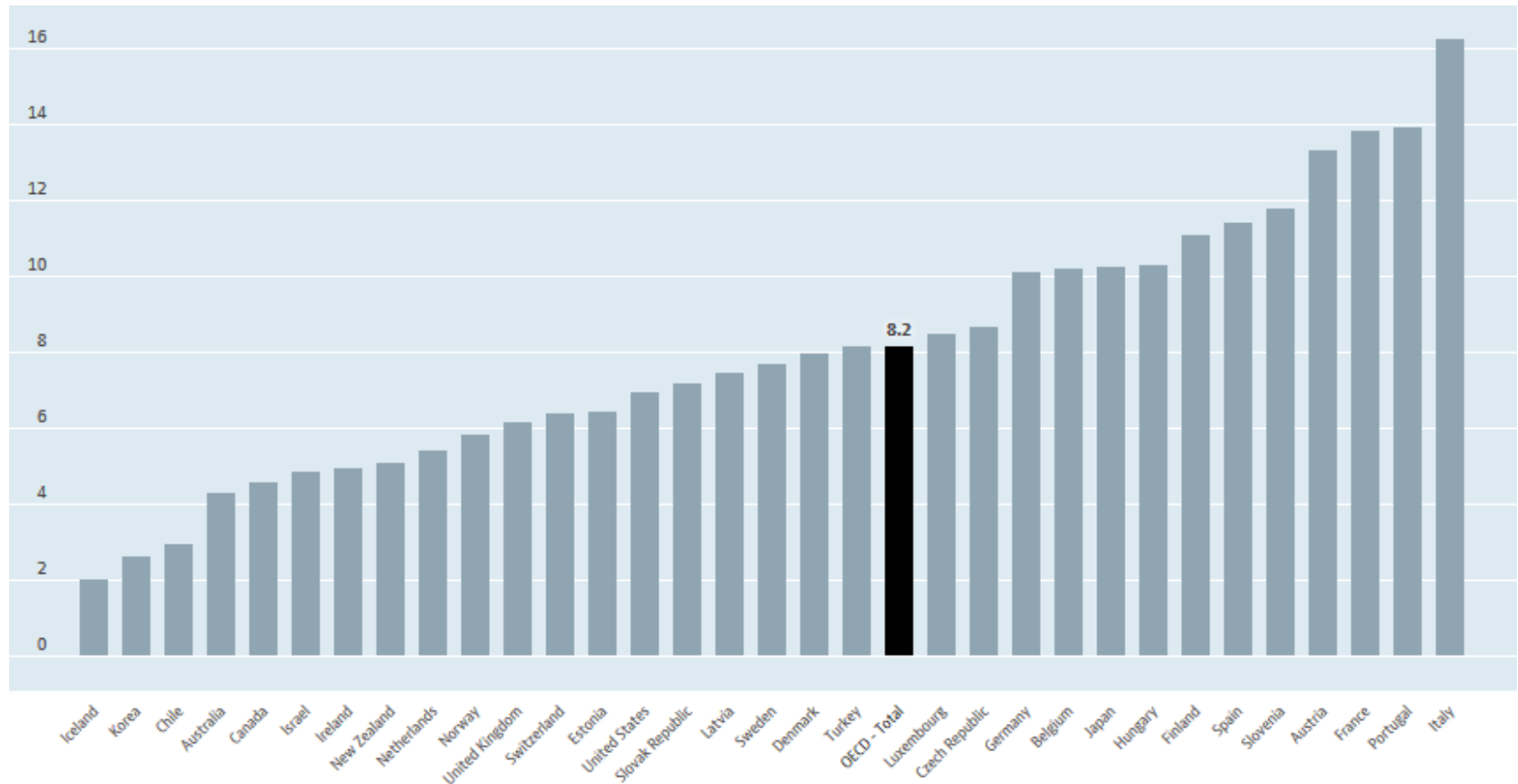
StatLink  <http://dx.doi.org/10.1787/888933605939>

Source: OECD Health at a Glance 2017

Impact on labour force participation of caregiving responsibilities

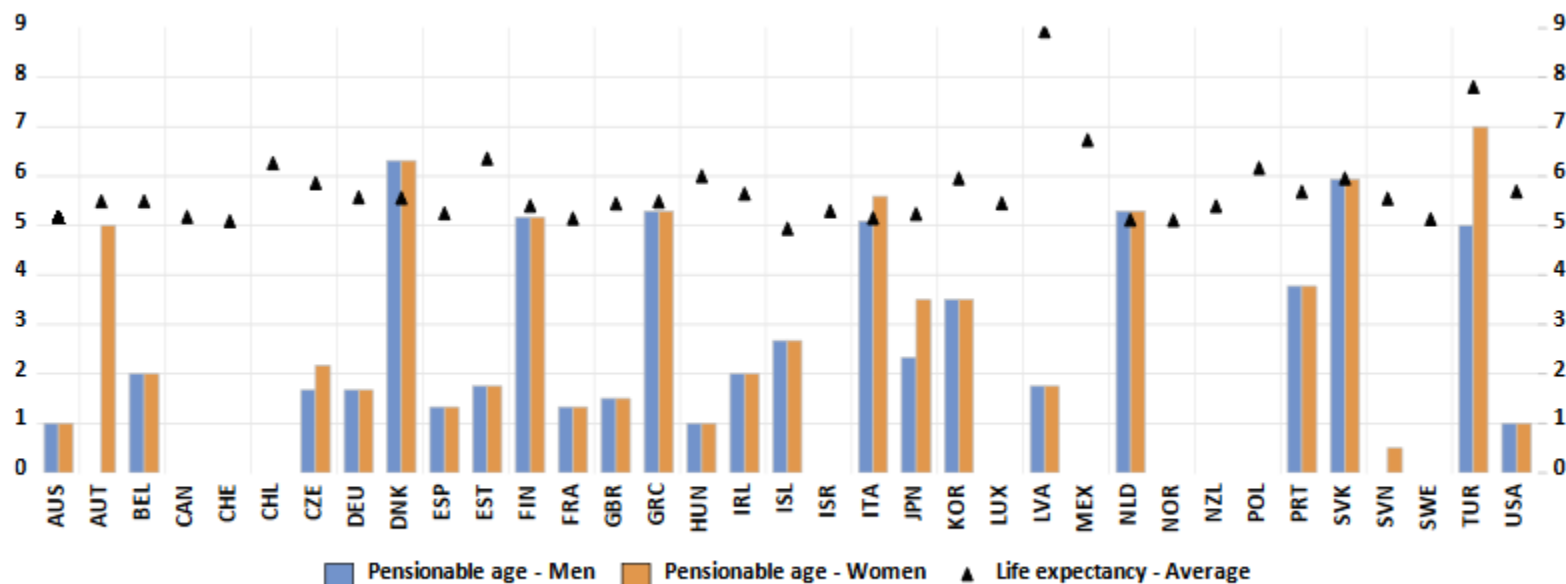
- In general, mid-life women care-givers of elderly parents are likely to reduce their working hours and also to work fewer hours relative to their non-care-giving counterparts (Moussa, 2018)
- Caregiving above a ten-hour weekly threshold drives both labour market exit (for care-givers who live with their dependant) and a reduction in working hours (for care-givers who do not live with their dependant). (Carr *et al* (2016))

Public pensions, % of GDP, 2015 or latest available



Source: OECD data <https://data.oecd.org/socialexp/pension-spending.htm>

Change in legislated pensionable age and average life expectancy between 2019 and 2060, years



StatLink  <http://dx.doi.org/10.1787/888933776369>

Source: OECD (2018), The Long View: Scenarios for the World Economy to 2060

https://www.oecd-ilibrary.org/economics/the-long-view_b4f4e03e-en

Policy implications

- Identifying optimal role for **targeted preventive services**
- Priority for disability at younger ages: **musculoskeletal disorders and mental health**
- Nurturing **links with other sectors** and employers
- **Better metrics** of contribution to the broader economy
- Proper **experimentation and evaluation**
 - Helping people into **employment**
 - Reducing **caregiving responsibilities**
 - Reducing **dependency on all public services**

Foerster on the National Insurance Act 1912

“The hope is that the nation will gain because the poor, cared-for, will become stronger industrial and social citizens. Malthus would have been skeptical. Yet nations have shown themselves capable in the last century of raising their plane of living.”

Robert F. Foerster (1912), “The British National Insurance Act”, *The Quarterly Journal of Economics*, 26(2), 275-312

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