

The Actuarial Profession
making financial sense of the future

Shaping the future of health and care together
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Care Systems across the world

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The last 12 months

- 14 July 2009: Green Paper: Shaping the Future of Care Together
- Pre-budget: Personal Care at Home Bill
- 30 March 2010: White Paper: Building the National Care Service

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Giant step forward

- A new social care system: the National Care Service:
 - Fairer
 - Simpler
 - Affordable
- Address inequalities and improve resources and infrastructure necessary to support our aspirations for our old age.
- Find a workable balance between the responsibilities of the state and those of individuals and their families.

The options

- **Partnership** - People will be supported by the Government for around a quarter to a third of the cost of their care and support, or more if they have a low income. (French system)
- **Insurance** – As well as providing a quarter to a third of the cost of people's care and support, the Government would also make it easier for people to take out insurance to cover their remaining costs. (combination French / Singapore system)
- **Comprehensive** – Everyone gets care free when they need it in return for paying a contribution **after retirement** into a state insurance scheme, if they can afford it, whether or not they need care and support (Germany / Japan)

The key questions

- a. How can the insurance industry become involved?
- b. What are the key elements of a private – public funding partnership?

France

- State scheme: 2002
 - Universal scheme: "Allocation Personnalisée d'Autonomie" (APA);
 - Funded by contributions from the state, public pension and part from a special tax (0.1% of wages), and local authorities;
- Fixed benefits: based on income and need: max €1169 monthly
 - Eligibility: age 60 and over
 - Means testing of benefits: none over €2,622 monthly income;
- Private market:
 - 2,000,000 top-up policies: 1,050,000 individual, 850,000 group

Singapore

- State private scheme: 2002
 - Organised by Central Provident Funds (CPF);
 - Mandatory scheme (with opt-out): Eldersshield
 - After Government promotion: opt-out = 14%;
 - Offered and administered by private insurers: who can also offer top-up benefits.
 - Premiums: sex and age at entry / no guarantees / 20% cap
- Fixed benefits: SGD 400 (~ USD 290) per month
 - Eligibility: age 40 and above
 - up to of 72 months per lifetime
 - No cover for cognitive impairment
- Private market: very small

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Japan

- State scheme: 1997
 - Mandatory scheme: based on Gold Plan targets of 1989;
 - Funded 50% from taxes (mix of national and local) and 50% from insurance premiums.
 - Premiums are collected from people aged 40 and over:
 - Age 40-64: Employers and employees: 0.88-0.95% income capped.
 - Age 65+: Pensioners: pay by deduction from the State pension.

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Japan

- Administered by local municipalities:
 - allocation of funds based on demographics and income.
- Benefits aimed at complete compensation:
 - 40-65 only entitled to benefits if “illness associated with aging”
 - 10% co-payment exists;
 - No means testing of benefits.
- Private market: potential due to PAYG.

Germany

- State private scheme: 1994
 - Mandatory scheme: Pflegeversicherung;
 - Opt out for high earners to purchase equivalent cover privately from traditional health insurers – 9,000,000 policies in force;
 - Funded by a separate tax payable by employers, employees and the retired: 1.7% income.
- Fixed benefits: €1,432 per month
 - Allows for professional domiciliary care, institutional care and cash benefits (for families);
 - No means testing of benefits;
- Private market: 1,200,000 top-up policies

Answers

- State private partnership:
 - public scheme: universal entitlement;
 - Funded by taxation: employees, employers and retirees;
 - Use Pension funds?
 - Cross-Party Consensus: ensure permanence of scheme

Answers

- Benefits:
 - Clarity over State benefits: consistency of entitlement across the nation;
 - Fixed benefits
 - Transparency and communication;
 - Common language for needs assessment and benefit entitlement;
 - Ease of access to advice
- Catastrophic risk sharing?