COMMENTS ON SESSION 3
HEALTH CARE AND LONG-TERM CARE

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This section of the workshop deals with health and long-term care developments and prospects. The papers cover most of the crucial issues in the analysis of expenditure projections and their sustainability.

This contribution discusses the papers by Dubravko Mihalijek, Rocco Aprile and Mårten Lagergren. The common feature of these studies is their focus on how to measure and/or deal with expenditure pressures stemming form population ageing. However they differ with respect to the countries (Central and Eastern Europe, Italy and Sweden respectively) and the items considered (health care, health and long-term care, and long-term care respectively).

The aim of the first paper is to isolate the main problems characterising the health care sectors in Central and Eastern European countries (CEE) and provide a framework to isolate directions for future reforms. To this end the paper briefly presents the characteristics of the health care sector with respect to the following dimensions:

1) health outcomes (health status of the population),
2) structure of the health sector supply (number of beds, physicians, nurses, pharmacists, etc.),
3) financing mechanisms (share of expenditure financed using General Government revenue, social insurance contributions, co-payments, out-of-pocket expenditure).

The author also highlights the problems arising from inappropriate incentives given to health care providers.

For readers that are not familiar with the situation in CEE countries, the paper could be usefully complemented with a more detailed description of the characteristics of these health care systems, which is not easily traceable in the literature.

The comparison between health care sectors in CEE countries and those in Western Europe shows that even though expenditure levels (measured as a share of GDP) are not so different, health outcomes are, in some respects, worse. As to the organisation of the health sector, it turns out that the number of hospital beds is much higher than in Western Europe while primary care is much less relevant. As to the financing mechanisms, CEE countries rely much more on health insurance contributions. Such findings are used to trace possible directions for reform.

With a view to strengthening the robustness of the arguments, the paper would benefit from the insights that might be gained from an analysis of the efficiency (hence with respect to outputs) and effectiveness (hence with respect to outcomes) of the health care systems in CEE countries run at a more disaggregated level. This type of analysis would allow to study the different components (mainly pharmaceutical expenditure, primary care and hospital care) and provide support to the discussion of microeconomic aspects and incentive mechanisms for health providers (such as general practitioners and hospitals) and patients (with reference to the role of co-payments and out-of-pocket expenditure). This would also reinforce the evaluation of the appropriate private/public mix, the degree of decentralisation/centralisation of the system, the optimal revenue

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composition (health insurance contribution vs. General Government revenue) and the assessment of distributive issues.

Finally, one must remember that in transition economies and where huge demographic and social changes are expected to take place in the future (rapid ageing, labour market participation rates, changes in household composition and migration flows) also the demand for long-term care might play a significant role in determining public expenditure increases. The overall pressures on public finances might then be underestimated if one focuses on health expenditure only.

The second paper, by Rocco Aprile, considers both health and long-term expenditures in Italy. Its aim is twofold:

1) provide a methodological discussion of the relationship between life expectancy changes and health and long-term care consumption profiles;
2) briefly present the latest national projections for health and long-term expenditure.

The methodological part of the paper proposes a new procedure for sketching the relation between improved life prospects and health conditions: increases in life expectancy reduce the probability of becoming disabled and hence affect the health status and finally, health consumption profiles. Given this hypothesis, expenditure projections are lower than under the a pure ageing scenario.

The author computes simulations of average disability rates based on disability probabilities obtained using administrative data on recipients of "indennità di accompagnamento" (a flat transfer for those who are not self-supporting). It hence assumes that the number of recipients of this benefit is a good proxy for the number of people whose disability conditions determines a higher demand for health care.

This assumption should be considered with caution. The requirements for granting such benefit in a given year might vary according to discretionary decisions by the Government. Furthermore, only a limited group of disables receives "indennità di accompagnamento"; even people whose impairment is acknowledged to be severe by medical tests might not be eligible for the benefit (hence it is possible to end up with an underestimation of the demand for health care). Usually the benefit is recognised after a lengthy bureaucratic process; higher demand for health care might have materialised in the previous years. The ratio of the number of recipients on the number of residents varies a lot in different regions within Italy. It should be tested/considered whether this reflects only environmental/epidemiological differences or whether it can at least partly be attributed to different attitudes by local committees which are in charge of granting the benefit.

The final part of the paper briefly presents national projections for health and long-term expenditure based on a framework agreed within the EPC-WGA. In the scenario discussed in the paper, expenditure on long-term care almost doubles (from 1.6 to 2.8 per cent of GDP over the forecasting horizon). However, expenditure growth is mainly driven by the health care component and cash benefits linked to long-term care (the above-mentioned "indennità di accompagnamento"), other items playing a negligible role. This reflects the fact that long-term care provisions are at the moment almost non-existent in Italy (particularly in the South of the country). Care for the old and frail is still left mainly to households. However, socio-demographic changes might require that additional programs will have to be set up to meet care needs. Mechanical projections based on the current arrangements might underestimate expenditure dynamics.

In the third paper, Mårten Lagergren tries to assess the amount of resources (in volumes) necessary to meet future needs for long-term care for the elderly in Sweden. The paper briefly presents:

1) the structure and methodology of the model adopted;
2) the various data sources used to compute care needs for different groups within the population (according to age, gender, civil status, degree of ill-health) and the costs per level of service.

An extension of the description and discussion of the methodology might be useful for readers of the paper which are not familiar with the model adopted for simulating Swedish long-term care expenditure.

The results obtained are strongly influenced by the health status developments for the most elderly. The paper warns that the positive health trends observed in the recent past might not be repeated in the future, an issue which is still controversial in the literature. Furthermore it argues that the need of publicly provided care is strongly influenced by the role played by households in providing informal care (which in turn depends on developments in marriages and divorce rates, fertility rates, labour market participation, spouses life expectancy, etc.).

The wide difference among projections under the most favourable and unfavourable scenarios show the need for further research in order to shed light on the impact of the length of life expectancy. It also shows that it is necessary to stress the importance of early adoption of government programs and measures which can enhance the health status of the future elderly population (today lifestyles, preventive health programs, social inclusion of older persons). Probably such programs are not high enough in the priorities of the policy agenda. Furthermore it is recognised that projections are based on the current arrangements for care provision, but socio-demographic changes might require that additional government programs will have to be set up adding to expenditure pressures.

From a broader perspective, these three papers and generally the literature in this field highlight that projections are not only strongly influenced by population ageing but also by other economic and socio-demographic developments particularly concerning changes in labour market behaviours (notably female participation), marriage/divorce rates, households composition, provision of informal care, migration (in and/or out) flows.

This points to the need for complementing the analysis with a deeper understanding of the implications of such developments and integrating health and long-term care with other socio-economic policies. Furthermore, mostly the currently available studies focus on macro developments. An issue that is often neglected concerns the distributive dimension of the expected developments of needs and care provision. The failure to provide efficient public programs to meet health and long-term care demands might have unwelcome distributive outcomes as long as private resources and needs are not likewise distributed.