

17 December 2014

Actuaries Institute says workers will pay more for older Australians' health costs

- ▲ Green Paper shows the health care funding cost on the working population will increase as Australia's population ages.
- ▲ Health care costs are rising dramatically with age – health expenditure for an 85 year old Australian is more than four times that for a 50 year old. By 2049-50 the number of Australians over 85 will more than triple and there will be seven people aged 85 and over for every 100 working age people, compared to just three now.
- ▲ Without “future proofing” Australia's health care system, the working population may be paying almost double their own health expenditure to pay for older Australians.
- ▲ With limited capacity to pre-fund health care costs, and a recognition that almost half of household wealth is projected to be in the hands of the over 65s by 2030, the paper asks whether it is equitable to ask older Australian to contribute more to help fund future health care costs.

The Actuaries Institute today issued a report, *Who Will Fund Our Health?*, which shows that due to Australia's ageing population and other factors, the Government must take policy action if Australia is to prepare effectively for rising future health care costs.

Commissioned by the Institute and undertaken by Three Rivers Consulting, the report found that, with Government spending on health care expected to grow from 6.5% to 10.8% of GDP over the next 50 years, the funding requirement on the working population will grow considerably. Increasing health costs are not just linked to the ageing population: factors such as rising obesity and expensive technology associated with health care are major contributors.

The Actuaries Institute's President, Daniel Smith, said that without a rigorous and comprehensive policy effort, working households could face significant increased health care funding costs, or the potential of a declining standard of health care.

“The Actuaries Institute believes that our older generation deserves access to affordable health services and while an inter-generational cross subsidy is a normal part of our health care system, the financial funding requirement on the working population must be sustainable, in order to protect the quality and level of our health care system,” Mr Smith said.

By 2049-50 there will be 20 people aged 75 and over for every 100 working age people, compared to 10 now.

“Our projections show that working Australians could be paying up to 2.1 times their own health consumption, compared to an average of 1.4 times now. This could have serious policy ramifications for the sustainability of Government expenditure on health. Private health insurance premiums could also rise,” Mr Smith said.

Institute of Actuaries of Australia

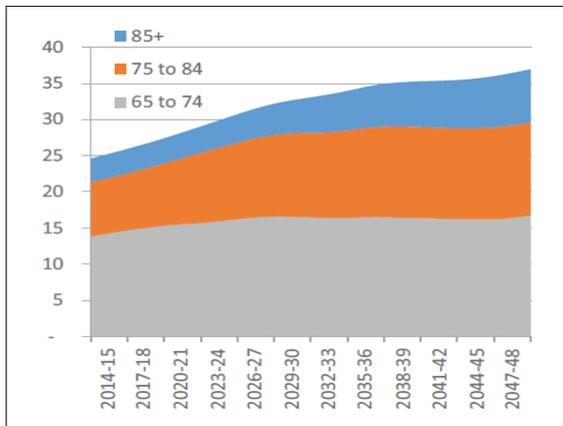
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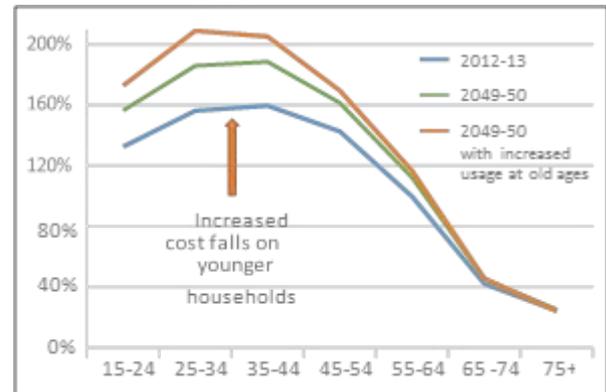
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Figure 1: Number of older persons per 100 working age persons 2014-15 to 2049-50



Source: ABS Cat No 3222.0 Population Projections Series B

Figure 2: Ratio of household funding to expenditure on health, by source 2012-13 and 2049-50



Analysis: Actuaries Institute Green Paper 2014 Who Will Fund Our Health p15

Mr Smith said almost half of Australia's household wealth is projected to be in the hands of the over 65s by 2030. "We need to ask whether it is equitable for older Australians to contribute more to help fund future health care costs".

The Actuaries Institute's CEO David Bell says "The Government sought to future proof our retirement income policy through compulsory superannuation more than 20 years ago. It is essential that we now do the same for Australia's health care system, to ensure it is sustainable in future decades."

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