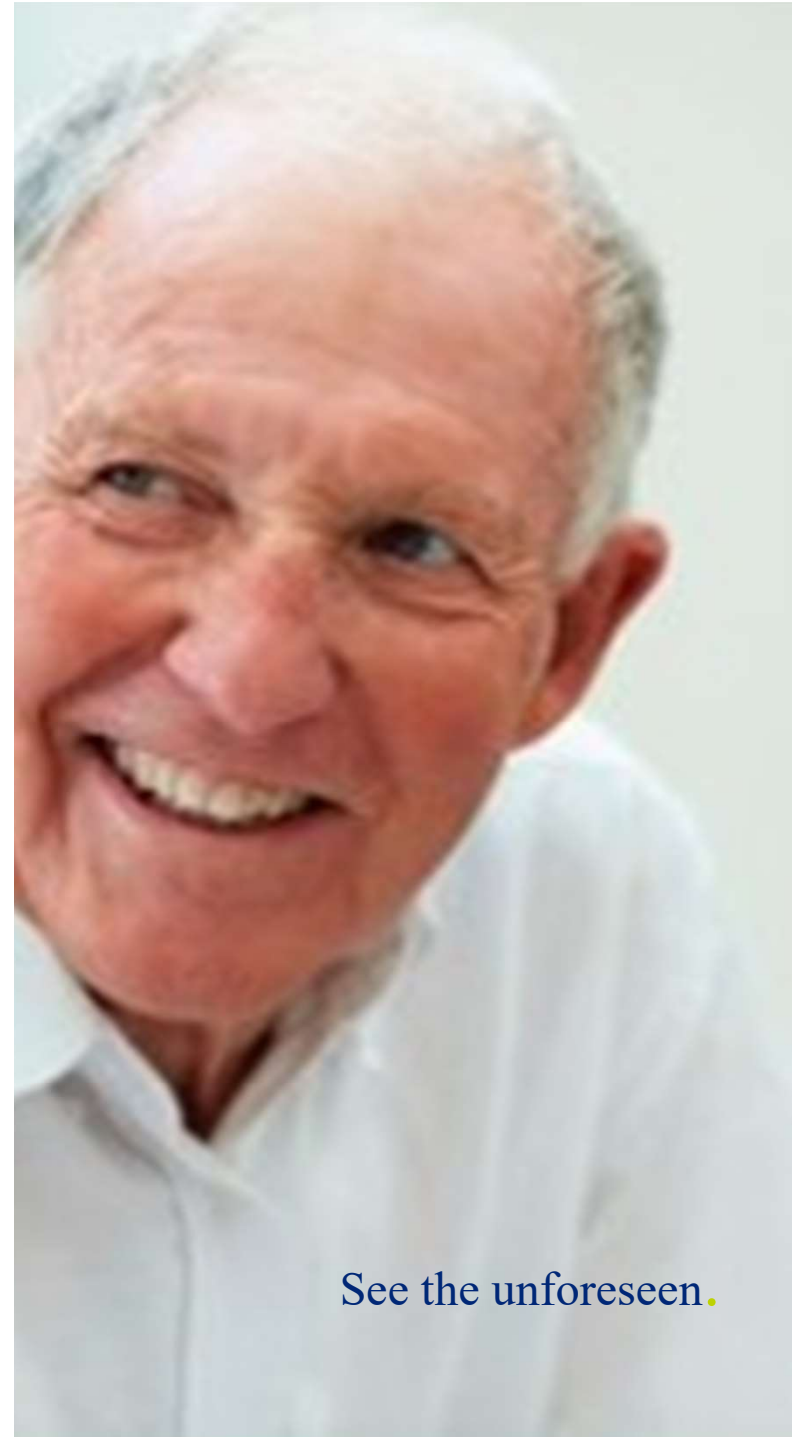


Deloitte.

New solutions for new problems

- Ageing, health and retirement like we've never seen before

Stuart Rodger
Singapore Actuarial Society Health and Retirement Conference
13 October 2016



See the unforeseen.

Overview



Australia's population ageing

Impacts on national productivity

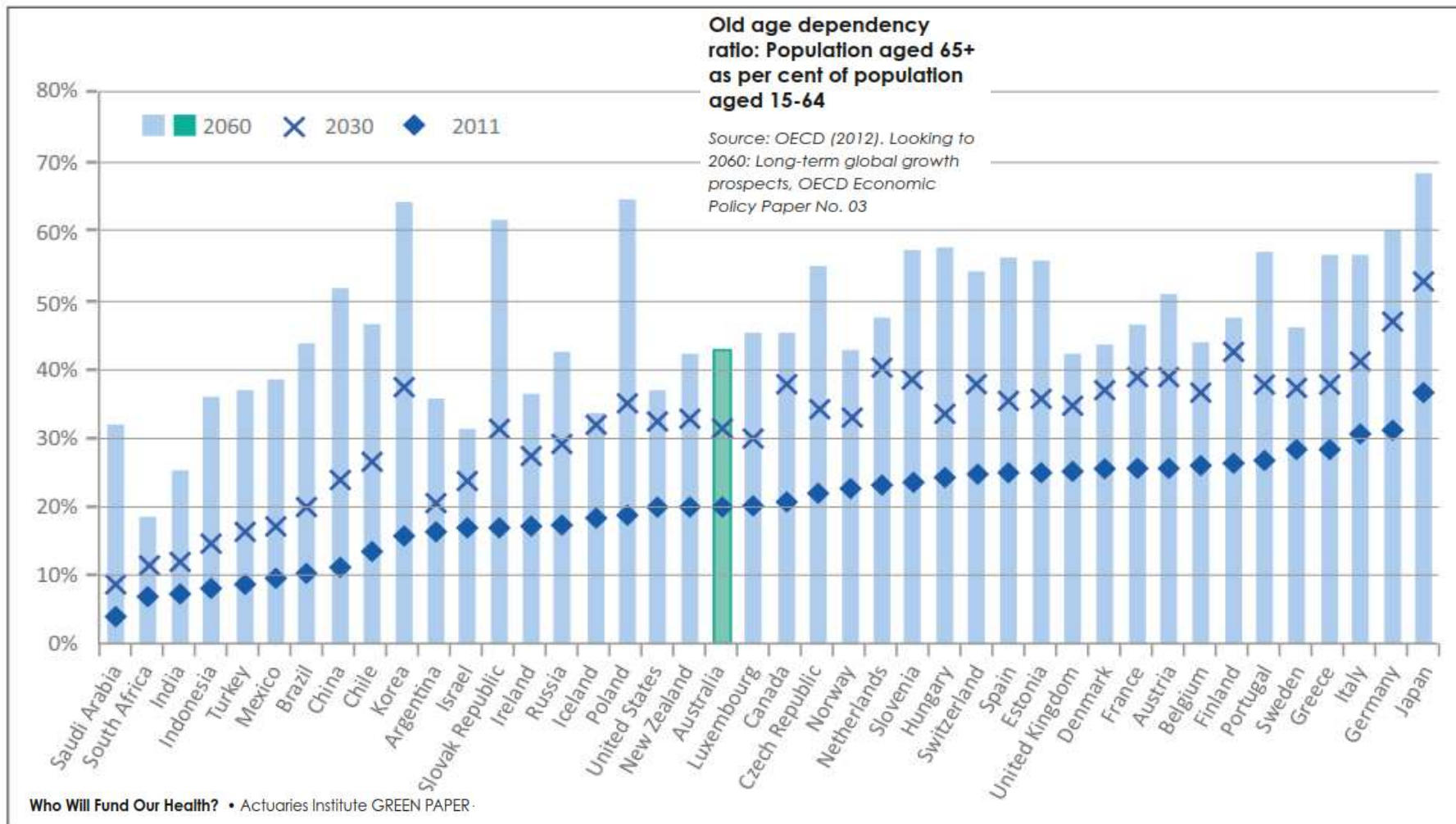
Retirement from the workforce and financing this

Staying healthy

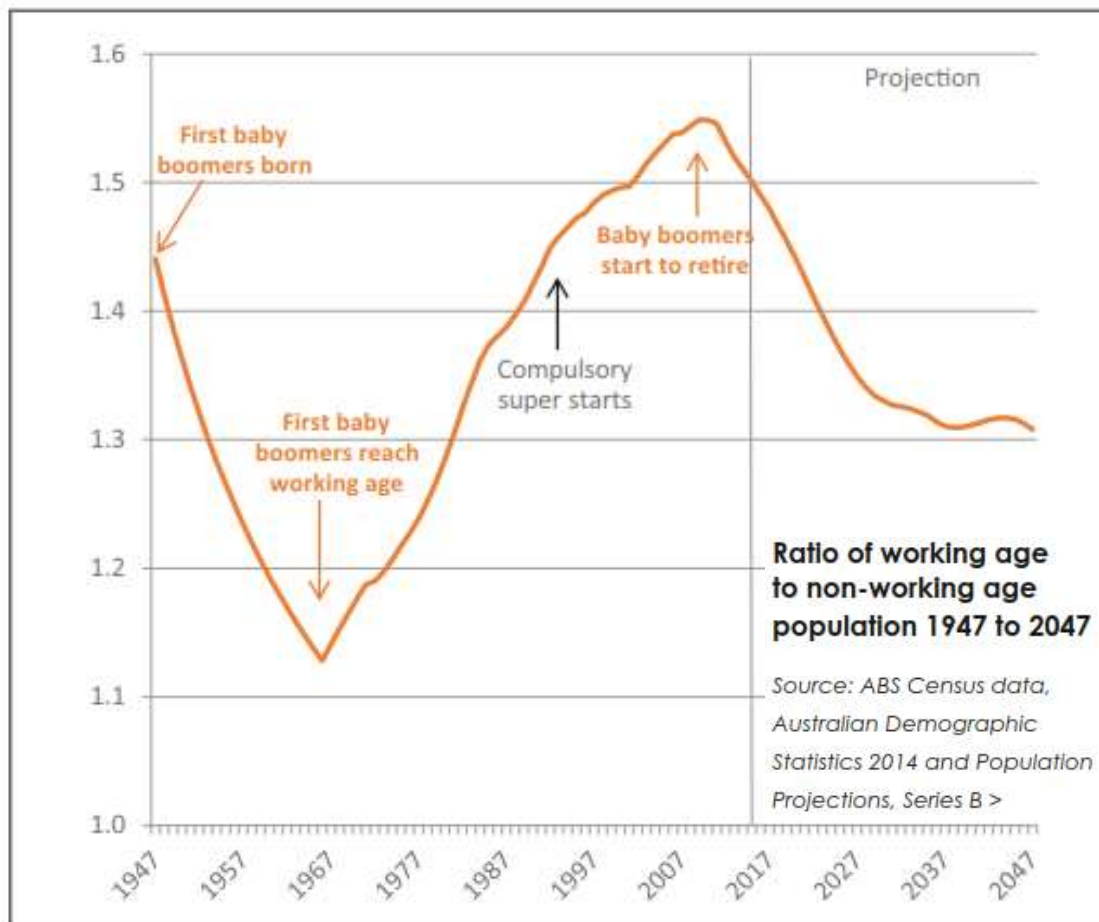
A place to live

Common themes

Australia's dependency ratio sits in the OECD mid-range ...



... and the passage of our baby-boomers through life is having a big effect



Who Will Fund Our Health? • Actuaries Institute GREEN PAPER



The first question: Where does the money come from?

The problem starts with the economy, not financing or services delivery



National Income : $\text{Population} * \text{Participation} * \text{Productivity}$

A strong economy is an integral part of financing an ageing population

Policies to increase the participation rate have a significant effect on GDP

Economic benefit in 2024-25 of additional mature age participation

	\$bn (2009-10)	% GDP
Expected increases	55.0	2.7
Additional 3%	33.0	1.6
Additional 5%	47.9	2.4

Source: Deloitte Access Economics

In Australia these policies currently include:

- Increasing retirement age for government aged pension
- Transition to retirement finances – “there is no standard retirement age in Australia”
- Encouragement of the commercial benefits of diversity
- Anti-discrimination on age grounds
- Migration



Retirement funding: Established policies nearing fruition

Australia's retirement financing system

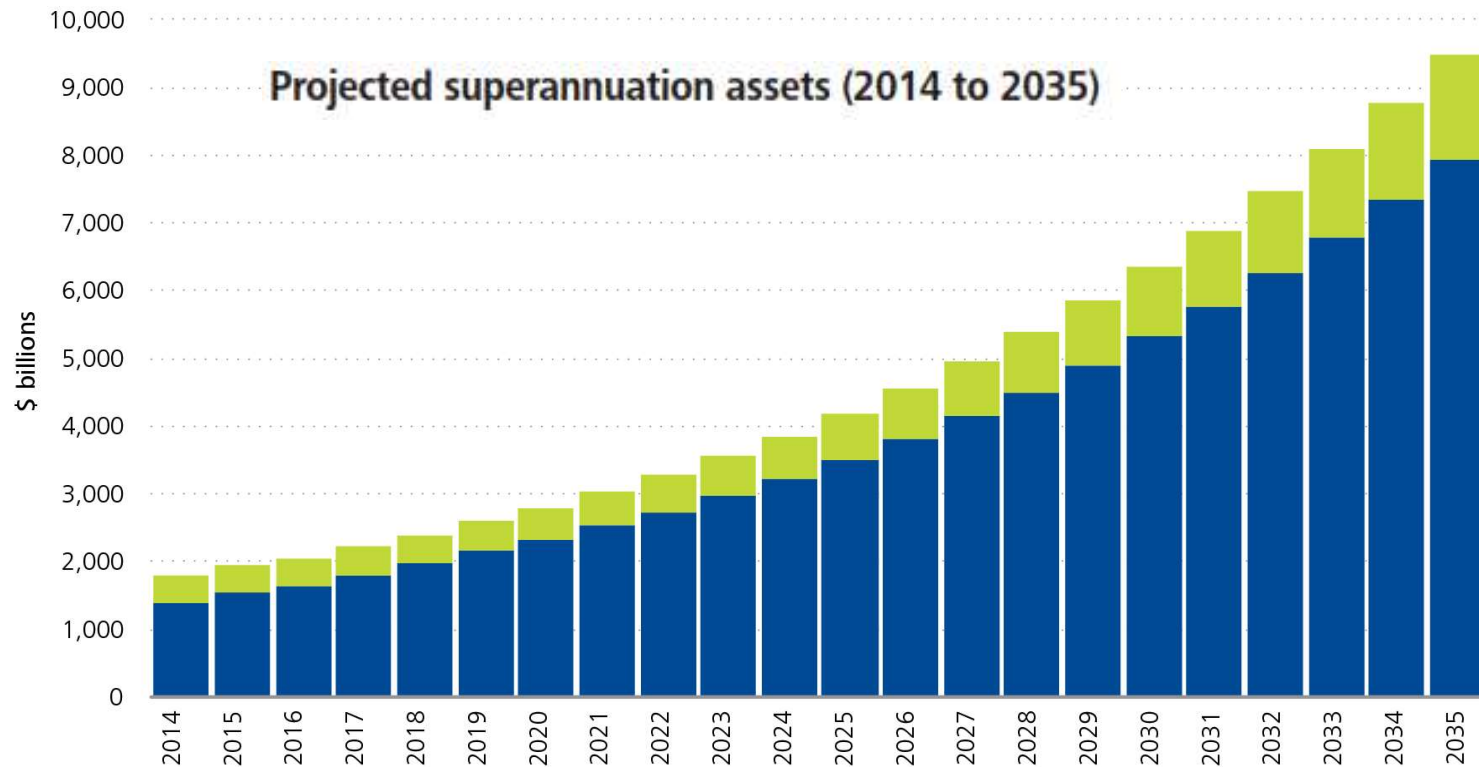
Three pillars

- Compulsory superannuation contributions 9.5% rising to 12% by 2025
- Additional voluntary contributions partially tax-advantaged
- Government aged pension (means-tested)

Strengths

- Funding
- Universality
- Competing models

The savings phase of Australia's superannuation is progressing well ...

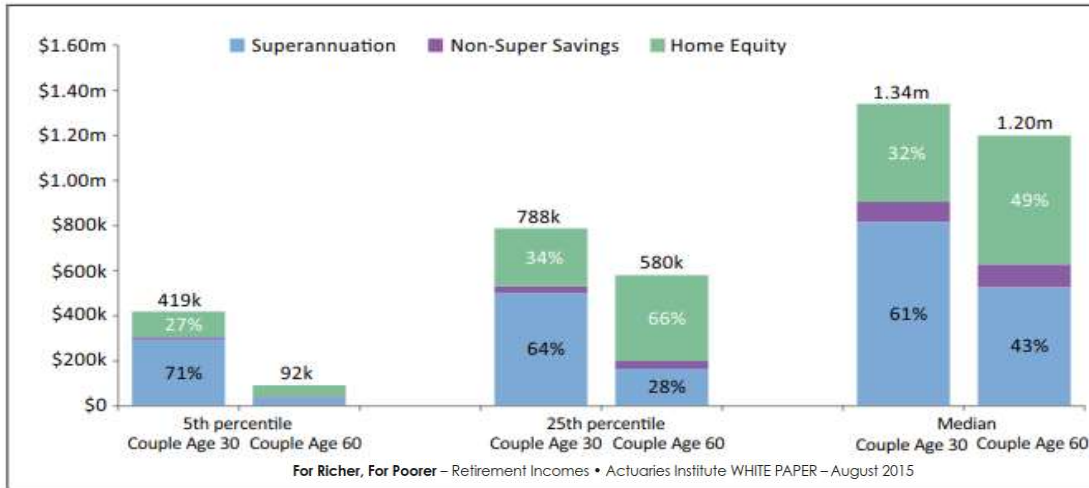


Source: APRA and Deloitte Actuaries & Consultants, 2015

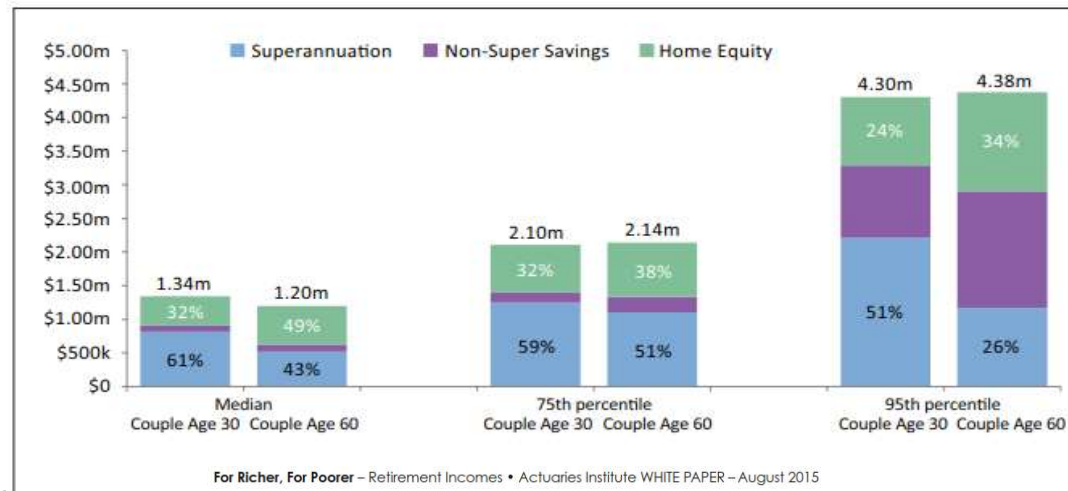
■ Pre-retirement Assets ■ Post-retirement Assets

... making a significant impact on peoples' retirement wealth in most segments ...

Projected wealth at age 65 (current dollars) – couples of median wealth and below

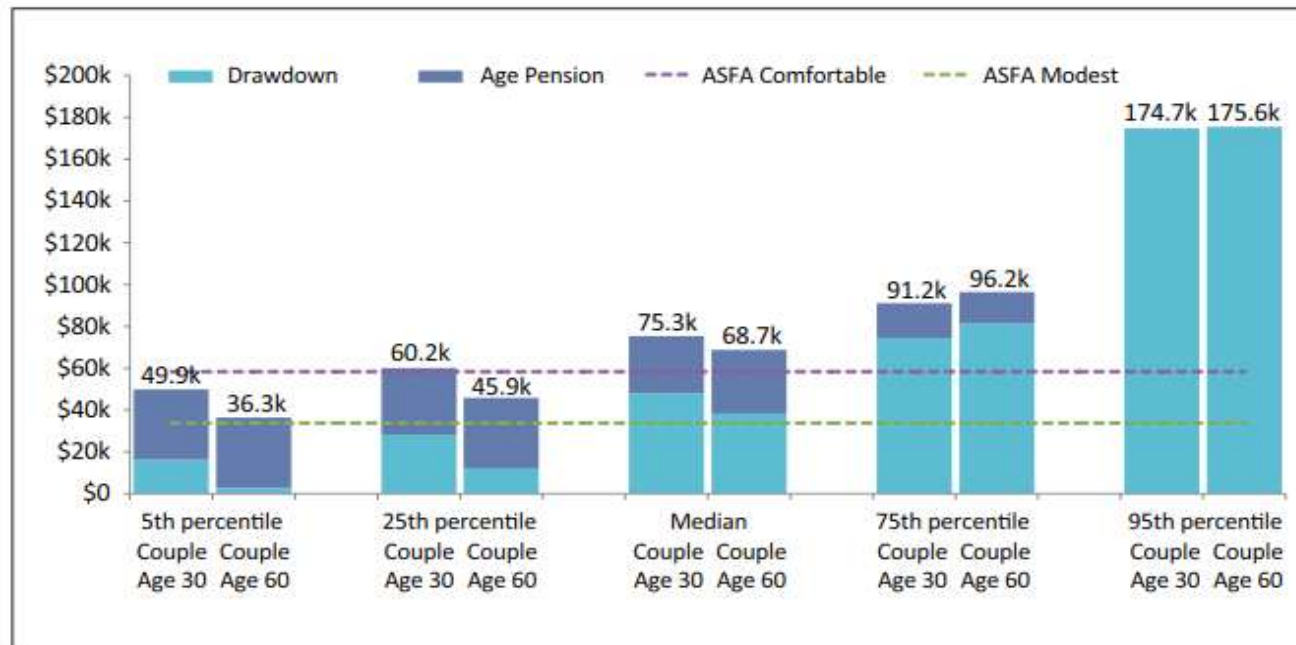


Projected wealth at age 65 (current dollars) – couples of median wealth and above



... but the jury is still out on whether the *disbursement* phase is effective enough

Estimated annual income to life expectancy (current dollars) - couples

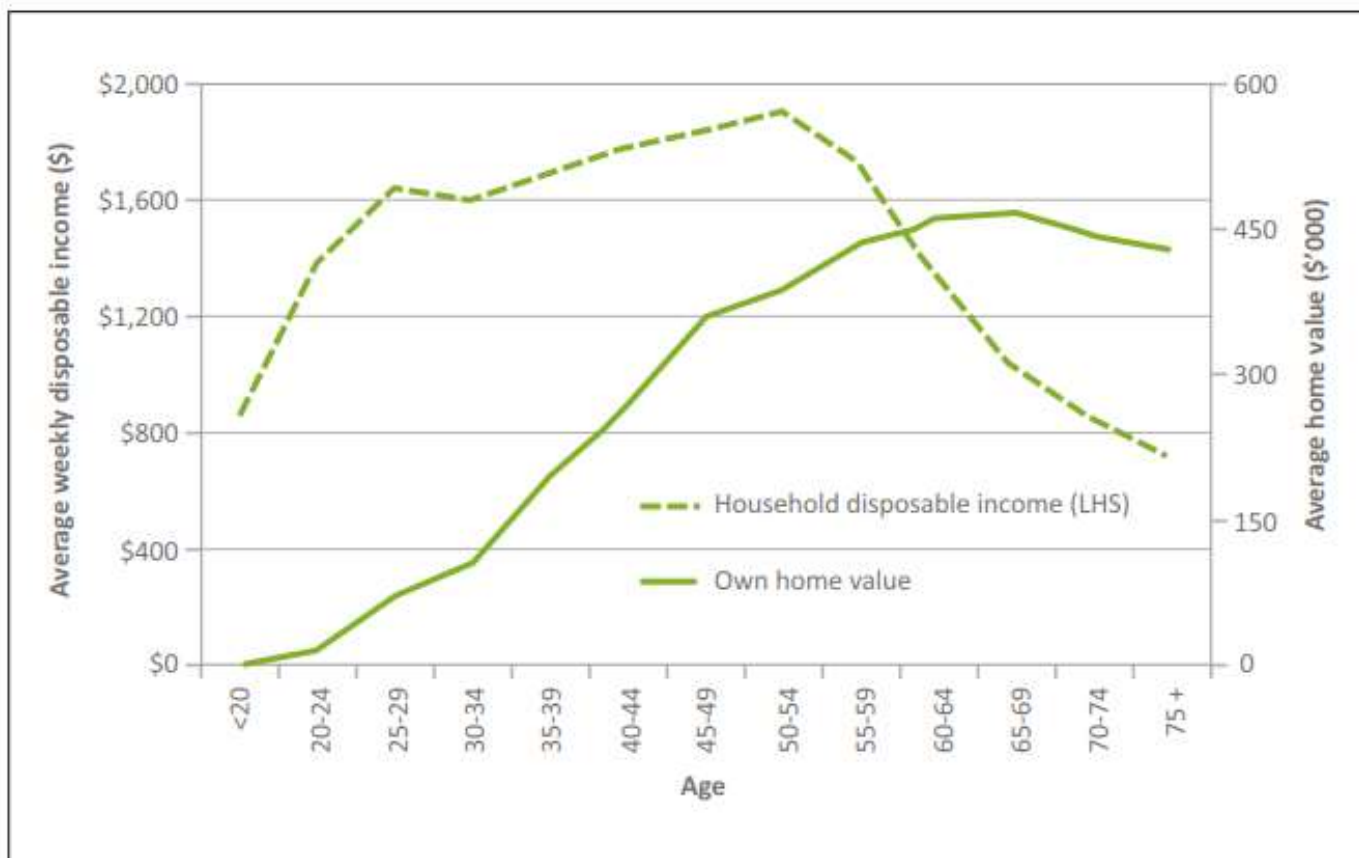


For Richer, For Poorer – Retirement Incomes • Actuaries Institute WHITE PAPER – August 2015

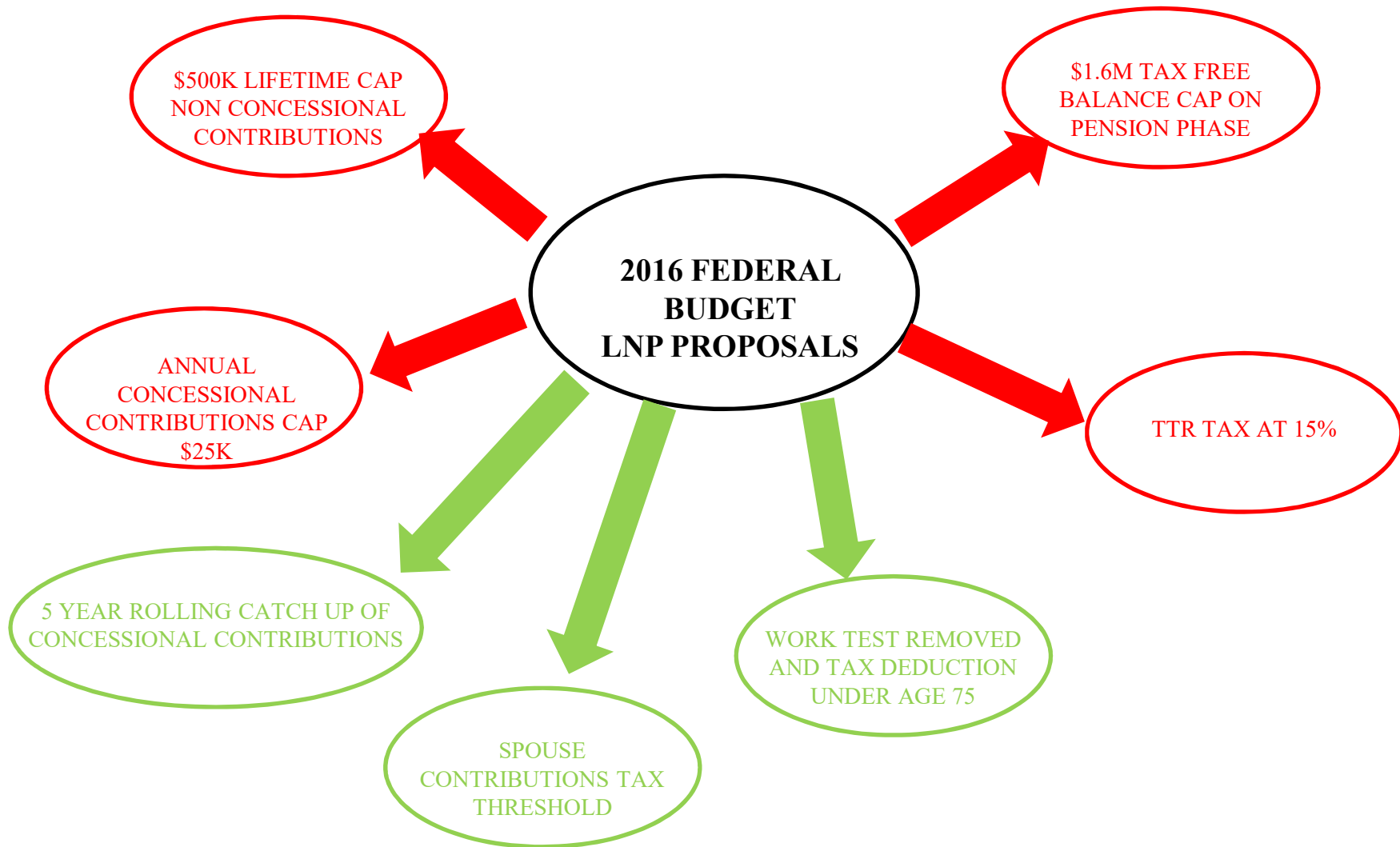


- ? Adequacy of benefits
- ? Variability of benefits in a DC world
- ? Subsectors not well served – career interruptions, split couples
- ? “income to life expectancy” ???

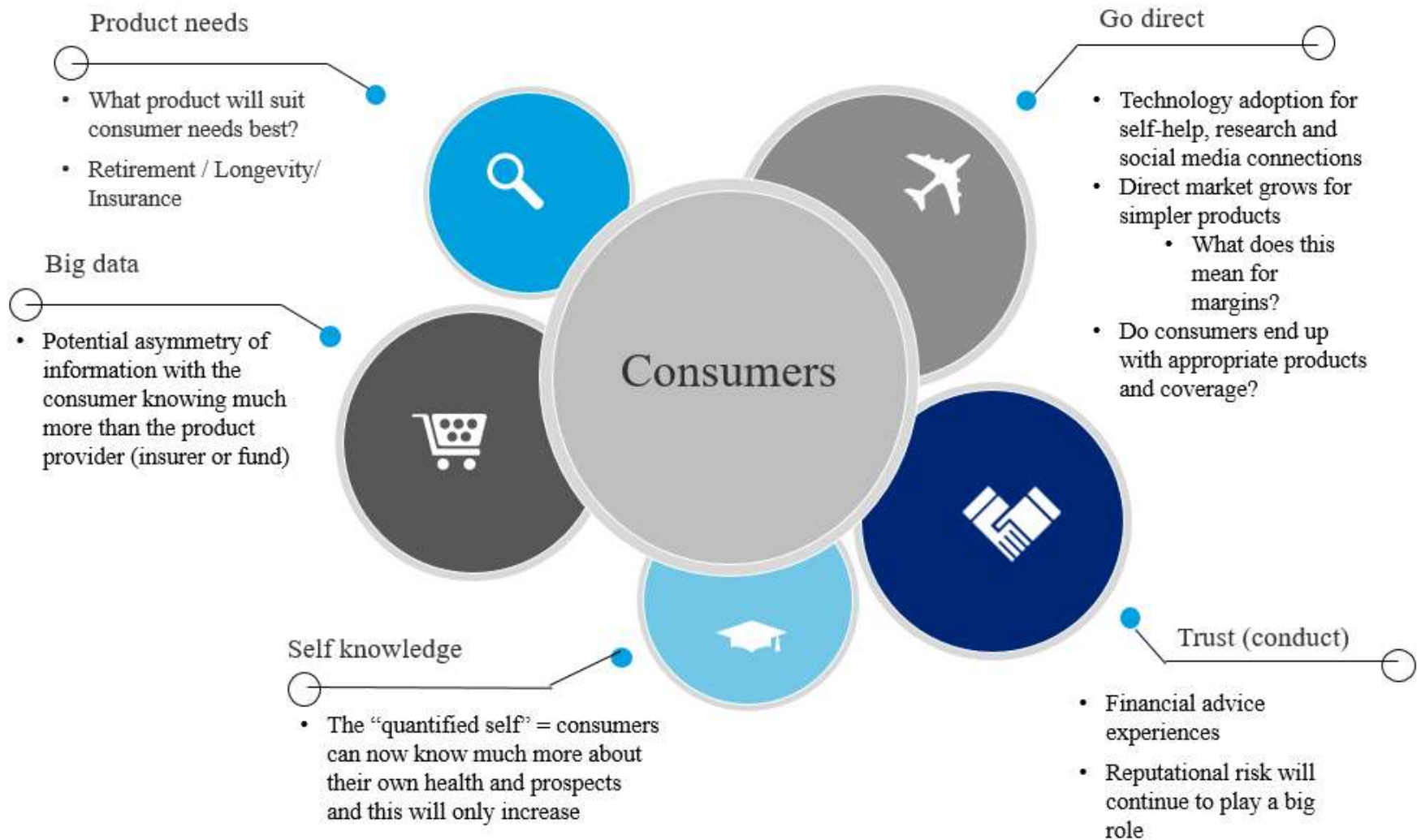
There is also significant wealth locked up in housing - and we don't yet have a systemic way to deploy this into paying for our aged



The fundamental policy of compulsory contributions stays firm; but the details are constantly under review



Markets are tracking and responding to changes in consumer retirement behavior ...



... But it's a highly complex system for retirees to navigate

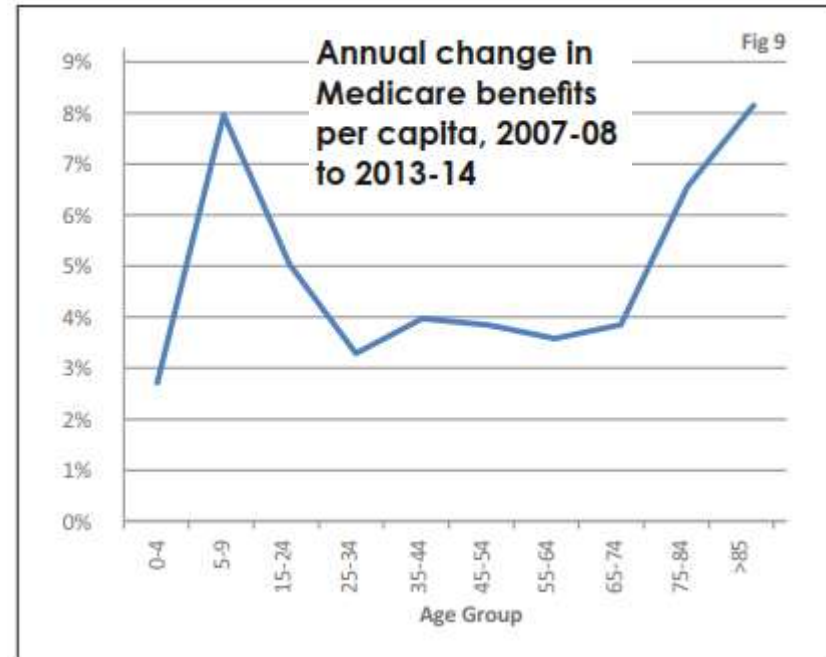
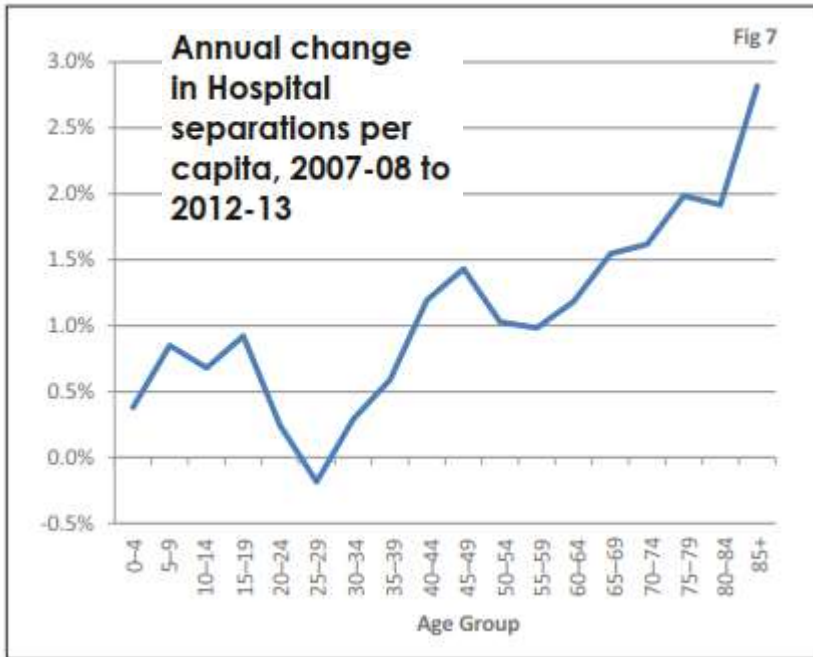




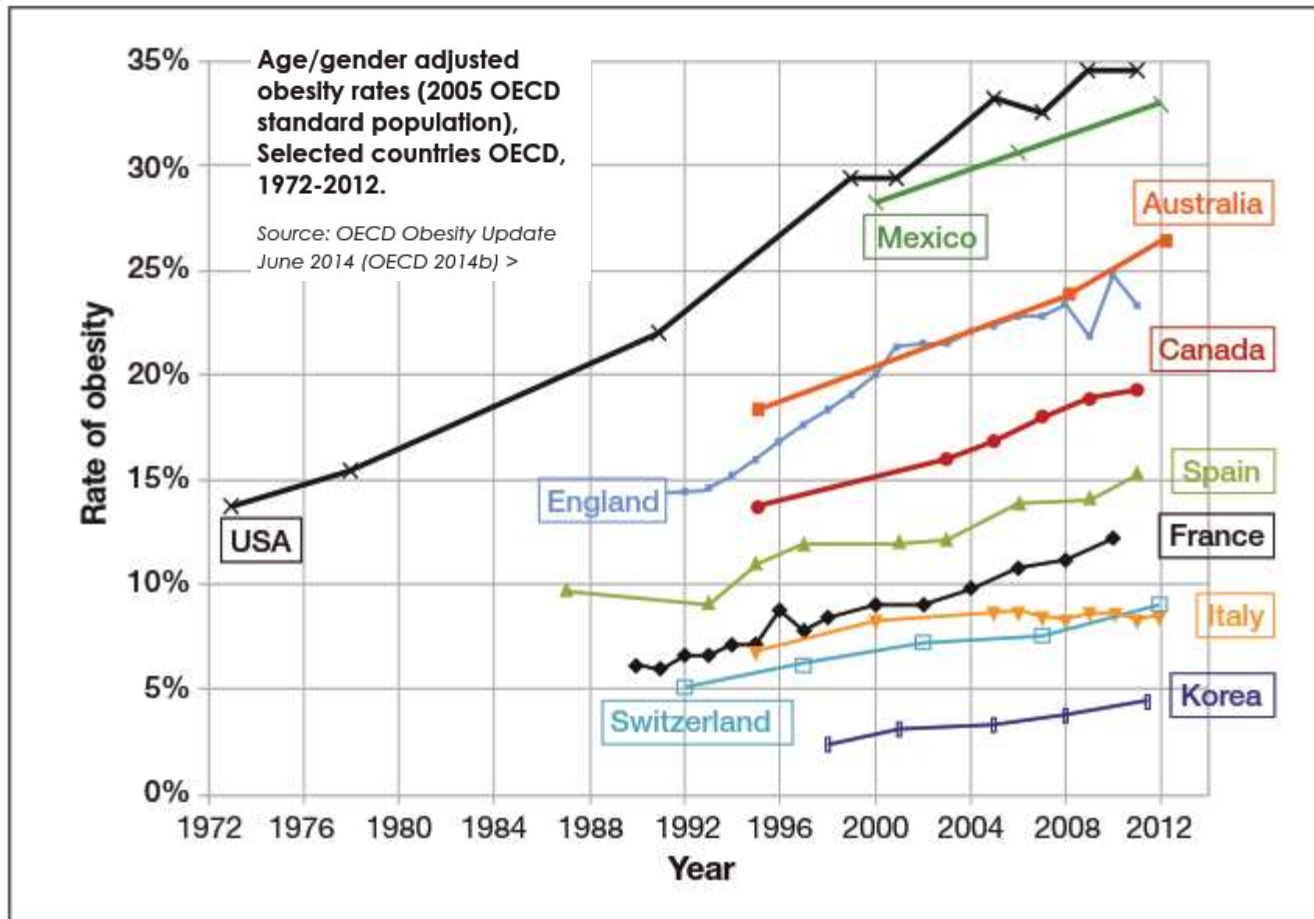
Health:

An unsolved resourcing and funding problem

Not just more older people, but more services per old person



Our growth of chronic diseases suggests that health costs in old age will be compounded



We need a basket of solutions

At 10% of GDP our health expenditure is not crippling; but consumer and taxpayer resistance to *increases* is strong.

Solutions needed in process, understanding, planning, and mindset

- Efficiency and best practice
- Harnessing technology
- Quality of care – integrated and patient-centred
- Data availability – shared across sources, longitudinal
- Prefunding this predictable need
- Personal responsibility to maximise health – e.g. chronic exposures
- Acceptance of our choice to buy more “health” as a legitimate priority

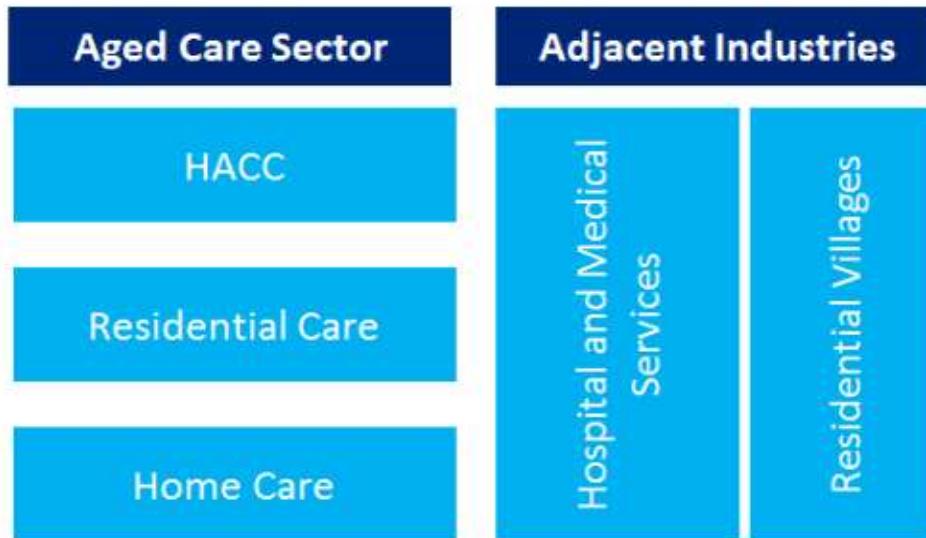
These must come (and are coming) come from both the government policy and funding areas, and the private sector/consumer markets



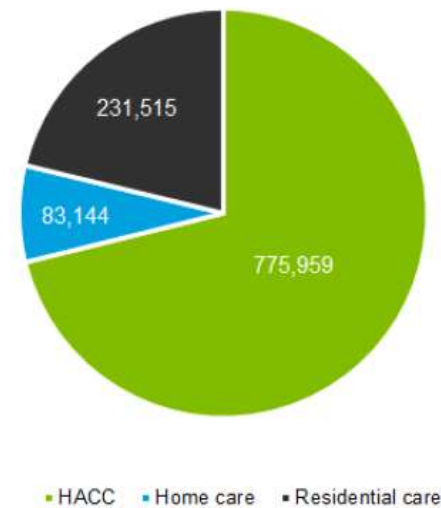
Aged Care: Increasing attention to individuals' own needs

Australia's aged care industry – a snapshot

Australia's Aged Care Industry



Consumers of aged care by service type, 2013-14



Supply of aged care in Australia by service type, 2013-14

	HACC	Home care	Residential care	Other
Number of providers	1,676	504	1,016	-
Number of places	775,959	66,149	189,283	-
Commonwealth funding	\$1,701m	\$1,271m	\$9,814m	\$1,379m
Total revenue	\$1.8b	\$1.3b	\$14.8b	-

Note: Some providers offer more than one type of service, and are therefore included in more than one category.

Source: ACFA, 2015.

Towards needs-based and consumer-driven care: - funding based on ADLs

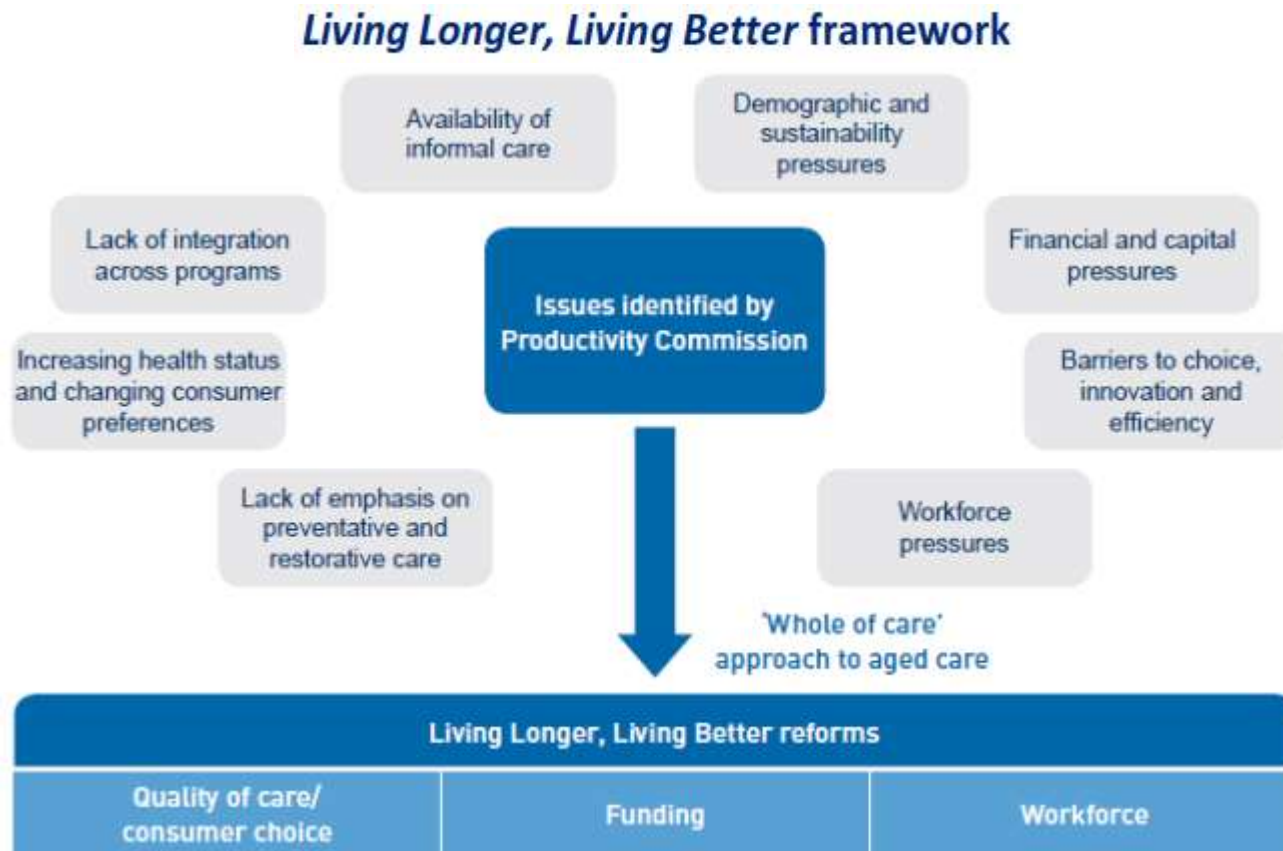
Ten areas where Activities of Daily Living (ADLs) are monitored and measured:

- Nutrition
- Mobility
- Personal hygiene
- Toileting
- Continence
- Cognitive skills
- Wandering
- Verbal behaviour
- Physical behaviour
- Depression

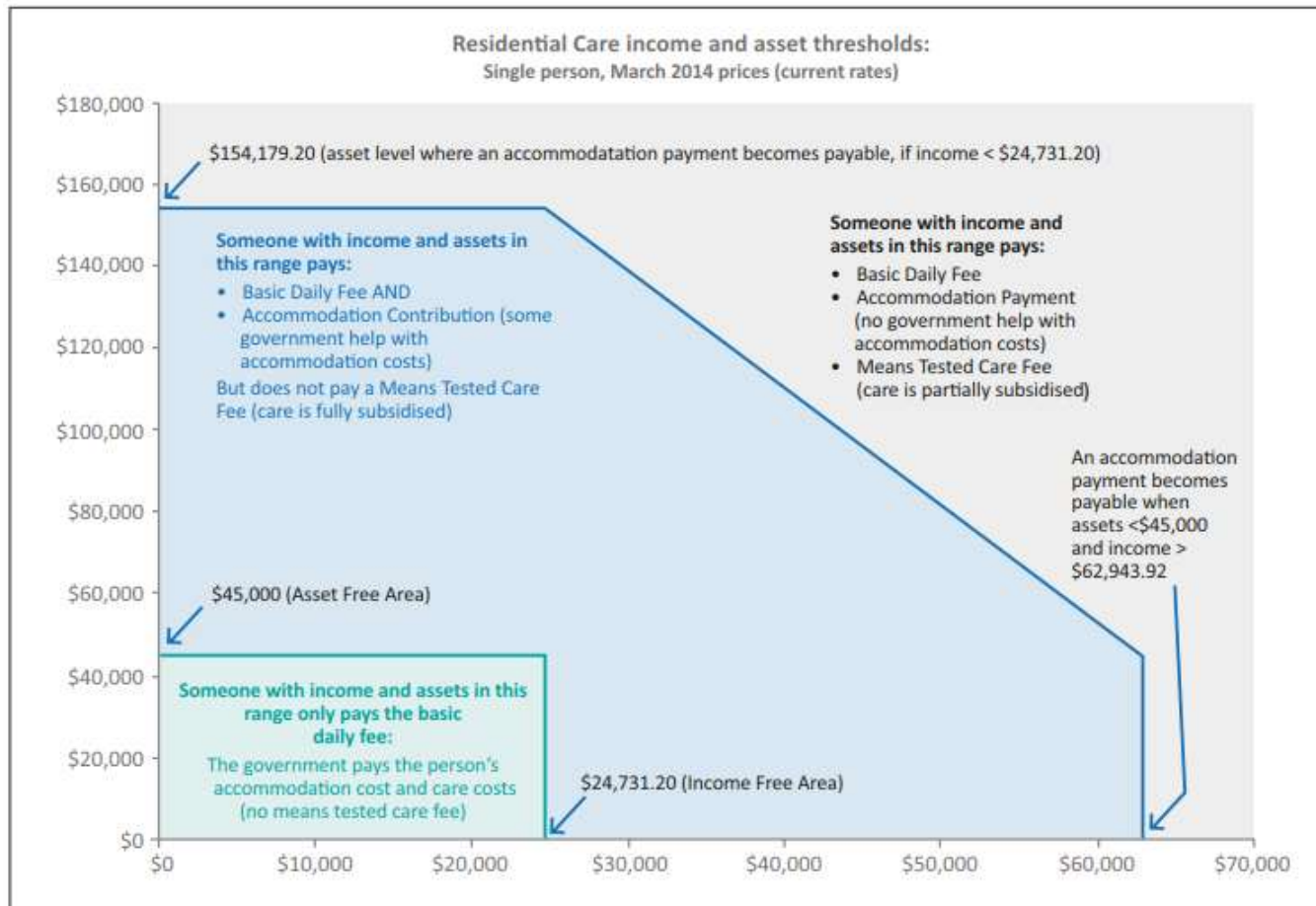
Leads to 64 classifications for payment and associated services – based on individual needs

Introduced 2007; updated 2013; replaced a “per diem”-style system

Further aged care reform – Care needs, finance needs, consumer-driven approach



Targeted government support – assets and income tests





Three different sectors: But some common themes emerge

For markets:

A fabulous prospective consumer market...

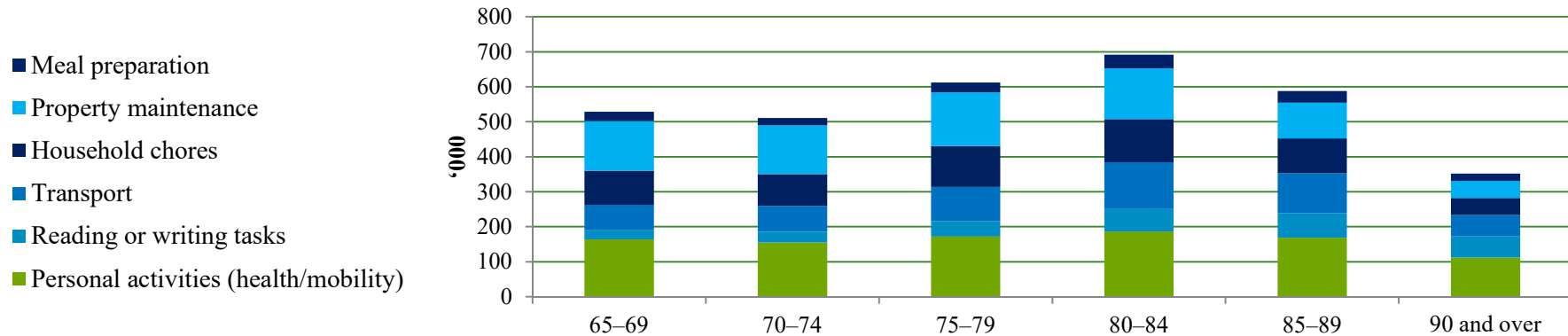
with unfulfilled needs and desires...

but with complexity for providers in communicating and providing access to solutions...

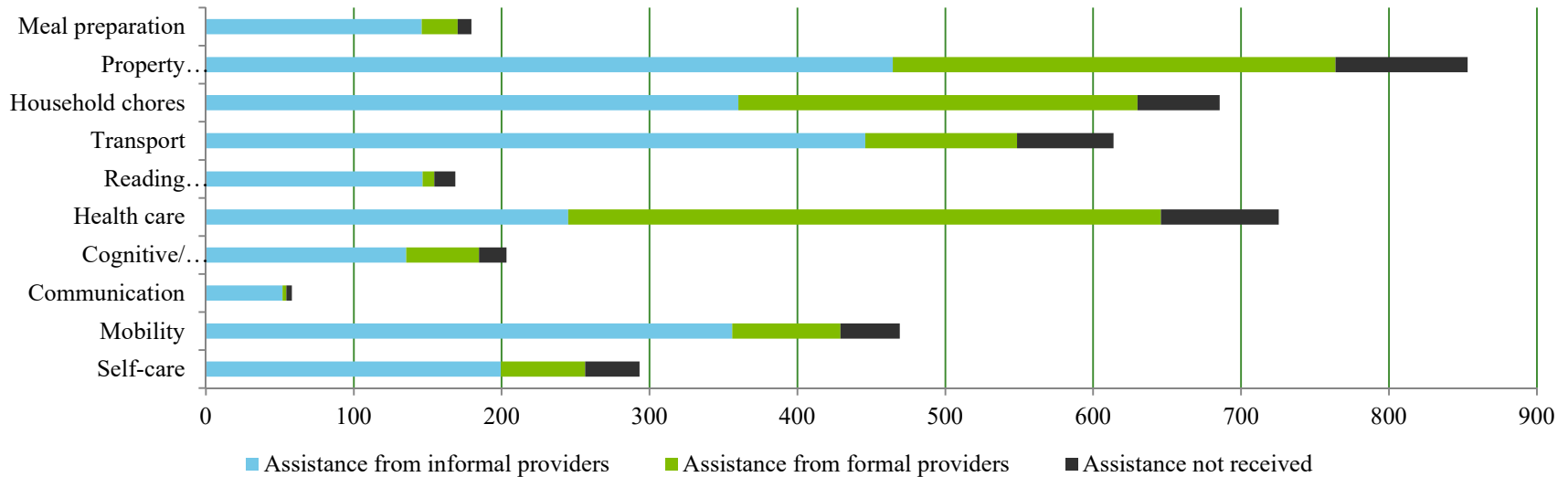
and a need to understand the individual much better and deal with them in a way they want us to.

For each sector: targeted services because data is now useable

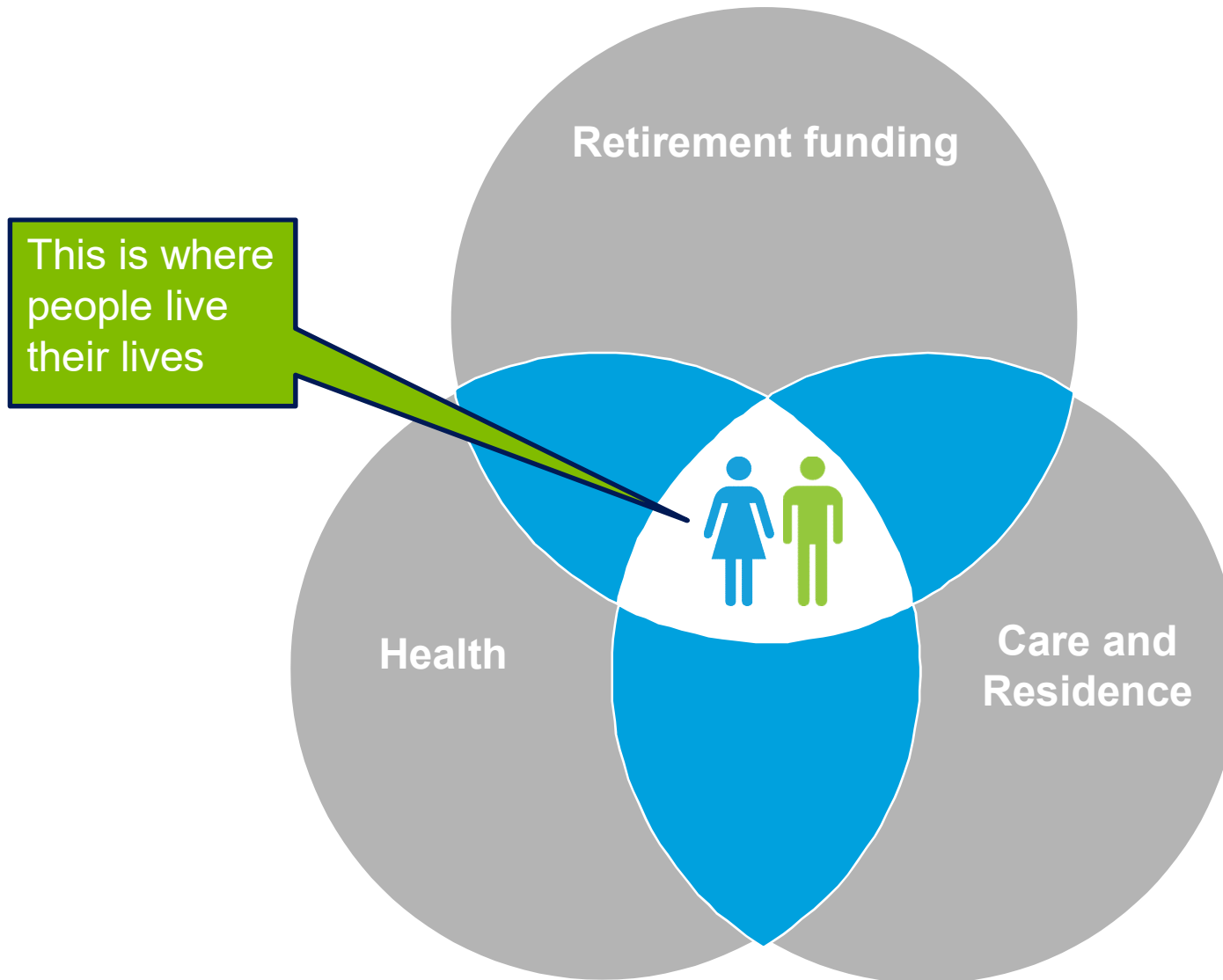
Need for assistance > 65 years (ABS 2013)



How assistance needs are met



These sectors cannot be separated



Themes

The need to coordinate across sectors

Consumer-driven choices, optimising the system by targeting each individuals' own needs

Data, and the abilities that the new data insights unleash

Public / private partnership – effective combinations of government policy, funding, environment definition; with private sector markets, consumer focus, service development, business management

And for actuaries?

All these sectors have issues where actuarial approaches are valuable ...

... but assisting clients to make the necessary changes requires an understanding of the big picture ...

... and specialising in only one traditional area means you miss the integrated customer view

References



“Who will fund our health?” – *Australian Actuaries Institute*

“Australia’s Aged Care Sector: Economic contribution and future directions” – *Deloitte Access Economics*

“Increasing participation among older workers” – *Deloitte Access Economics*

“Dynamics of the Australian Superannuation System 2015-35” – *Deloitte Actuaries & Consultants*

“For richer for poorer; retirement incomes” – *Australian Actuaries Institute*

Stuart Rodger

Health Practice Leader

Deloitte Actuaries & Consultants Limited

225 George St, Sydney, NSW, 2000, Australia

Tel/Direct: +61 (0)2 93225022 | Mobile: +61 (0) 414 820014

srodger@deloitte.com.au | www.deloitte.com.au



Deloitte.

General information only

This presentation contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is, by means of this presentation, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this presentation.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 225,000 professionals, all committed to becoming the standard of excellence.

About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 6,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at www.deloitte.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

© 2016 Deloitte Actuaries & Consultants Limited.