

J.I.A. 118, 1, 171

ACTUARIAL FUNDING OF LONG-TERM CARE FOR THE ELDERLY

**A PRESENTATION BY PROFESSOR S. BENJAMIN, M.A., F.I.A., F.I.S.,
A.S.A., F.B.C.S.
FOLLOWED BY DISCUSSION**

[Presented to the Institute of Actuaries, 1 October 1990]

The special meeting was attended by a substantial number of guests with commercial, charitable, or statutory interests in the provision of health and long-term care to the elderly. Guests made a major contribution to the discussion.

Professor Benjamin's presentation was in the form of a talk accompanied by illustrations on slides. He demonstrated that, for a typical elderly person or married couple, the value of their own home would match the cost of providing care.

In order to make presentation simple it was not in the form of an actuarial model with probabilities, but a specimen example, which assumed that care in ones own home would be followed by institutional care for the last five years of life; three years in a residential home followed by two years in a nursing home. Lifespan from entry to the scheme was equal to the life expectancy. A key assumption was that the value of the home would increase at at least the same rate as earnings, which are the major costs of care. This had happened from 1976 to the present day. A mechanism was suggested for achieving this, by taking the property into a unitised fund from which withdrawals were made to cover the cost of care. The liquidity which would need to be provided was explored. Professor Benjamin was particularly concerned that, whatever the mechanism, a form of actuarial certification ought always to be required to demonstrate long-term solvency.

A number of speakers welcomed any scheme which could put more resources into provision of care, but were concerned that it should not disqualify participants from means tested benefits or suffer unfavourable taxation. Concern was expressed that elderly people with a right to care would use it far more heavily than currently, but others felt this could be controlled through strong management. Doubts were also expressed about the assumptions on increase in house prices and whether elderly people would be attracted to such a scheme at a time when the need for care was only a remote future contingency.

The presenter had suggested formation of a continuing group of interested parties, with a view to drafting the fiscal and legal measures necessary to make possible the various schemes for converting houses into care. This was enthusiastically supported. Forms were made available at the meeting, and subsequently from the Institute, for completion by those interested in membership.

R. B. CREASE