

The Future Cost of Health and Care

James Mirrlees

Chinese University of Hong Kong

Conference on Aging, Health and
Long Term Care

Hong Kong Polytechnic University

11 January 2016

Expenditure on health and care

- People are living longer.
- Does that imply a greater need for health care and residential care?
- Maybe “need” is the wrong word. There is some room for choice in spending on care.
- But there are norms, in richer countries at least.
- What has been happening?

Health care in Hong Kong

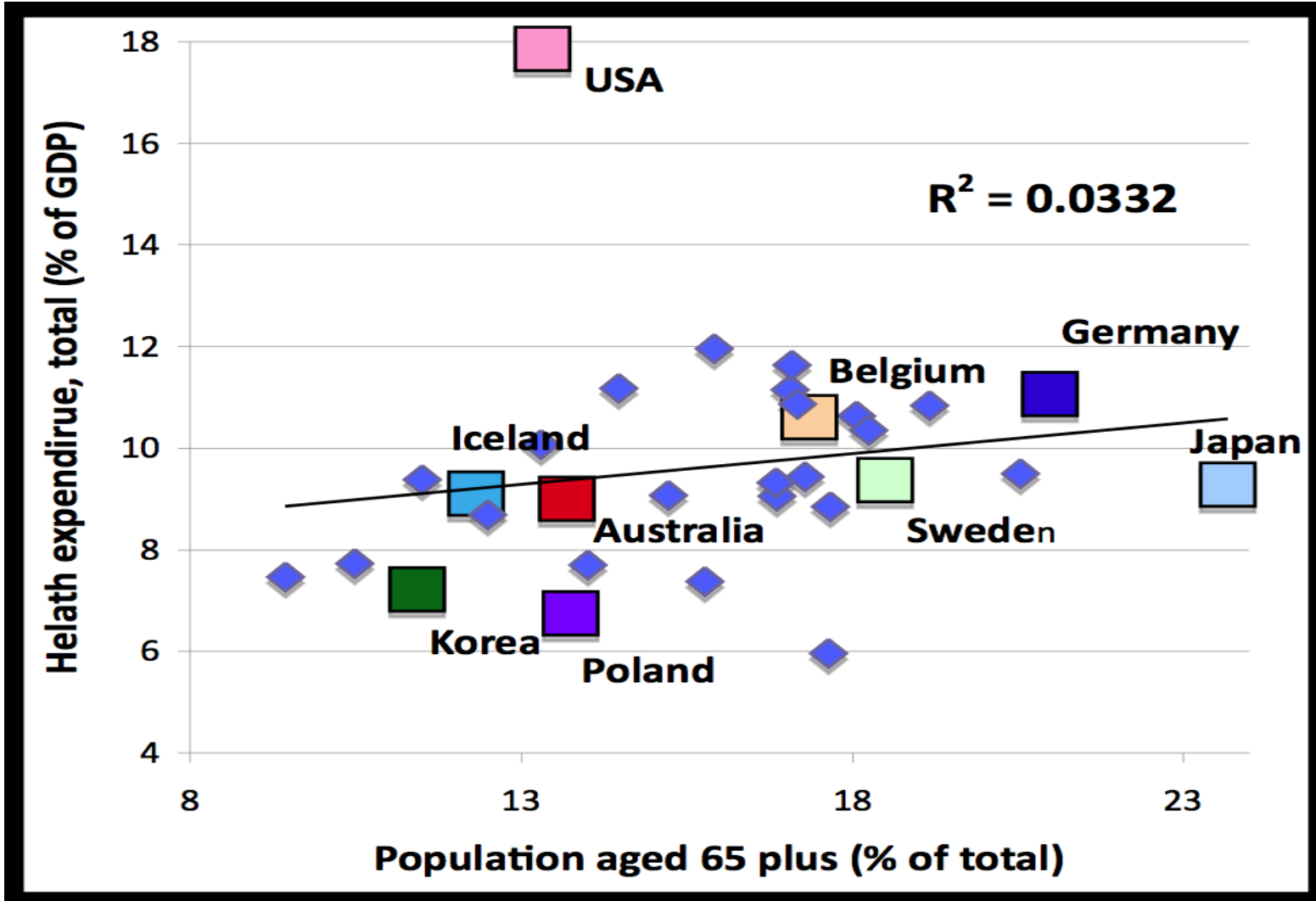
Total expenditure on health (TEH) as % of GDP

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
5.2	5.5	5.1	4.9	4.8	4.7	5.0	5.2	5.1	5.2

Source: Food and Health Bureau, Government of Hong Kong

“Compression of morbidity”

- Often claimed that most medical expenditures arise in the last six months of life.
- Maybe not so true in Hong Kong?
- Evidence from America, UK, and Australia seems to support the claim, with two years instead of six months.
- If true, health expenditures would be related to the number dying, not the number who are old. So not likely to rise.



World Bank Data. 31 OECD countries, 2011.
 From “The ageing of the Australian Population”,
 Monash Centre for Population and Urban Research

Disability in Hong Kong

- 8.1% with disability in 2013
- 5.2% in 2007
- But 5.1% in 2001.
- Contrasts with Australian data, where disability rates have been falling. Proportion of the population in residential care down.
- Data around the world generally show declining dementia.
- Expect decline in future.

Why worry?

- Rising cost of treatment is often mentioned. Though it is hard to see it in the statistics for Hong Kong. USA has had substantial increases.
- Richer people might like to spend their higher income on better treatments, or perhaps nicer treatments – more physician time, pricier medicine, a private hospital room.
- If health spending were all private, spending a larger share of income on health would be natural. Public spending should copy.

Meeting public costs

- If public expenditure increases, where will the tax revenue come from? Easy in Hong Kong.
- E.g.: Labour force participation of the growing older population 65+ is increasing: 7.1% in 2012, 8% in 2013, 8.8% in 2014.
- The 65+ labour force is growing by 15% a year.
- This is also evidence of improving health at older ages.

Conclusion

- Ageing does not seem so bad. Probably not too expensive.
- There are uncertainties. Surprises have to be dealt with when they happen, not before.
- And I am not arguing that Hong Kong is spending enough on health and care. There are grounds for thinking it is not. But that is now. It is unlikely that the shortfall will get worse because of an ageing population.