

*From **Red** to Gray*

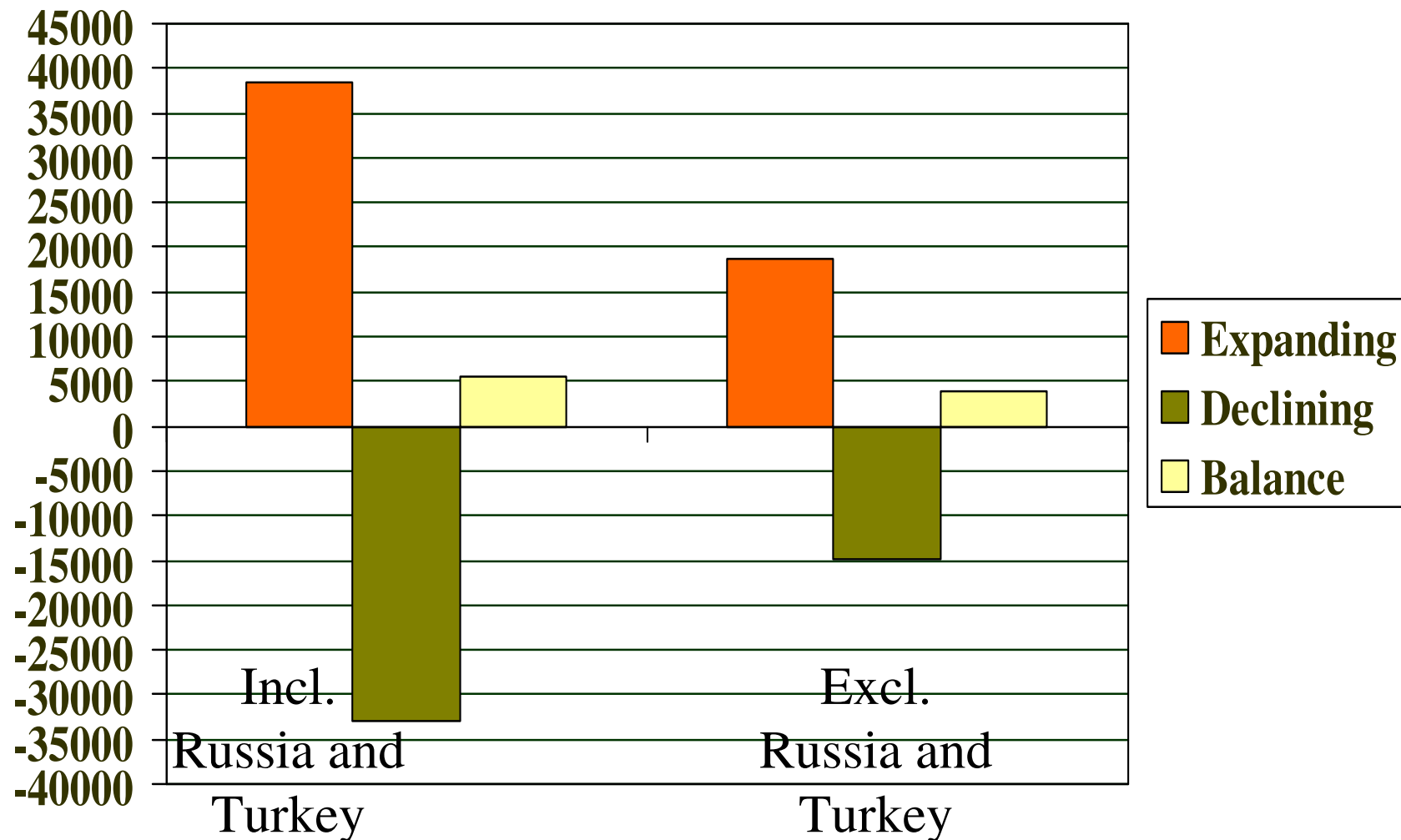
*Impact of Ageing and Changing
Demographics in Countries of Europe and
former Soviet Union*

Implications for Health and Long-Term Care



Background: The Demographic Impact of Ageing

Without Turkey or Russia, there is little change in ECA's population numbers (25 countries) between 2000 and 2025



Nonetheless, there will be major changes in population size and structure for most countries of the region: Gainers and

Losers 2000-2025

• Expanding Populations ('000)

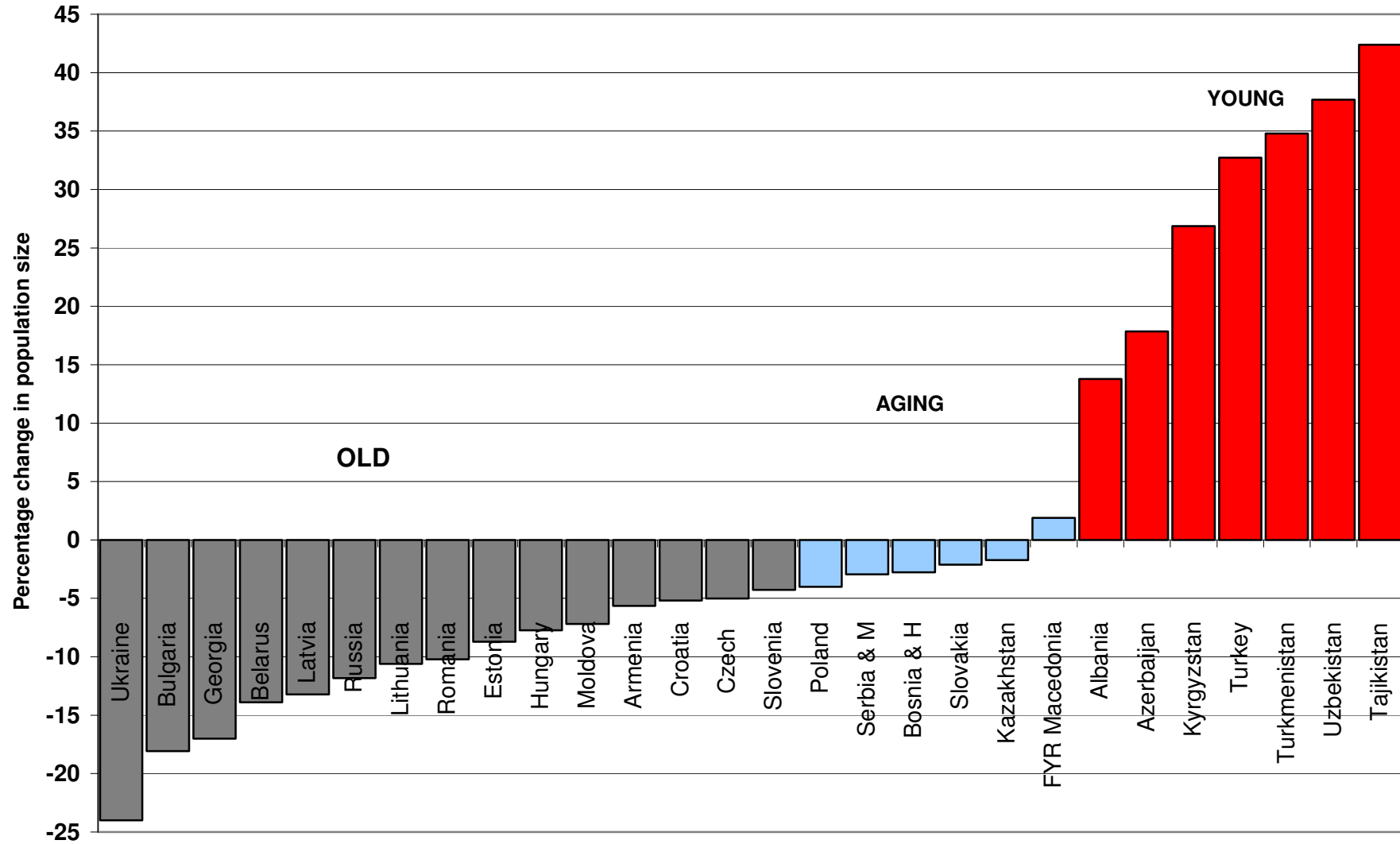
Turkey	+19, 666
Uzbekistan	+9, 257
Tajikistan	+2, 594
Turkmenistan	+1, 937
Azerbaijan	+1, 562
Kyrgyzstan	+1, 507
Albania	+856
BiH	+424
Kazakhstan	+364
Armenia	+263

• Shrinking Populations ('000)

Russia	-18,103
Ukraine	-7, 272
Romania	-2,221
Bulgaria	-1, 364
Belarus	-1, 063
Hungary	-991
Czech	-710
Latvia	-375
Georgia	-319
Croatia	-283
Lithuania	-198
Estonia	-165
Moldova	-161
Slovenia	-107

Population Structure, 2000-2025

Population Structures 2000-2025



'Young' Populations

Uzbekistan

Turkey

Turkmenistan

Tajikistan

Albania

Kyrgyzstan

Azerbaijan

- Higher but Declining TFR and NRR
- Population Growth Rates > 0 but declining
- Rising Life Expectancy
- Increasing Population Sizes
- Very slowly rising ageing Indices
- Total Dependency Ratios are high but falling
- Child Dependency Ratios are falling
- Elderly Dependency Ratios are almost flat

'Ageing' Populations

Czech Rep

Romania

Slovak Rep

BiH

Poland

Macedonia

- TFR, NRR below replacement around 1980 (Armenia: early 1990s)
- Population Growth Rates < 0 and still falling
- Rising Life expectancy
- Falling pop size but slowly (not BiH, Armenia)
- Ageing Indices already >100 (not Armenia)
- Total Dependency Ratios around 50 but rising slowly (not Armenia)
- Elderly Dependency Ratios rising
- Child Dependency Ratios falling or

* For some variables these countries fall in different profiles

'Aged' Populations

Georgia

Belarus

Ukraine

Estonia

Latvia

Lithuania

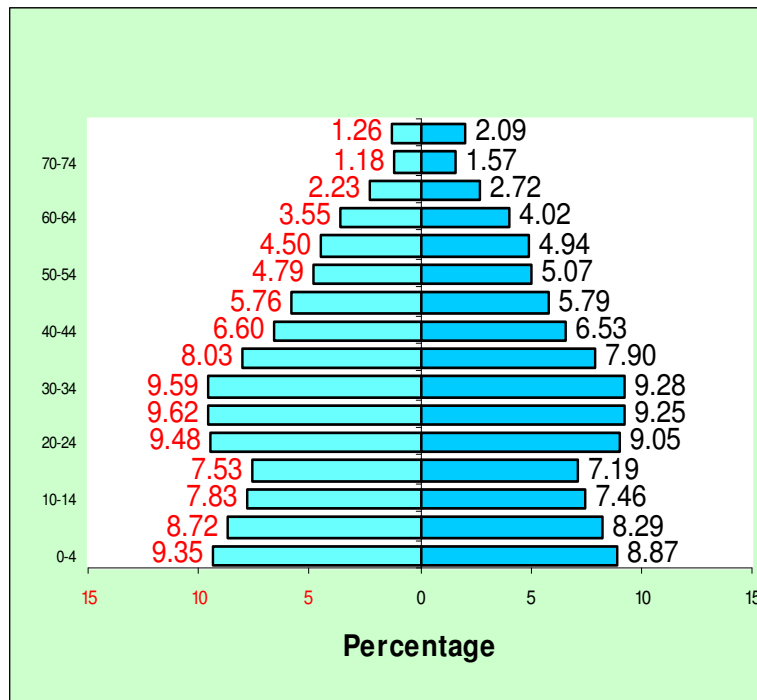
Bulgaria

Russia

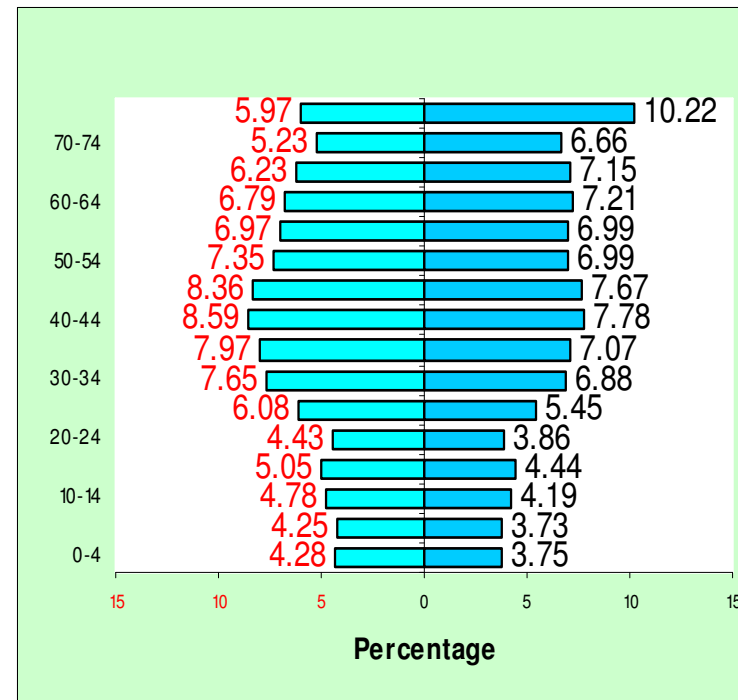
- TFR below replacement by 1980
- Population Growth Rates < 0 , most rates remain at same levels from 2025 on
- Increasing Life Expectancy
- Falling Population Size
- ageing indices already >100 and rising
- Total DR are lower but rising from 2010
- Child DR are low and fall from 2010
- Elderly DR already rising for many years

Two extreme profiles in region: 2020

Uzbekistan



Bulgaria



Key Messages

1. Important implications for countries that will see significant changes in numbers (for e.g. Russia, Ukraine, Bulgaria, Turkey, Tajikistan)
2. Important implications for all countries from changes in the distribution of population across different ages and gender

Why worry about ageing?

Ageing will affect growth and competitiveness

1. The rapidly changing demographic structure will affect growth and competitiveness as well as social and political structures.
2. The structure of consumption will change as populations age
3. The level of savings will change as populations age

Ageing will affect labor supply

- Ageing will result in **lower levels of labor supply** relative to current levels, at current levels of retirement.
- If the pattern of productivity-age profile remains unchanged, it may **slow the expansion of the economy.**

Ageing populations will require regular upgradation of quality of labor input

- The impact of the changing labor supply will depend on the **quality of labor input**
- If the skills of the population are regularly updated, an **increase in retirement age** in line with increase in life expectancy will result in an **increase of productive labor supply** in the economy.

Ageing presents individual and societal challenges related to quality of life

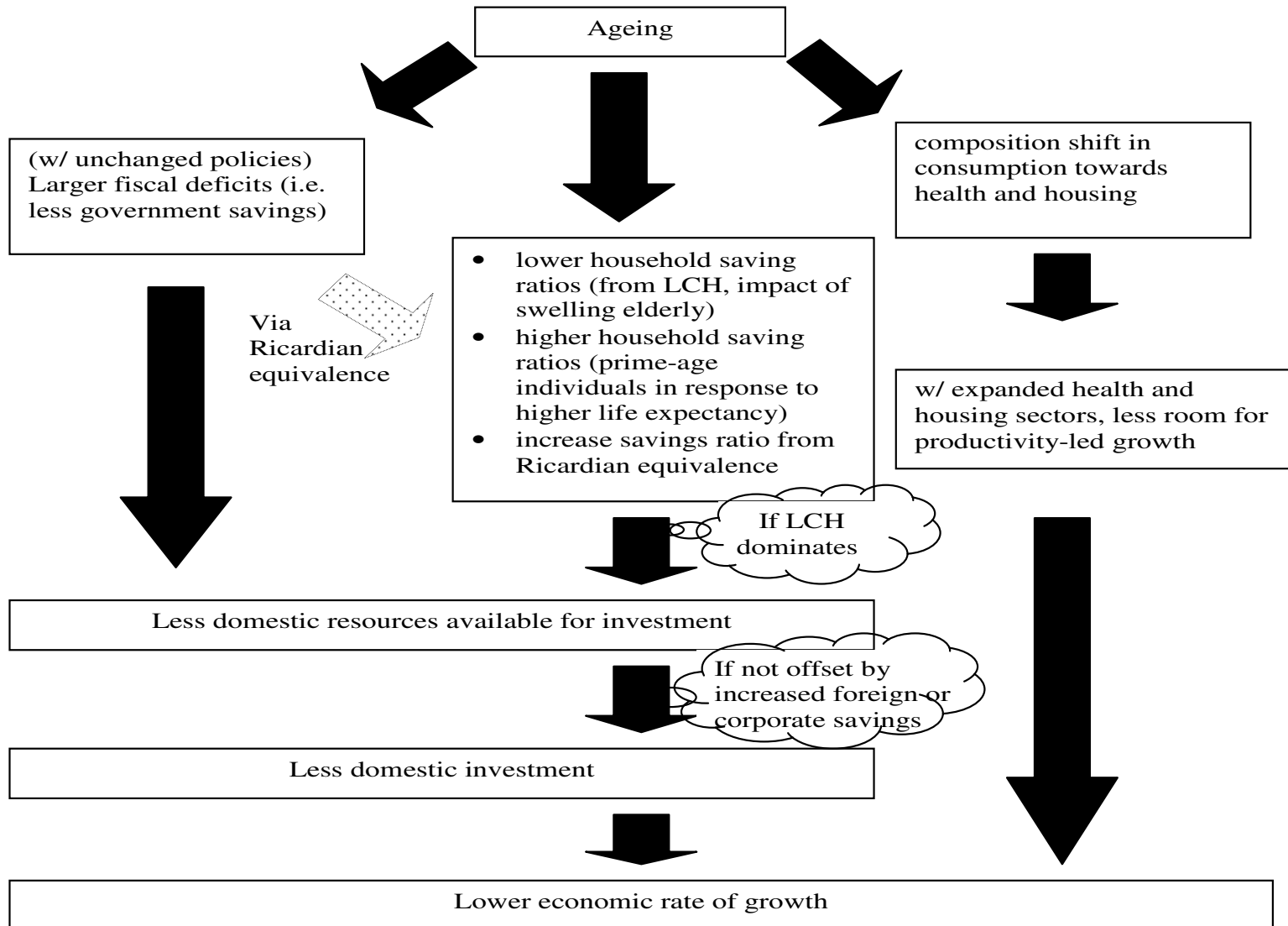
- **Challenge: prevent and postpone disease and disability** and to maintain the health and mobility of an ageing population.
- Ageing will aggravate the magnitude of **mental health problems**
- At the same time, there is also evidence that **older people already are healthier than their comparator age-groups of a few decades**

Ageing populations may bring higher health needs

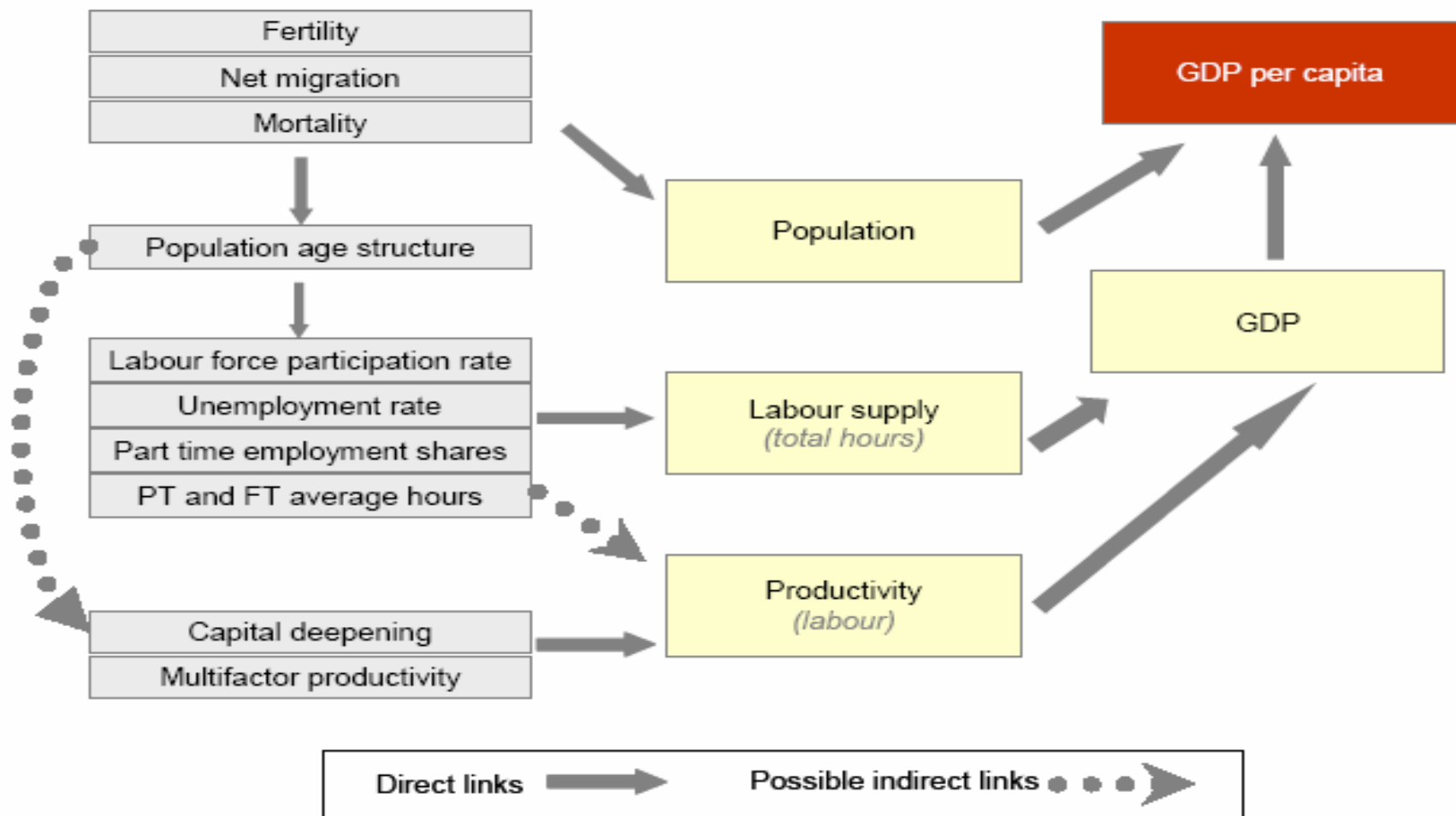
- Ageing populations will bring **significantly higher health needs**
- Another critical issue is **long-term care for the very old**, which becomes costly as informal (family-based) care declines
- As a result, **medical and healthcare costs will rise as populations age**
- However, the extent of future health expenditures would depend on whether longevity is adding healthy life years or years of illness to the human

Assessing the Impact of Ageing on Growth

Relationship between ageing, saving and growth



Conceptualizing the Links between Ageing, Labor Markets, and Economic Outcomes



What are the Education Challenges ?

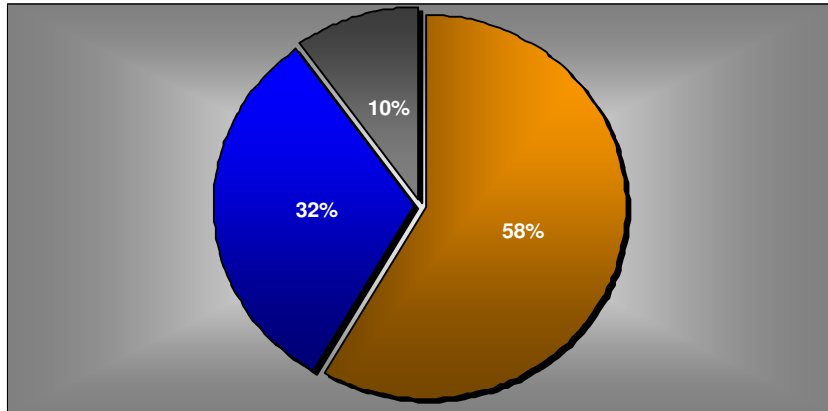
For education: Develop the new educational content and greater program flexibility required in a market economy.

For labor markets: Make labor markets work better to stimulate job creation and job mobility and to make earnings reflect productivity differences.

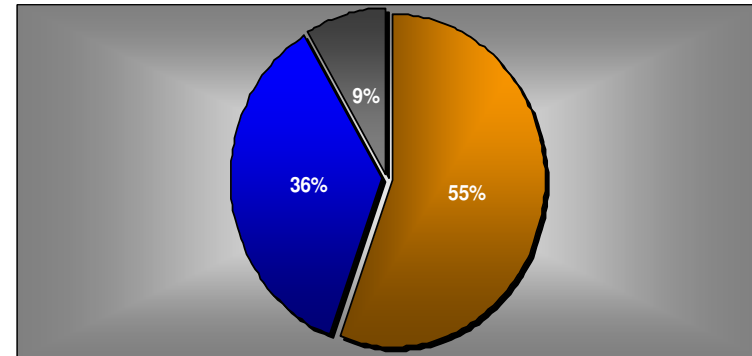
Productivity gains will be a more important factor in economic growth than labor supply

Growth decomposition, 1998-2005

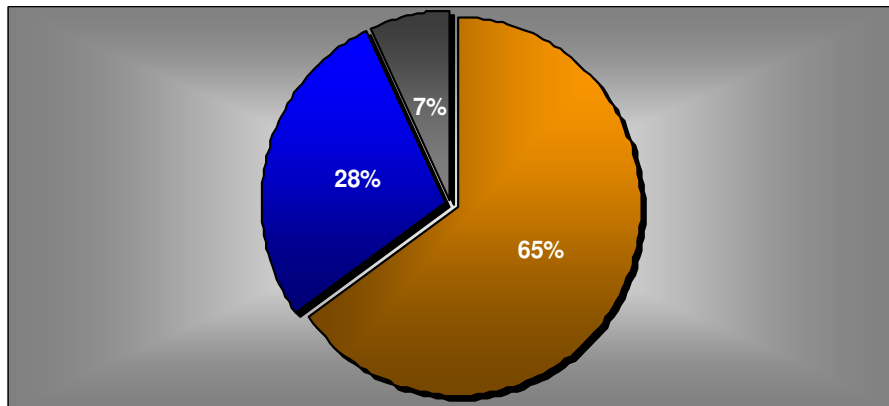
Russia



Poland



Czech



Share of growth due to higher



Labor productivity

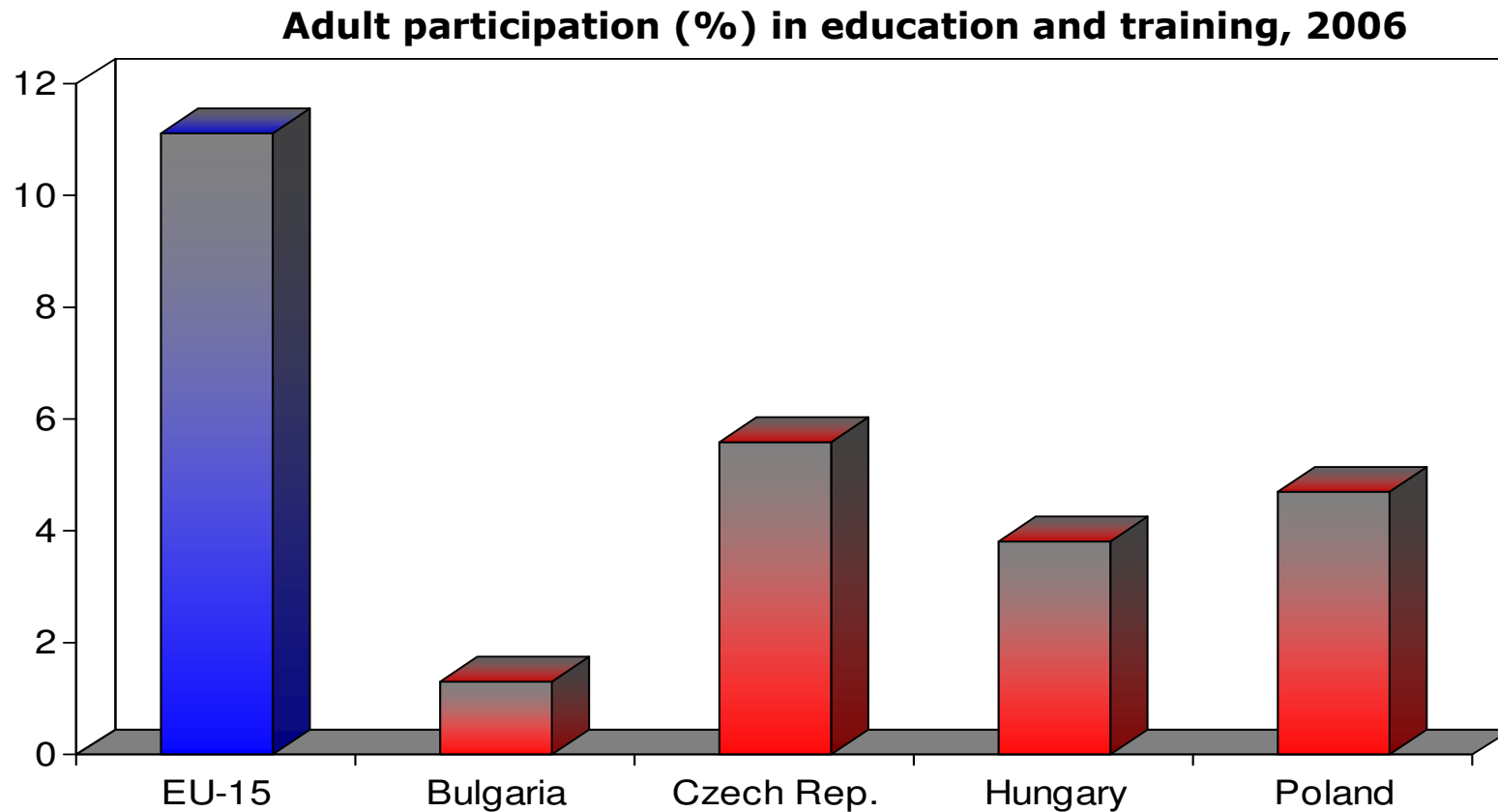


Employment rates



Working-age population

But education and lifelong learning must substantially improve



What is the Impact of Ageing on **Pension** Systems?

- **Expenditures on cash benefits for the elderly will increase as the number of elderly increase**
- **In Region: Ageing taking place at far lower per capita income levels than seen in the OECD, impeding economic growth at a critical juncture for many countries**

Assessing the Impact of Ageing on Health

What is the Impact of Ageing on Health and Health Expenditures?

- Available data confirm the high level of health services utilization in old age, particularly for ambulatory services, medication, hospital admissions and surgery
- This effect of age levels off at the age of 80 and the oldest old (85+) report a lower utilization
- Health expenditure per episode may also be higher for the elderly

However, ageing only partially explains the rising health expenditures

- **There are large variances across countries**
- **Ageing predicts observed increases in expenditures:**
 - **18% in UK**
 - **44% in Canada**
 - **34% in Australia**

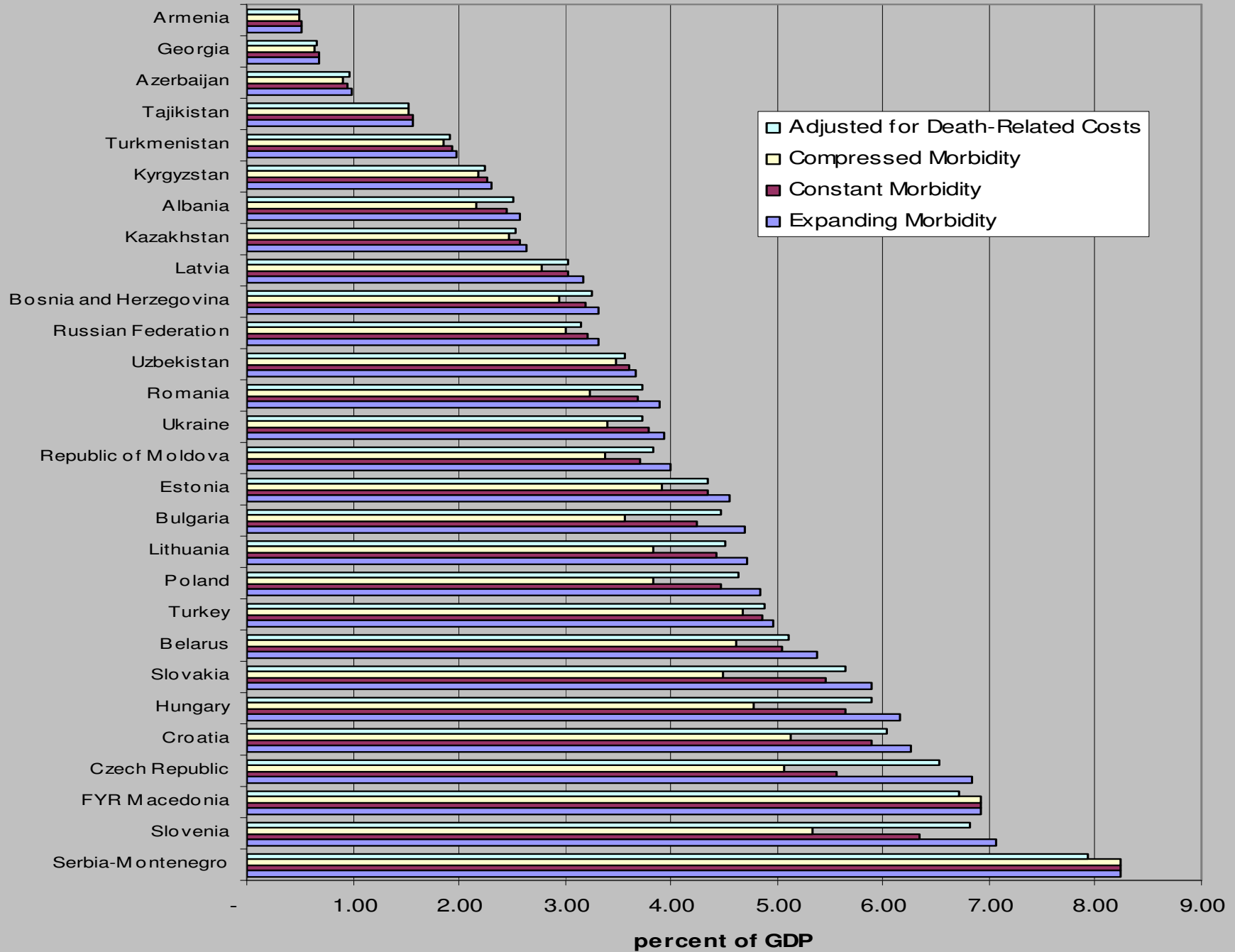
Increases in longevity might result in higher per capita expenses for long-term care

- Long-term care is a complex area that incorporates a broad mix of medical, social, and residential (housing) dimensions
- Need for long-term care services and for the funds to finance their delivery will be dramatically higher as ageing in European societies continues
- Precisely because long-term care consists in practice of a broad continuum of services with widely varying

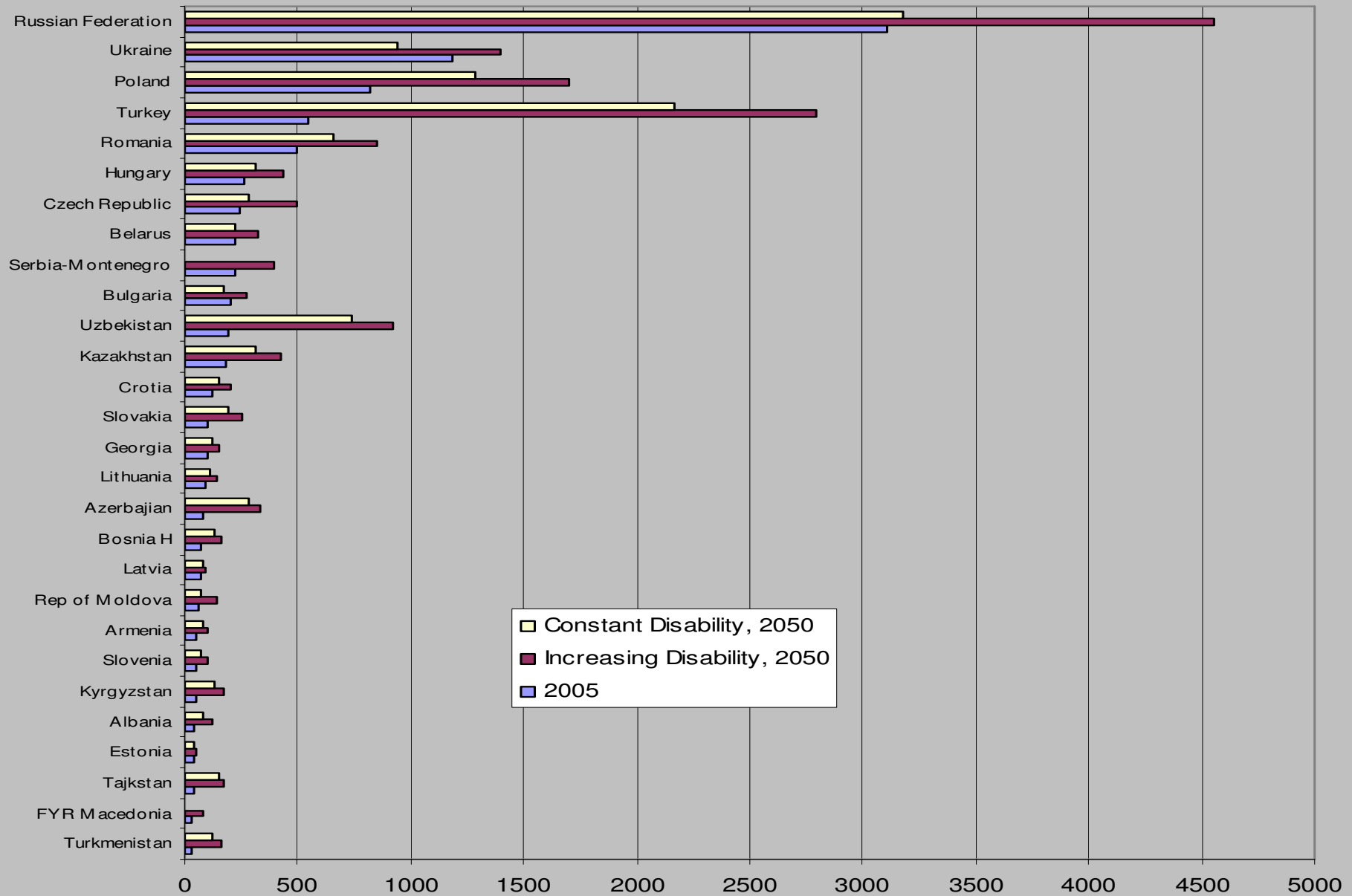
Projecting Health Expenditures: Four Scenarios

- **Expansion of Morbidity**, i.e., all additional years of life in future years are lived at the present levels of morbidity; also known as the Pure Ageing Scenario
- **Constant Morbidity**, i.e., morbidity levels in additional years of life in future years are the same as at present. In other words, all additional years of life are lived healthy
- **Compressed Morbidity**, i.e., morbidity levels in additional years of life in future years are lower relative to the present. In other words, all additional years of life are lived healthier
- **Unit Costs Adjusted for Death-Related Costs in the Expansion of Morbidity Scenario**, i.e., unit costs for

Projected Public Expenditures in Health in 2050



Dependent Population, 2005-2050 ('000)



Findings

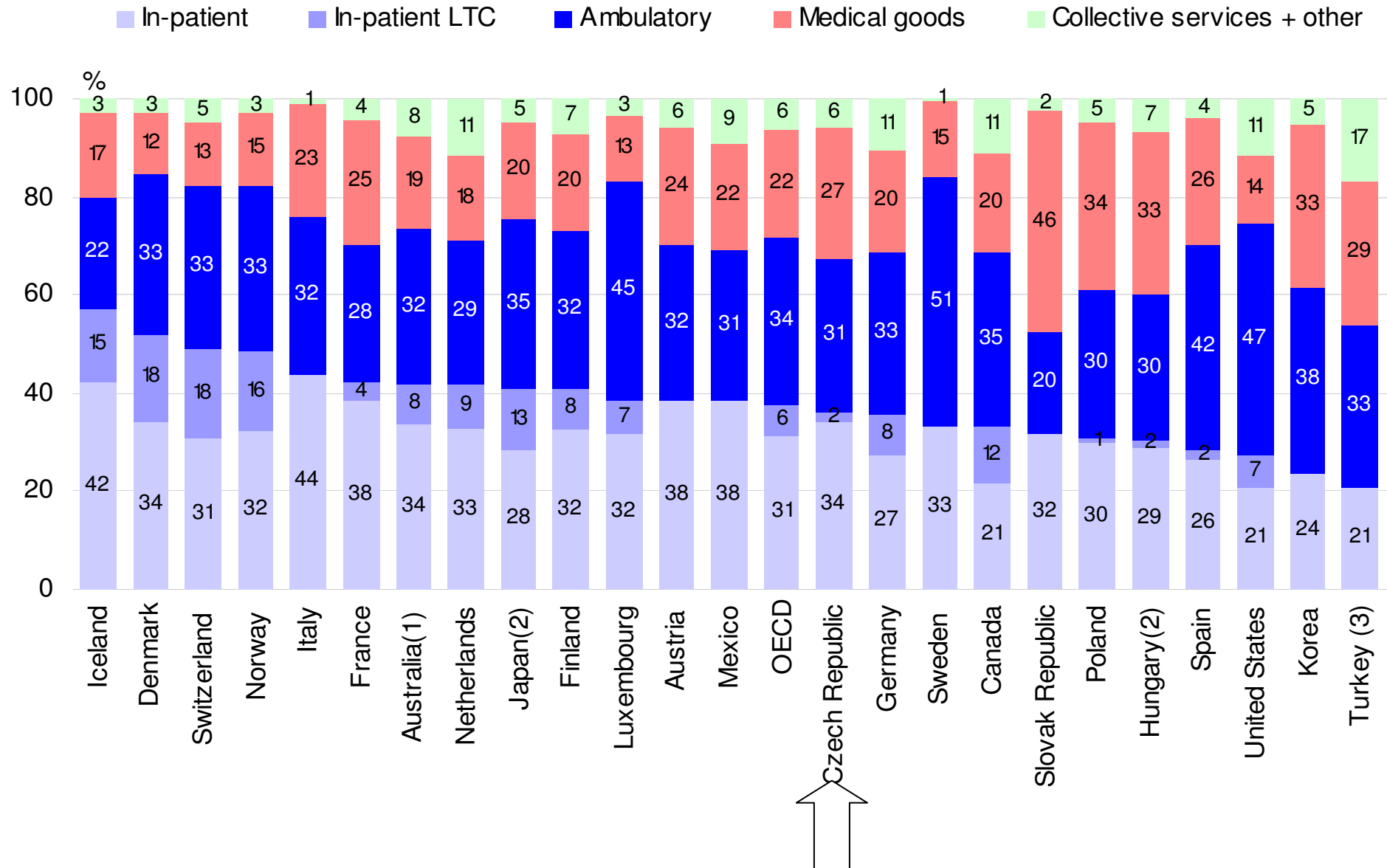
- **Increased numbers of elderly will increase aggregate national health expenditures and long-term care expenditures**
- **Most factors critical to the development of health expenditures – and particularly long-term care expenditures – are in varying degree amendable to public policy**

Financing LTC Expenditures

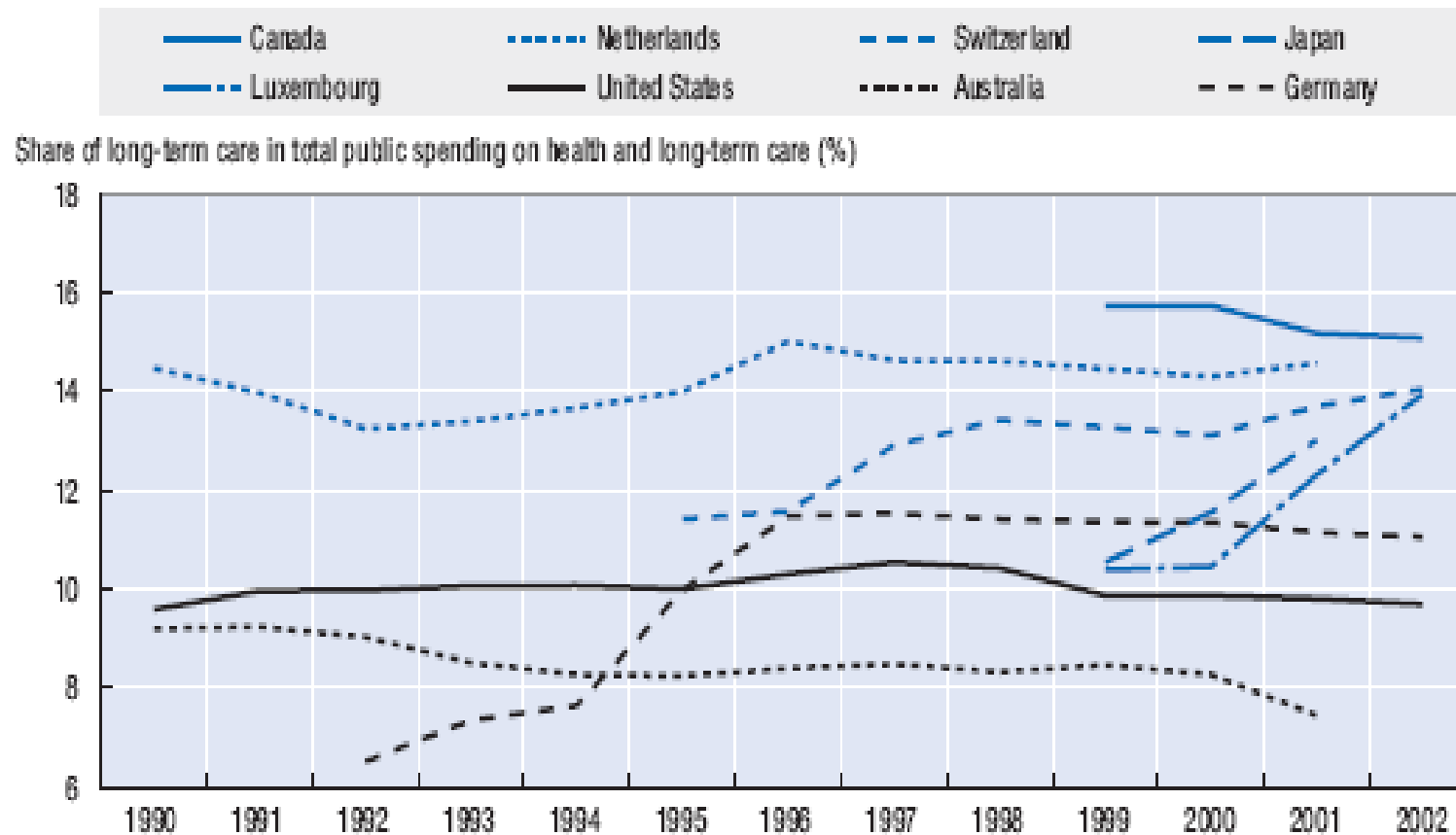
- Luxembourg
- Netherlands
- Norway
- Poland
- Sweden
- UK
- Austria
- France
- Germany
- Hungary
- Long-Term Care Insurance (FRG, NL)
 - FRG 1.7 % payroll employers/employees
 - 5 years to qualify
 - Eligibility: measured by ADLs
- General Taxes (Austria)
- Combination (Japan)
- Special Programs (NL)
 - Home care, etc.

LTC % of total costs

OECD Health Data 2006



Trends in spending on LTC in % of total public spending



Note: Australia and United States: expenditure in institutions only.

Source: OECD Health Data 2004.

Managing Long-Term Care Expenses

- **Limit scope and extent**
 - Cash Programs (Luxembourg, Austria, Germany)
- **Strengthen informal care**
 - Pay for informal care
 - Train informal care-givers
- **Encourage non-facility community-based arrangements, like “care-friendly districts” in the Netherlands and “Open Care Centers” in Greece.**

Staying independent

- Conducive neighborhoods
- General technology usable for elderly & handicapped
- Specific aids & supplies
- Strengthening self care competency
- Home adaptation
- Smart houses
- Information technology and communication



Staying safe

- Conducive neighborhoods
 - Layout
 - Traffic regulations & enforcement
 - Separation of traffic
- Enclosed communities for elderly
- Communication & alarm technology



Retirement community in the USA

Most Important.....

- **Promoting healthier elderly** to forestall the need of elderly for clinical or long-term care services.
- Increasing health status of the elderly would result in **fewer medical and long-term care services**.
- Standard measures relate to **lifestyle changes**, including diet, weight, and

Leads to.....

- Reduced frail span
- Reduced dependency
- If and when unavoidable, offer:
 - Integrated home care, offering a measured variety of help from technical aids/home adaptation to the hospital at home and telemetrics
 - Institutional care
- Funding and payment systems should favor patient choice, autonomy, quality, efficiency

Stewardship & Long-Term Care

- Which ministry in charge:
 - Social
 - Health
 - Joint responsibility?
- Patient rights
 - Involuntary admissions
 - Restraint measures
 - Clinical research
- Quality assurance
 - Formal care
 - Informal care and personal budgets: leave it to the patient and their relatives?

Ageing is a
blessing....Enjoy
it!!