

## **INSURANCE: ITS POTENTIAL ROLE IN THE PROVISION OF MEDICAL CARE FOR THE OVER 60s**

### **DISCUSSION OF WORKING PARTY'S REPORT**

[Presented to the Institute of Actuaries, 31 January 1990]

THE half-day special meeting was well attended and a lively discussion followed initial presentations by members of the Working Party. Contributors generally welcomed the initiative displayed in addressing this emerging area for employment of actuarial techniques.

A number of speakers alluded to the human aspect of the subject matter of the paper. It was pointed out that significant levels of care are being provided in the home by daughters and other family members. By and large, this major social service is not recognised adequately either in terms of State financial support or in official statistics on care levels for older people. It was also pointed out that it becomes more difficult to distinguish between acute medical care, chronic care, and long-term care at older ages. A number of speakers favoured an umbrella group to link the different roles of voluntary groups and profit-making organisations, which would have some analogies with pension funds from a supervisory point of view.

The view was expressed that the report probably overstated the cost of acute medical care for the over 60s. but understated considerably the cost of chronic and long-term care. Differences of opinion on this point were caused partly by a typographical error in one of the tables in the report, which should have referred to the population over age 65 instead of that over age 85. A number of speakers believed that the prominence given in the report to level annual premiums for benefits which were subject to inflationary increases could give a misleading impression of the real, inflation-adjusted cost of those benefits. It was also suggested that the mortality basis employed should allow for a secular improvement in longevity.

Mixed views were expressed on the macroeconomic lessons to be taken from the report. Some contributors were of the opinion that actuaries should inform public opinion of the spiralling costs of health care and of the need to recognise unfunded liabilities for future health care for the current generation. Other contributors concluded that the prospective increase in acute health care costs due to demographic changes (as quoted in the Report) was less than 1% p.a. and was thus not a cause for concern.

The granting of tax relief on certain medical insurance products for the over 60s was seen as a spur to product development. The steps taken to exclude any element of pre-funding from such products was, however, seen as an inhibiting factor.

While the incidence of employer-sponsored health care programmes which included retired employees is much lower in the United Kingdom than in the United States of America, such liabilities should be recognised in the accounts of companies which provide the benefit. The Institute has established a Working Party that is investigating the estimation of liabilities under such programmes and submissions are invited from interested parties.

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