



MINISTRY OF HEALTH
SINGAPORE

Fiscal sustainability of healthcare financing in Asia: Challenges and Responses

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Achieving and sustaining Universal Health Coverage

- Well-designed health care system should ensure
 - Equitable access to care
 - Protection against unpredictable high health care expenditure
 - Sustainable and affordable...
- Dimensions of Universal Health Coverage (UHC)
 - Proportion of the population covered
 - Proportion of the total costs covered through insurance or other risk pooling mechanisms
 - Range of services that are covered
 - However, what about sustainability?

Sustainability is an often overlooked consideration of UHC...

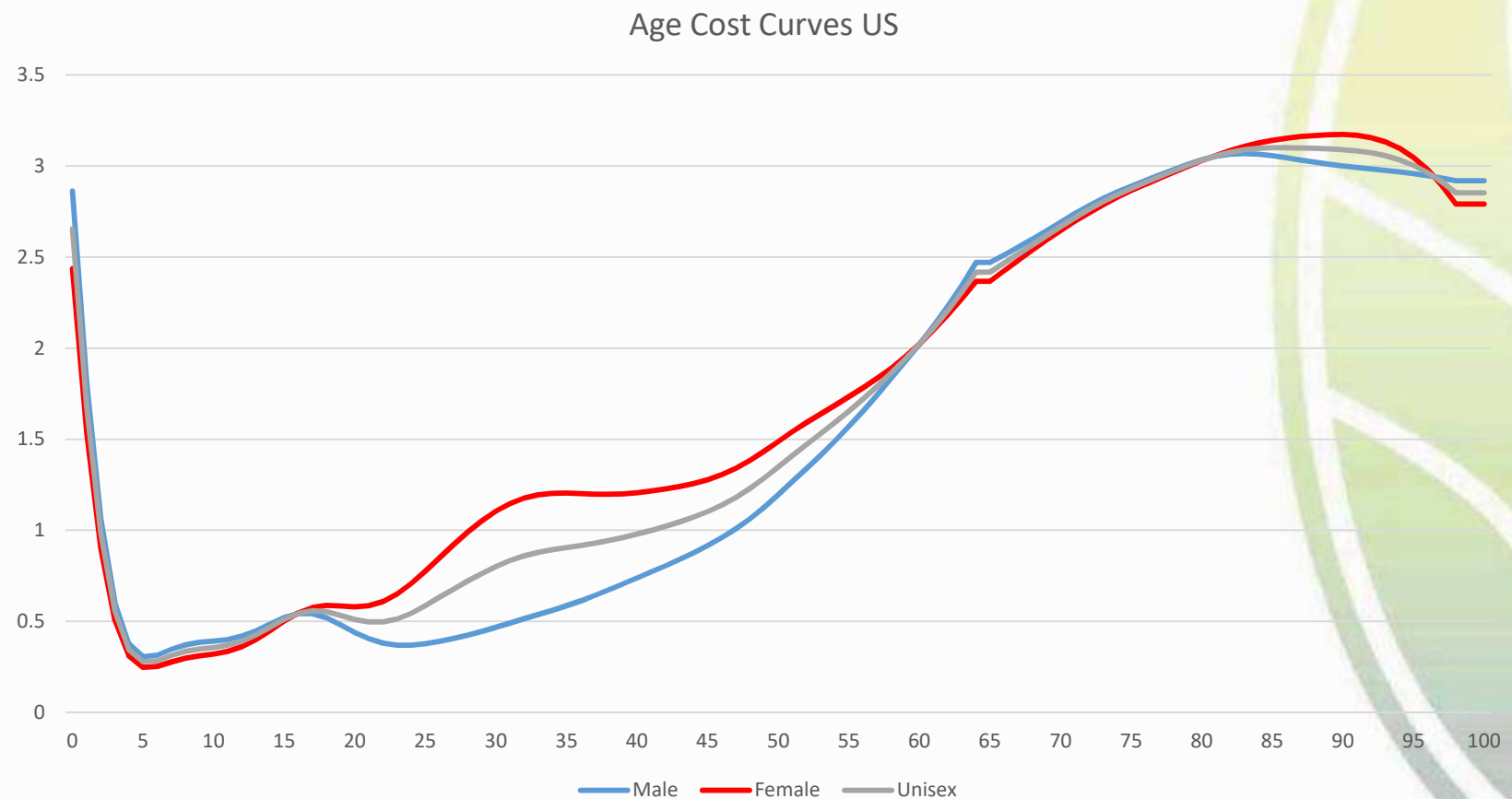
- Are healthcare systems affordable both to current and future generations?
- Are we borrowing against the resources of future generations?
- Is it fair and equitable to do so?
- How do we quantify the sustainability of health systems?



The key challenge for sustainability is the ageing demographics...

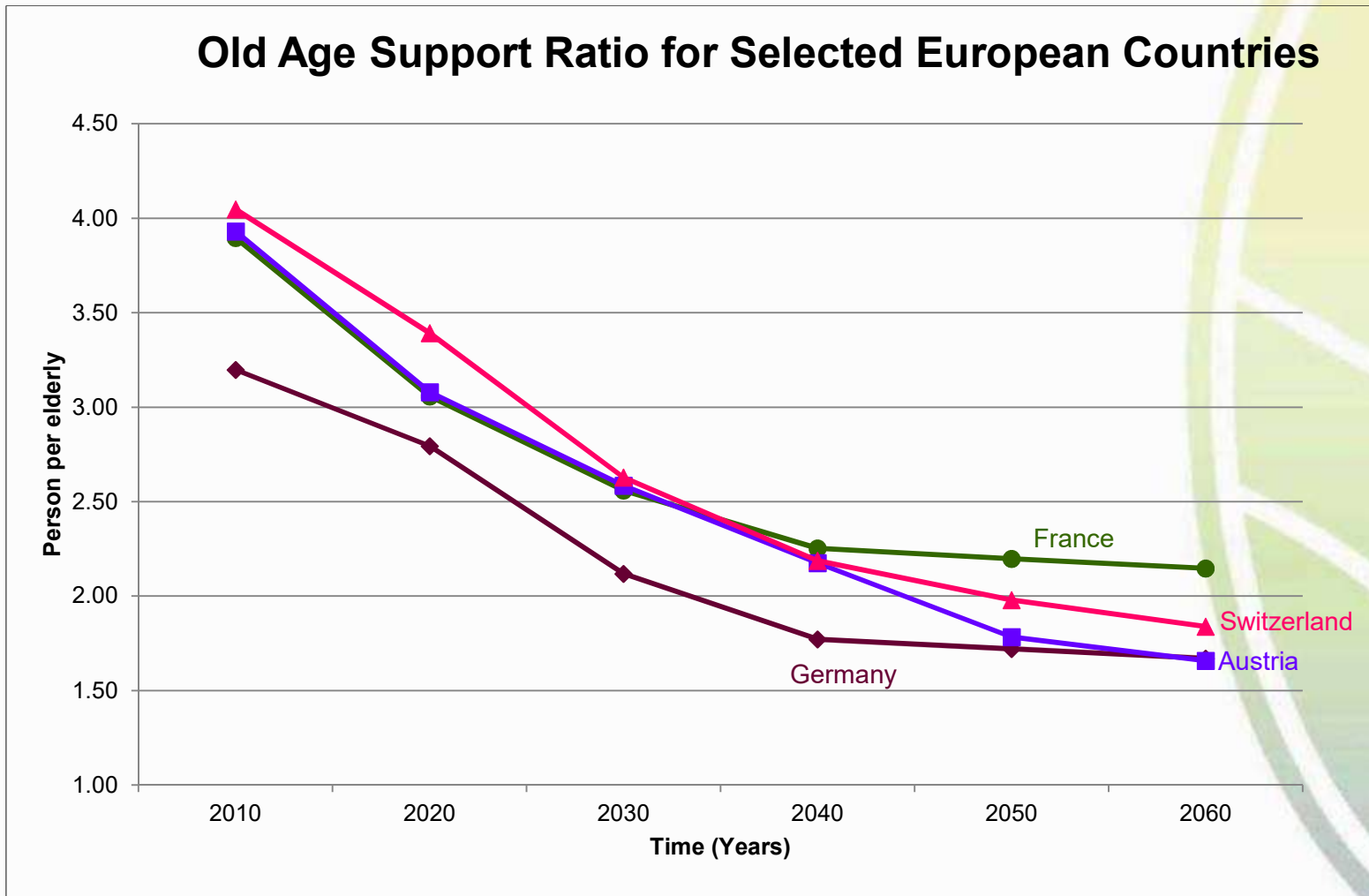
- Population ageing presents double whammy for financing of universal health coverage
 - Healthcare costs escalate with age
 - And tend to be concentrated in the elderly
 - As population ages, fewer people in the working population to support the elderly
- Countries which may be enjoying a demographic dividend, will end up suffering a demographic burden
 - Faster it rises, the harder it falls?

Healthcare costs increase with age

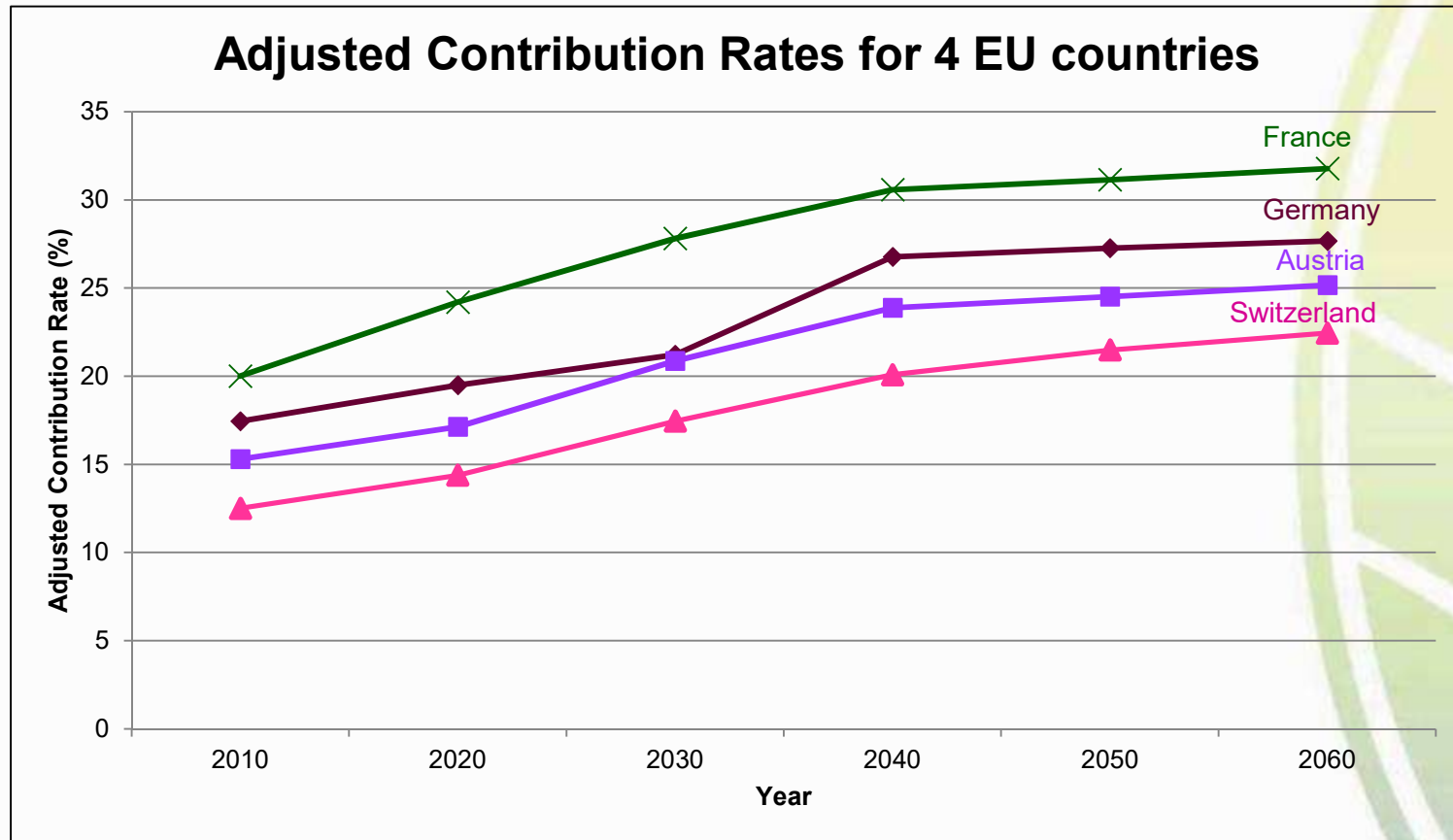


Source: Yamamoto (2013) Healthcare Care Costs – From Birth to Death. *Health Care Cost Institute*.

If we just look at European countries, falling Old Age Support Ratio would imply that ...



Contribution rates will increase for Social Health Insurance countries...

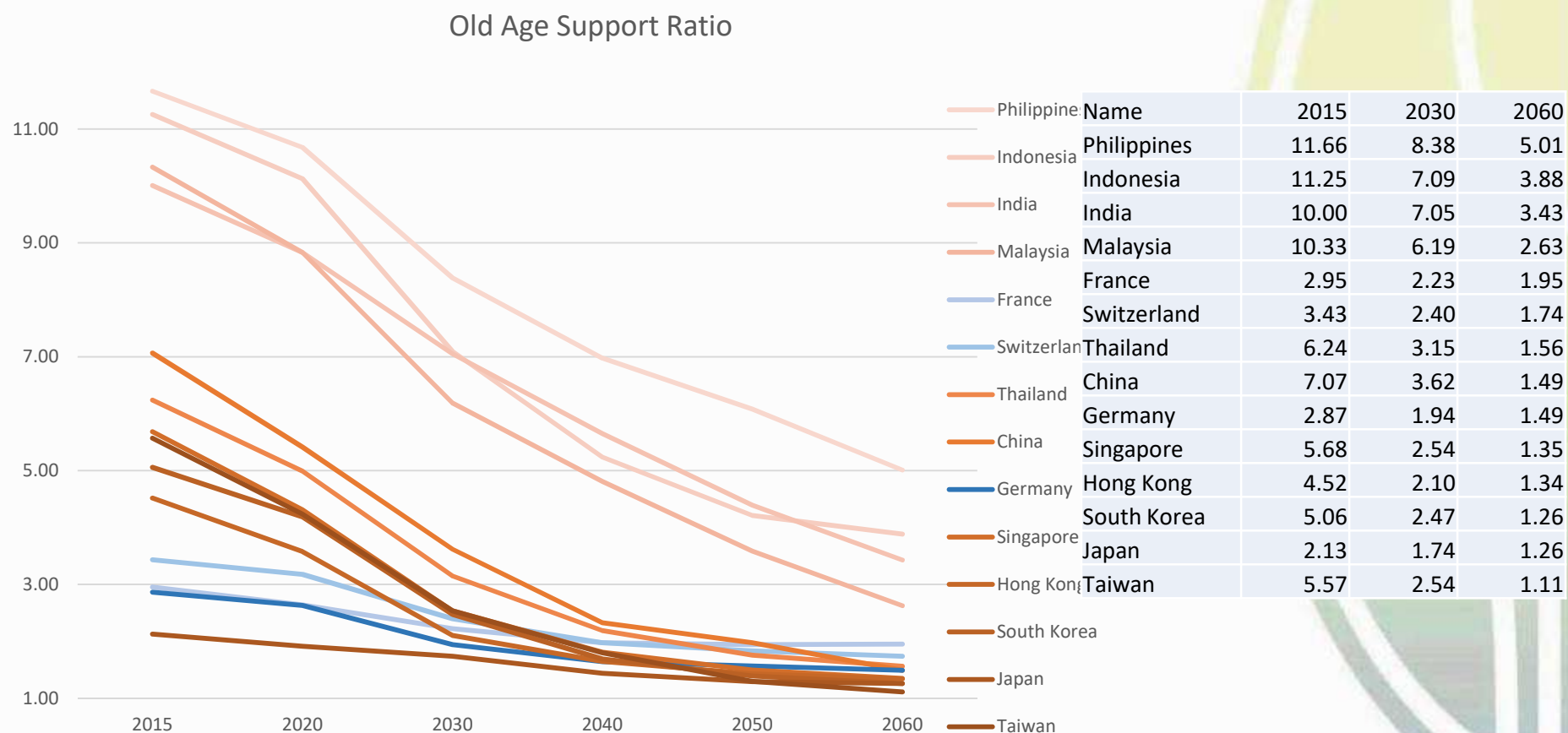


Similar challenges will face tax-based healthcare financing countries

How does this look for Asia?

- Asia will age far more rapidly than European countries
 - Asian countries have/have had to achieve Universal Health Coverage in a far shorter period and window
- NHE/GDP is low by European standards,
 - However growth has been much faster in recent decades
 - Are expectations for medical care increasing?
- Private share of NHE higher than other European countries
 - Reflects having to achieve UHC in a far shorter period of time
 - More fiscally sustainable than European countries
 - However raises question of whether there is adequate risk pooling

By 2030, developed countries in Asia will have a lower Old Age Support Ratio than Europe



Source: United Nations, Department of Economic and Social Affairs, Population Division (2015). *World Population Prospects: The 2015 Revision*.

Healthcare expenditure is lower than European countries...

Country	NHE/GDP	Public Sha
SIN	4.2%	35.9%
HK	5.2%	48.3%
CN	5.4%	56.0%
TW	6.6%	57.9%
SK	7.6%	54.5%
AUS	9.1%	68.4%
NZ	10.0%	82.7%
JP	10.3%	82.1%
DM	11.0%	85.8%
FL	9.1%	75.0%
FR	11.6%	77.4%
GER	11.3%	76.7%
ITA	9.2%	77.3%
NOR	9.3%	85.0%
SPN	9.3%	71.7%
SWE	9.6%	81.3%
SWI	11.4%	65.8%
UK	9.3%	84.0%
CAN	10.9%	70.1%
US	16.9%	47.6%

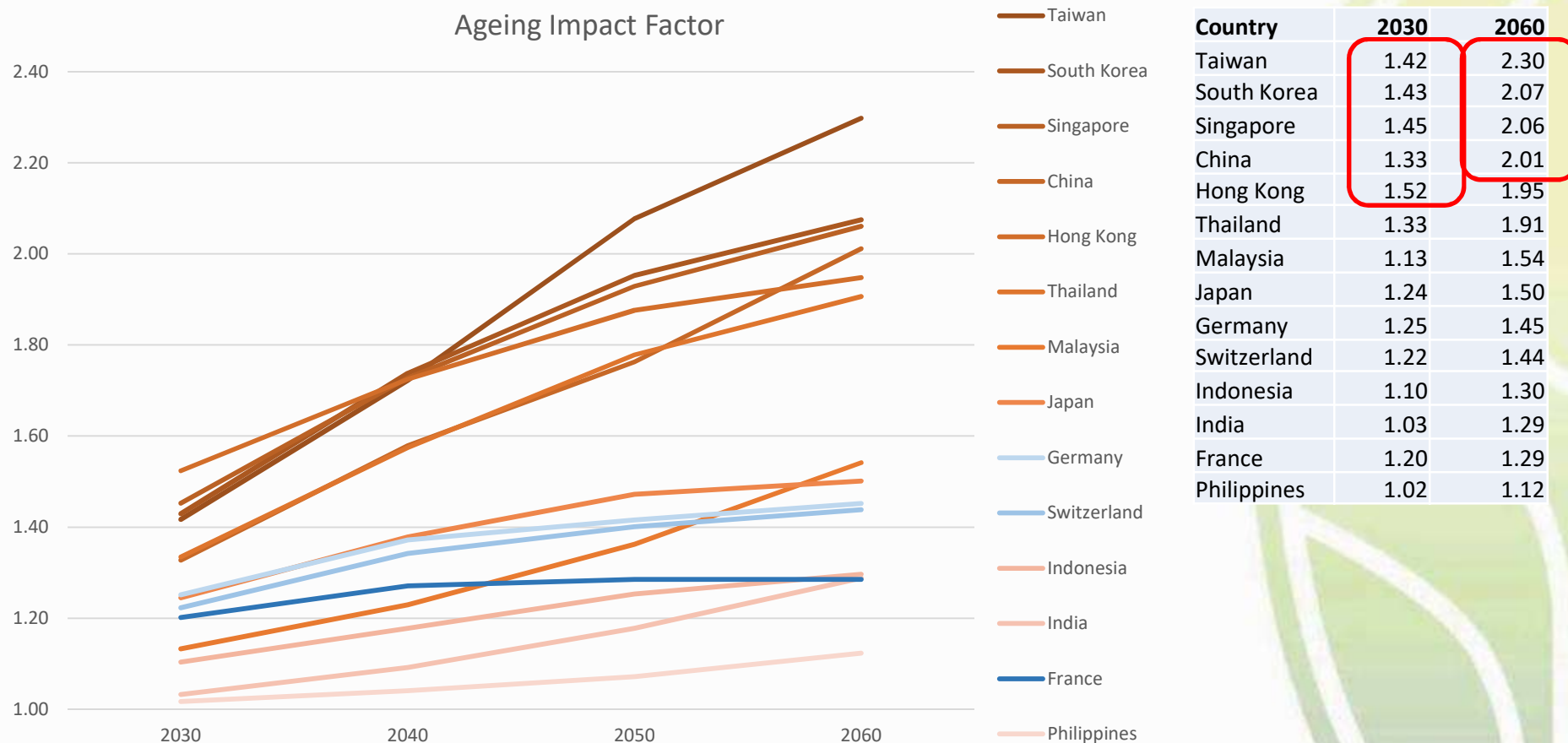
- Public share of Health Expenditure is also significantly lower than in Europe
- Interestingly, Public Share is increasing with NHE/GDP for Asian countries
 - Not entirely sure about causality
 - Low public share → Low NHE/GDP or
 - Low NHE/GDP → low public share because healthcare costs are affordable

Source: World Bank.

How do we capture the double impact of ageing on healthcare costs?

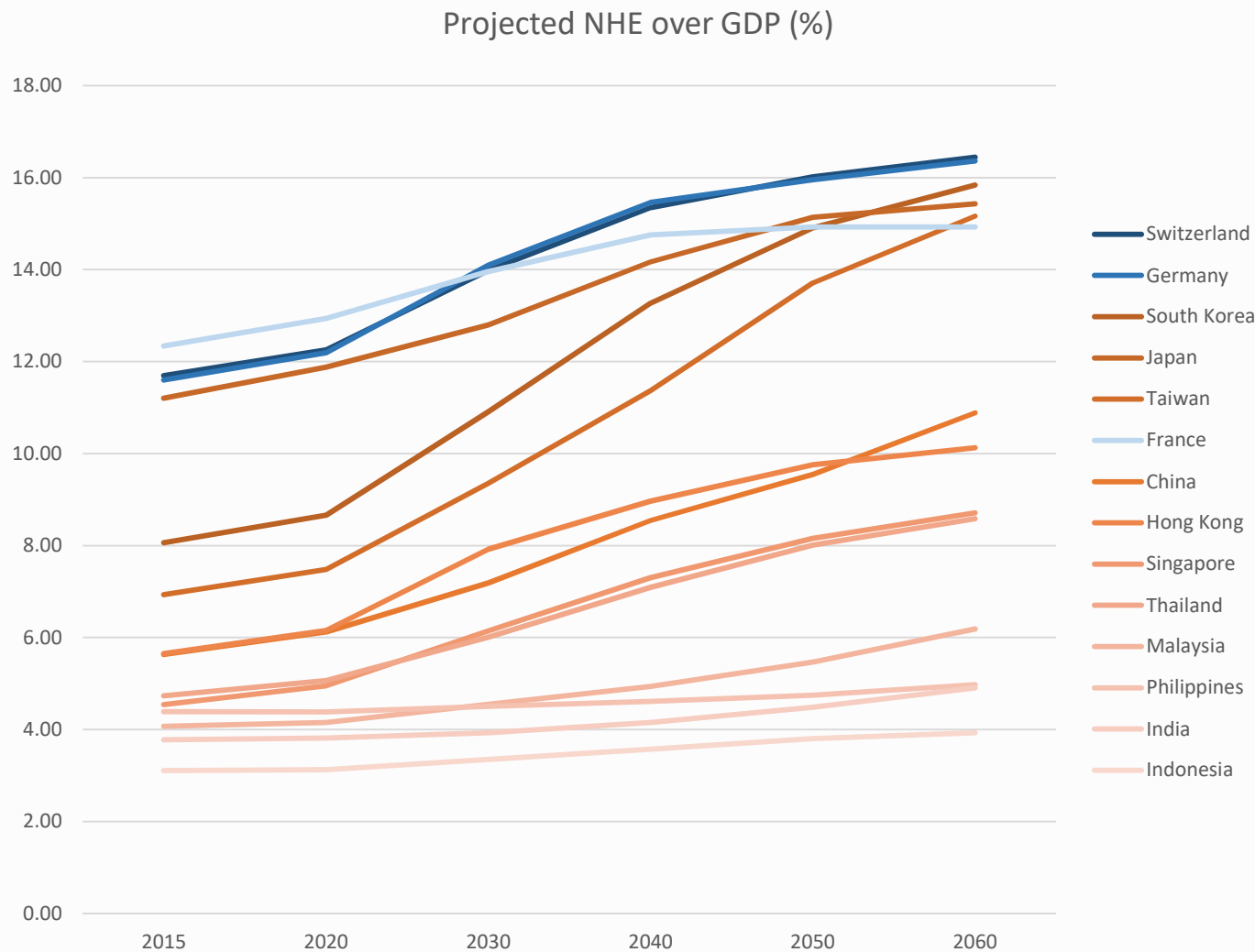
- We look at expenditure in terms of
 - NHE as a % of GDP
- First, we use the Age Cost Curves by Yamamoto(2013) to age-adjust the respective expenditure measures from their 2013 baseline levels
 - Assumes that the US age gradients apply
- Second we need to adjust down GDP/capita to take into account reductions in workforce/population

What is the extent of this double impact of ageing on healthcare financing burden?



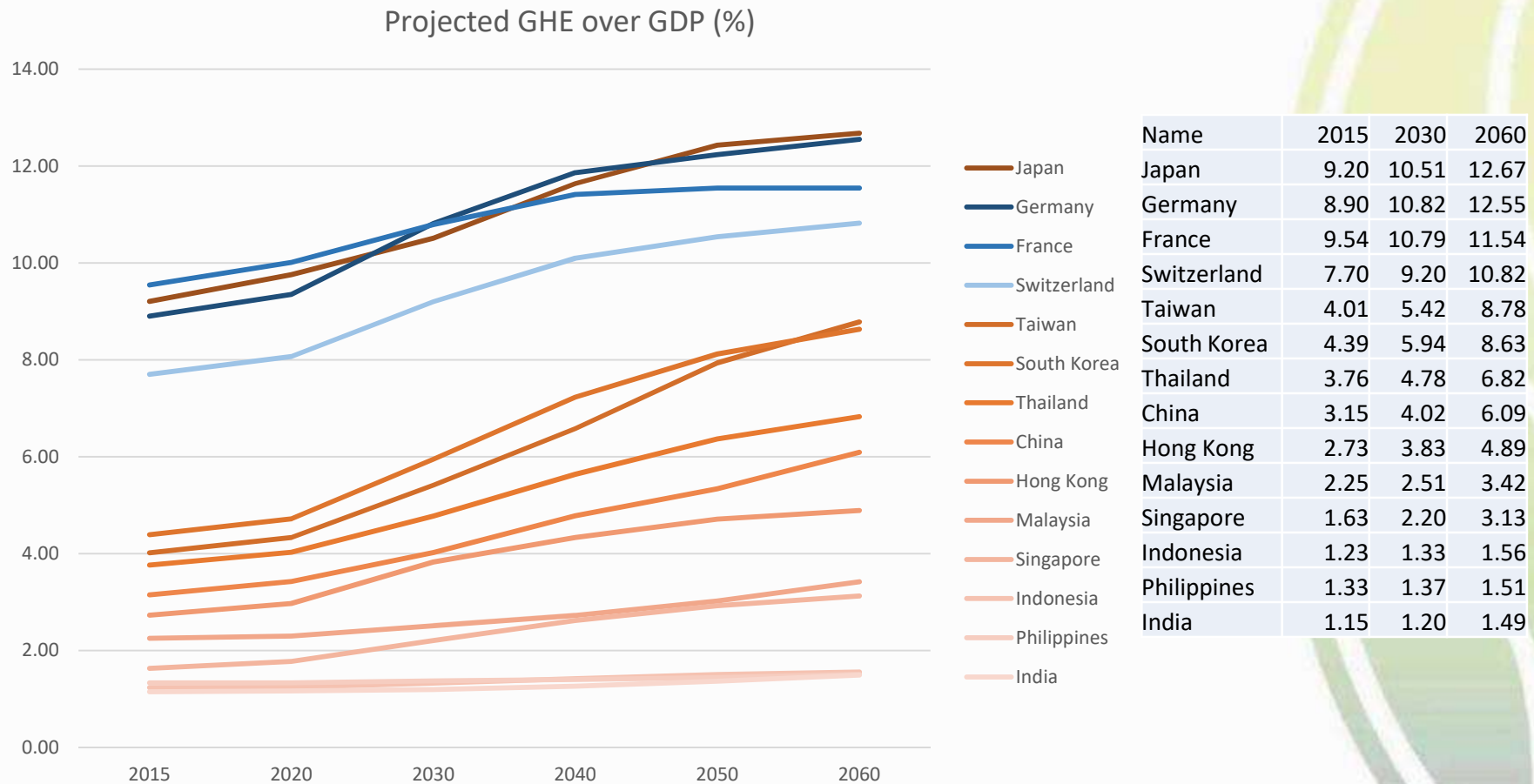
By 2030, per capita health expenditure will be 1.4 to 1.5 times current for Hong Kong, Taiwan, South Korea, Singapore, and 2 times in 2060

Asia's lower NHE/GDP will increase sharply



South Korea and Japan will exceed France by 2050, followed by Taiwan

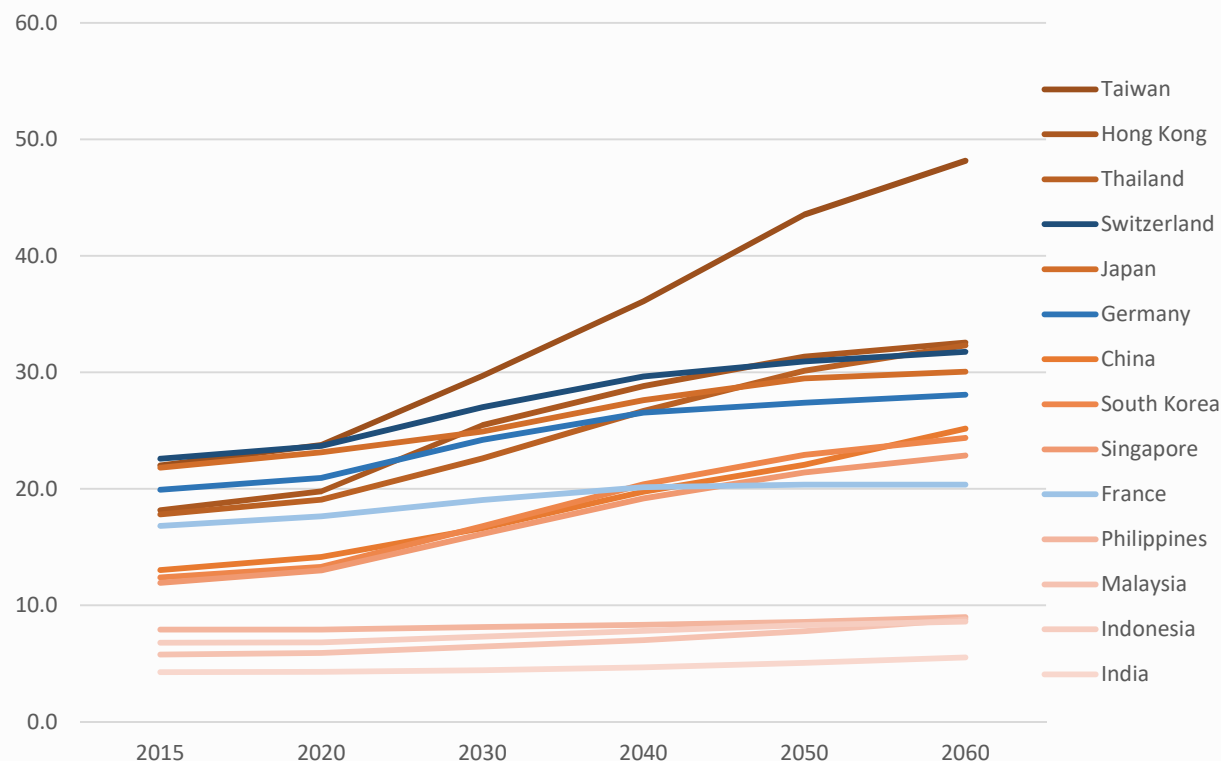
Projected GHE/GDP will also grow...



However will still remain lower than developed European countries

However GHE will be a substantial share of Total Government Expenditure...

Projected GHE over TGE (%)



Name	2015	2030	2060
Taiwan	22.0	29.7	48.2
Hong Kong	18.2	25.5	32.6
Thailand	17.8	22.6	32.3
Switzerland	22.6	27.0	31.8
Japan	21.8	24.9	30.1
Germany	19.9	24.2	28.1
China	13.0	16.6	25.2
South Korea	12.4	16.8	24.4
Singapore	11.9	16.1	22.9
France	16.8	19.0	20.4
Philippines	7.9	8.1	9.0
Malaysia	5.8	6.5	8.8
Indonesia	6.8	7.3	8.6
India	4.3	4.4	5.5

In Taiwan, HK, Thailand and Japan, healthcare care expenditures would account for more than 30% of Total Government Expenditure

What do we to address these challenges?

- Recognising shared responsibility of players
- Measuring where we are
- Keeping people active
- Investing in prevention
- Doing the right things
- Saving ahead
- Developing right services for the future



Sustainable Universal Health Coverage starts with *recognising* **shared responsibility of all parties**

- - Individuals and families: healthy living and saving for healthcare expenses
 - Communities and employees for encouraging healthier living
 - Providers: efficient delivery of cost-effective care
 - Insurers: mitigating financial risk associated with illness
 - Government: safety net, help the needy, channel subsidies to the poor and sick, regulate markets

Appropriate set of metrics to measure sustainability and equity...

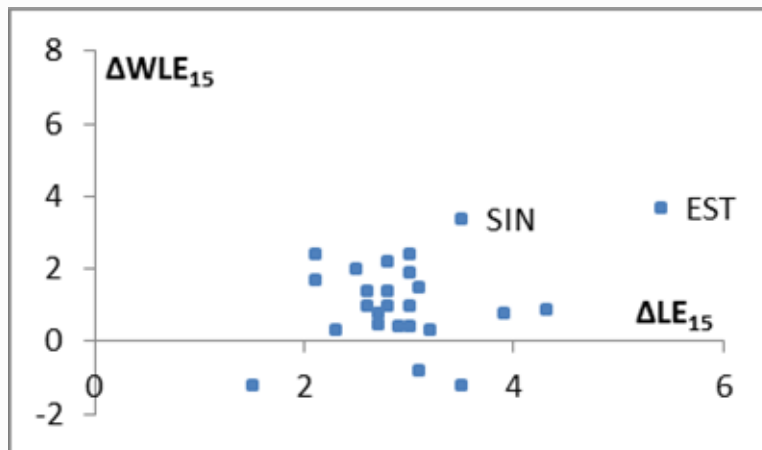
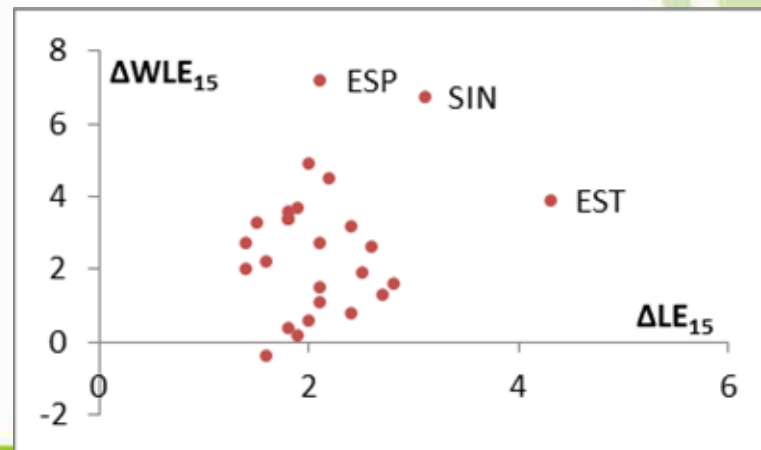
- Honest assessment of the sustainability of countries healthcare financing systems
 - How do we better measure the financing burden of healthcare expenditure on future generations
 - Not just for government expenditures, but also private savings (inter-generational transfers)
 - Insurers are required to have sufficient reserves, why not governments?
 - Need to come up with a set of “National Transfer Accounts” for healthcare
- Also assessment of how evenly and fairly distributed financing
 - Ensuring that the poor and the sick are well covered

Financing needs to be fairly distributed across rich/poor, healthy/sick, current/future generations

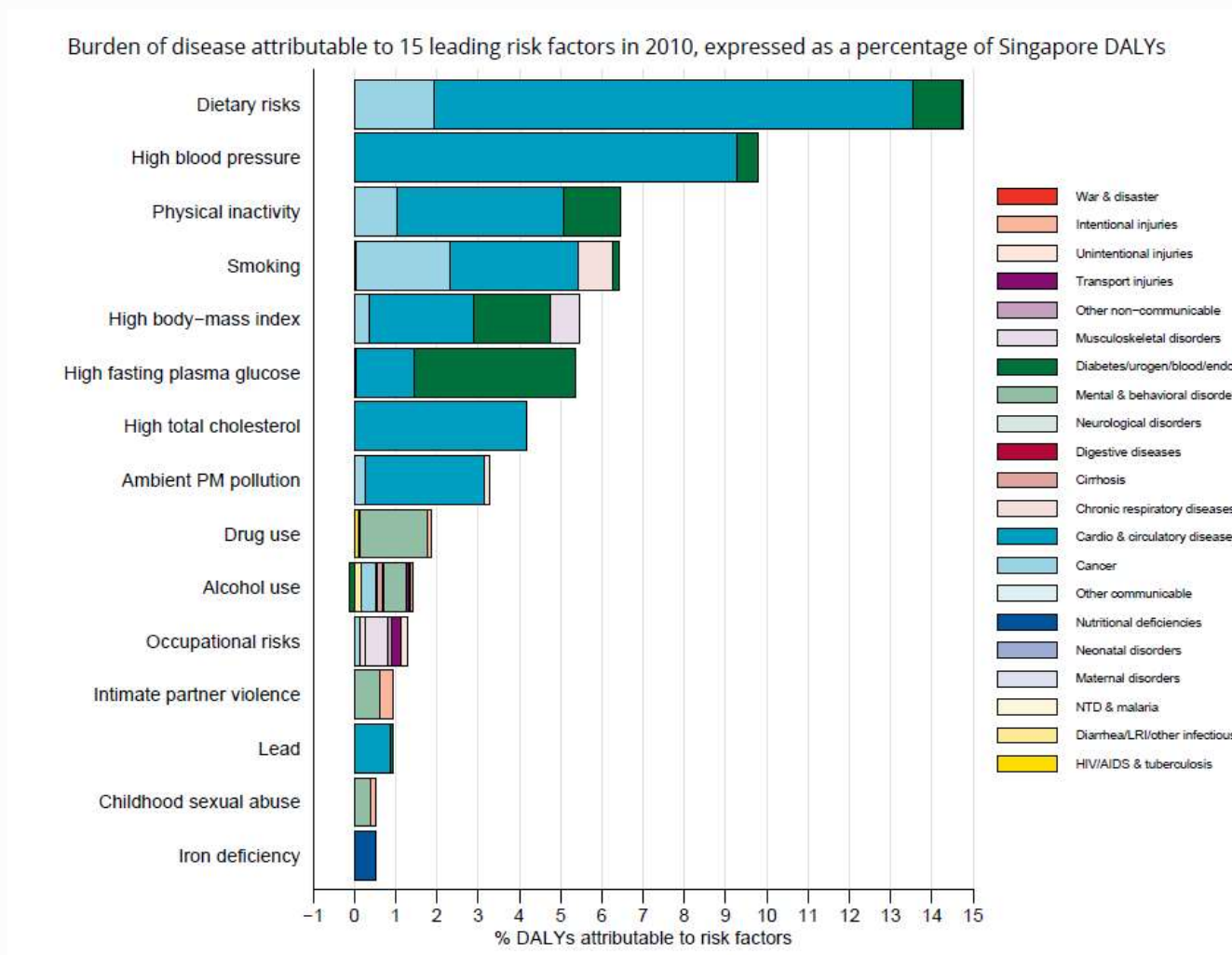
Keeping people active and engaged?

- How do we get people to work longer ?
 - Functional capabilities
 - Prevention (e.g. reducing risk factors of stroke)
 - Delay (e.g. delaying onset of risk factors)
 - Mitigation (e.g. hospital treatment and rehab)
 - Adaptation (e.g. environmental modifications)
 - Behavioural and psychological changes slower than biological changes

Change in WLE_{15} against Change in LE_{15} (2002—2012)



Large proportion of future burden can be avoided with prevention...



➤ Sustainable UHC must encourage lifestyle, dietary change

Getting people to make better decisions...

- Medical decisions will increasingly be joint decision
 - Government/Insurers
 - Physicians/Providers
 - Patient
- Cost effectiveness analysis to better inform such decisions
 - Both ... collectively and individualised
- In addition to this better understanding into how people make decisions (especially bad ones)
- Appropriate co-payments and cost-sharing
 - Value-based insurance design
 - Programmes reward healthy living and adherence to chronic treatment
 - Providing incentives for innovation and increasing productivity of providers

Saving for the future

- Healthcare expenditures increase exponentially with age
 - Healthcare prices are also increasing faster than CPI
- There needs to be ways to facilitate people to pay for the healthcare expenditures
 - Medical Savings Accounts
 - Prefunded Premiums (pay more when young)
 - Subsidies targeted at the “Pioneer Generation”
 - Ringfenced social insurance
- Innovative arrangements to encourage greater savings for post-retirement needs
 - LTC insurance + annuity
- Critical for government to set aside sufficient savings for future healthcare needs

Developing the right services for the future

- Do we have the right healthcare services for our future elderly?
 - Is it just healthcare services but social care services as well?
- Do we have the appropriate financing mechanisms to support these services?
- Are we harnessing technology to revolutionise the delivery, provision and financing of these services?



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Thank You