



Health and Population Aging: A Multinational Comparison

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I. Overview

Preparing for an Aging Population

All industrialized countries are planning for an aging population. As the following charts comparing Australia, Canada, France, Germany, Japan, New Zealand, the United Kingdom, and the United States show, governments have taken very different approaches toward long-term care, retirement policy, income maintenance, and other issues affecting elderly people.

DEMOGRAPHY

In all eight countries, increasing longevity, the higher birth rates following World War II, and the more recent decline in fertility rates will cause a more pronounced shift in the age distribution toward older groups after 2000. From 1980 to 2000, the proportion of the population age 65 and older increased relatively little in seven of the eight countries. The exception was Japan, where the percentage of the 65-and-older population nearly doubled during this period. From 2000 to 2020, the elderly population is expected to increase considerably in all eight countries. Population aging will be most pronounced in Japan: in 2020, more than 1 of 4 Japanese will be age 65 or older, compared with 1 of 6 in 2000. Relative to most of the other countries, the United States will have a young age distribution in 2020, when 1 of 6 Americans will be age 65 or older.

The demographics of the “oldest old” segment of the population will vary considerably from 2000 to 2020. In Japan, Germany, and France, the percentage of the population age 80 and

older will grow more quickly than the percentage age 65 and older, resulting in an older elderly population. In Canada and the United Kingdom, the percentage of the population age 65 and older and the percentage age 80 and older will grow at approximately the same rate. In Australia, New Zealand, and the United States, the percentage of the population age 80 and older will grow more slowly than the percentage age 65 and older, resulting in a younger elderly population.

One explanation for an aging population is increasing life expectancy. From 1960 to 1996, all eight countries experienced increases in life expectancy for individuals at age 65 and age 80. Increases in life expectancy were larger for women than for men. Japan had the greatest increases in life expectancy at age 65 for both women and men; the United States had the smallest increase for women; and Canada and New Zealand had the smallest increases for men. The United Nations’ demographic projections assume smaller rates of increase in life expectancy from 2000 to 2020 than from 1960 to 1996.¹

At advanced ages, women outnumber men. At birth, boys outnumber girls. By age 65, the ratio is approximately 9 men for every 10 women, while after age 80, the ratio is about 5 men for every 10 women. Women are thus more likely than men to be the beneficiaries of geriatric health care, long-term care, and other support programs for elderly people.

HEALTH CARE COSTS

Countries allocate from one-third to one-half of total health care expenditures for elderly people.² Japan spends the largest proportion of health expenditures on elderly people (47%), while Germany spends the least (34%). The United States is near the middle, spending 38 percent. In looking at the ratio of per capita spending for people age 65 and older compared with those under age 65, Japan spends proportionally the most on elderly people (4.8 times), while Germany spends the least (2.7 times).

The percentage of gross domestic product (GDP) spent on health care for elderly people ranged from 2.5 percent in New Zealand to 5.0 percent in the United States.^{3,4} The age distribution of the population cannot explain the difference in the level of health spending across the eight countries: no statistically significant correlation exists between the percentage of GDP spent on health care for people age 65 and older and the percentage of the population in this age group.

LONG-TERM CARE

Countries have widely different approaches to providing long-term care. Some countries provide more institutional care (Australia, Germany), while others provide more formal home care (Canada, United States). Informal care is an important part of long-term care in every country. Japan appears to have the highest levels of informal caregiving.

Institutionalization is one approach to caring for elderly people with medical, emotional, functional, or social limitations.

Australia and Germany institutionalize the largest percentage of elderly people (6.8%, or 1 of 15).⁵ The United Kingdom institutionalizes the smallest percentage (5.1%, or 1 of 20).

Formal home health care is another approach to long-term care.⁶ Canada provides formal home health care to the largest percentage of elderly people (17%), while Japan provides formal home health care to the smallest percentage (5%).

Japan has the largest proportion of the elderly population living with their adult children—50 percent. In the other countries, from 10 percent to 20 percent of elderly people live with their adult children. At the same time, Japan has the smallest proportion of elderly people living alone. In every country, the proportion of people living alone increased from 1970 to 1990.

RETIREMENT

The average age of retirement ranges from a high of 66.5 years for men in Japan to a low of 57.2 years for women in Australia. In all countries, retirement age is earlier for women than men. From 1960 to 1995, the average age declined in all countries.

In all eight countries, a relatively small proportion of the overall labor force is age 60 and older. Japan has the highest percentage of workers age 60 and older (13%), while France has the lowest (3%). From 1970 to 1995, the percentage of workers age 60 and older declined in all countries except Japan. However, from 1995 to 2030 the percentage of workers in this age group is expected to increase in all countries.⁷ Current retirement projections are that

1 of 5 Japanese workers, 1 of 10 American workers, and 1 of 25 French workers will be age 60 or older in 2030.

In 2000, there will be from 4.0 to 5.6 potential workers (people ages 15–64) for every person age 65 or older, with Japan having the lowest level and New Zealand the highest. The levels will decline in all eight countries from 2000 to 2020, when there will be from 2.3 to 4.2 potential workers for every elderly person. New Zealand will continue to have the highest level and Japan the lowest. The United States will have the second-highest level in 2000—3.9 potential workers.

INCOME OF THE ELDERLY

At age 67, individuals have an average of 70 percent to 80 percent of the income they had at age 55.⁸ The levels of income in retirement are similar across countries, but the sources of post-retirement income vary widely. More people in the United Kingdom and the United States have private income support, particularly individuals with higher incomes.⁹ Germany and France spend the most on public old-age pension benefits as a percentage of GDP, while the United States and Australia spend the least.¹⁰ In general, private pensions are prefunded and public pensions are financed on a pay-as-you-go basis, meaning that private pension systems are likely to be affected less by population aging.

PUBLIC POLICY

Insurance coverage for hospital and physician services is nearly universal for elderly people in all eight countries. One area of difference, however, is coverage of pharmaceuticals. The United

States provides considerably poorer coverage for pharmaceuticals for elderly people than the other nations.

CONCLUSION

In all eight countries, the relative size of the elderly population will increase rapidly from 2000 to 2020 and people will live longer than ever. This aging population is potentially manageable from a public policy perspective. First, total health expenditures are not correlated with the relative size of the elderly population, suggesting that countries with older populations will not necessarily experience an explosion in health care expenditures. Furthermore, since public long-term care expenditures account for 1 percent or less of GDP in all eight countries, national governments could probably increase public spending on long-term care without exceeding their financial capacity.

II. Demographics

Chart II-1

From 2000 to 2020, the percentage of the population age 65 and older will increase most rapidly in Japan.

- In 2000, Japan will have a higher percentage of the population age 65 and older than the United States, Australia, or New Zealand will have in 2020.
- In 2020, 1 of 4 Japanese, 1 of 5 Germans, French, and British, and 1 of 6 Americans, Canadians, Australians, and New Zealanders will be age 65 or older.
- The increase will be slower in Germany, France, and the United Kingdom than elsewhere.

Percentage of the Population Age 65 and Older, 2000–2020

Country	2000	2020	Percent Change, 2000–2020
Japan	17.1	26.2	53.7
Canada	12.8	18.2	42.9
Australia	12.1	16.8	39.2
New Zealand	11.6	15.6	33.7
United States	12.5	16.6	32.8
Germany	16.4	21.6	31.9
France	15.9	20.1	26.4
United Kingdom	16.0	19.8	23.6

Chart II-1

From 2000 to 2020, the percentage of the population age 65 and older will increase.

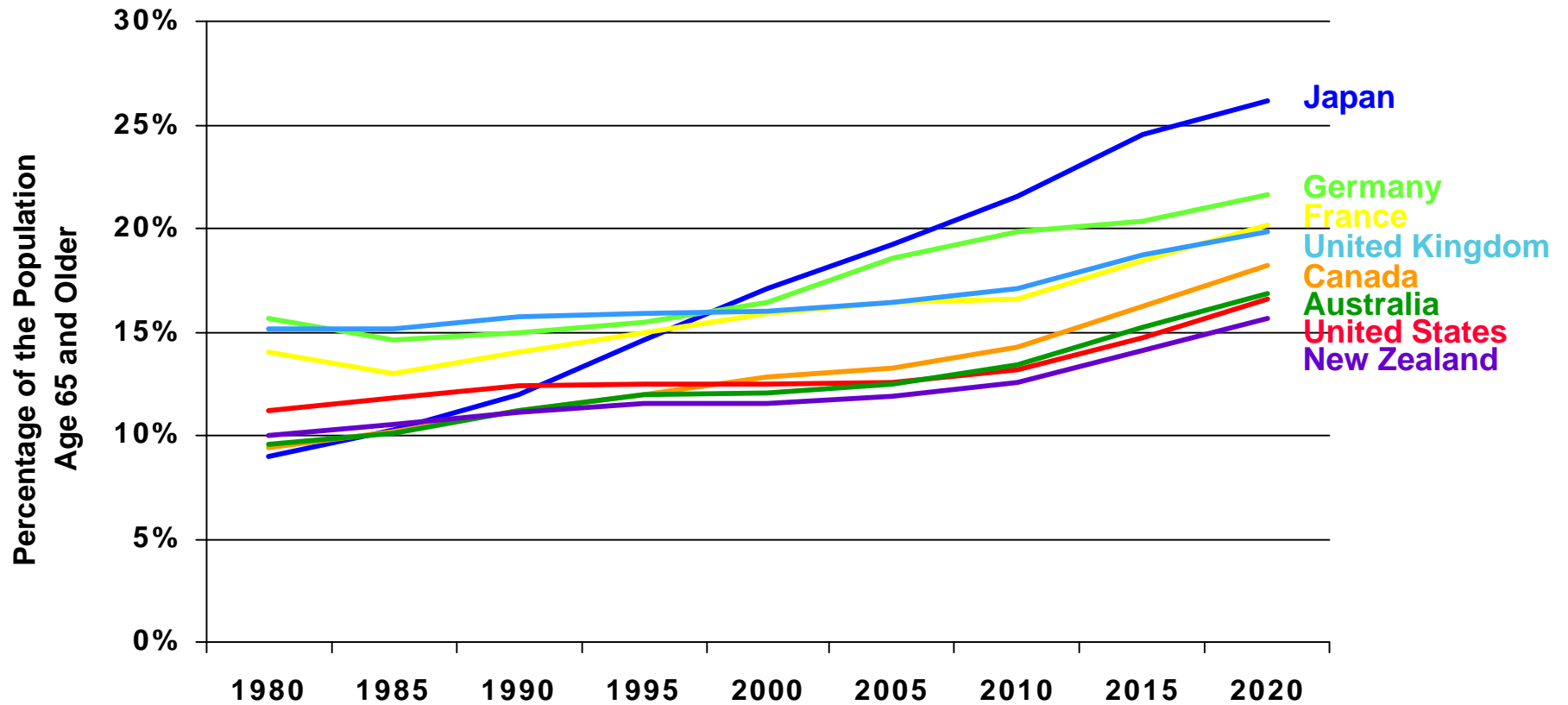


Chart II-2

From 2000 to 2020, the United States will have the slowest growth in the percentage of the population age 80 and older.¹¹

- Japan and Germany will have the most rapid growth.

Growth of the Percentage of the Population Age 80 and Older, 2000–2020

Country	2000	2020	Percent Change, 2000–2020
Japan	3.7	7.5	106.5
Germany	3.6	6.3	75.6
France	3.8	5.5	45.3
Canada	3.1	4.4	42.0
Australia	2.8	3.7	29.9
New Zealand	2.8	3.5	24.0
United Kingdom	4.2	5.1	22.0
United States	3.3	3.7	13.7

- Germany, the United Kingdom, France, and Japan already have a high percentage of the population age 80 and older.

Year When 4 Percent of the Population Is Age 80 and Older

Germany ¹²	1994	Canada	2010
United Kingdom	1996	Australia	2023
France	2002	United States	2023
Japan	2002	New Zealand	2026

Chart II-2

From 2000 to 2020, the percentage of the population age 80 and older will increase.

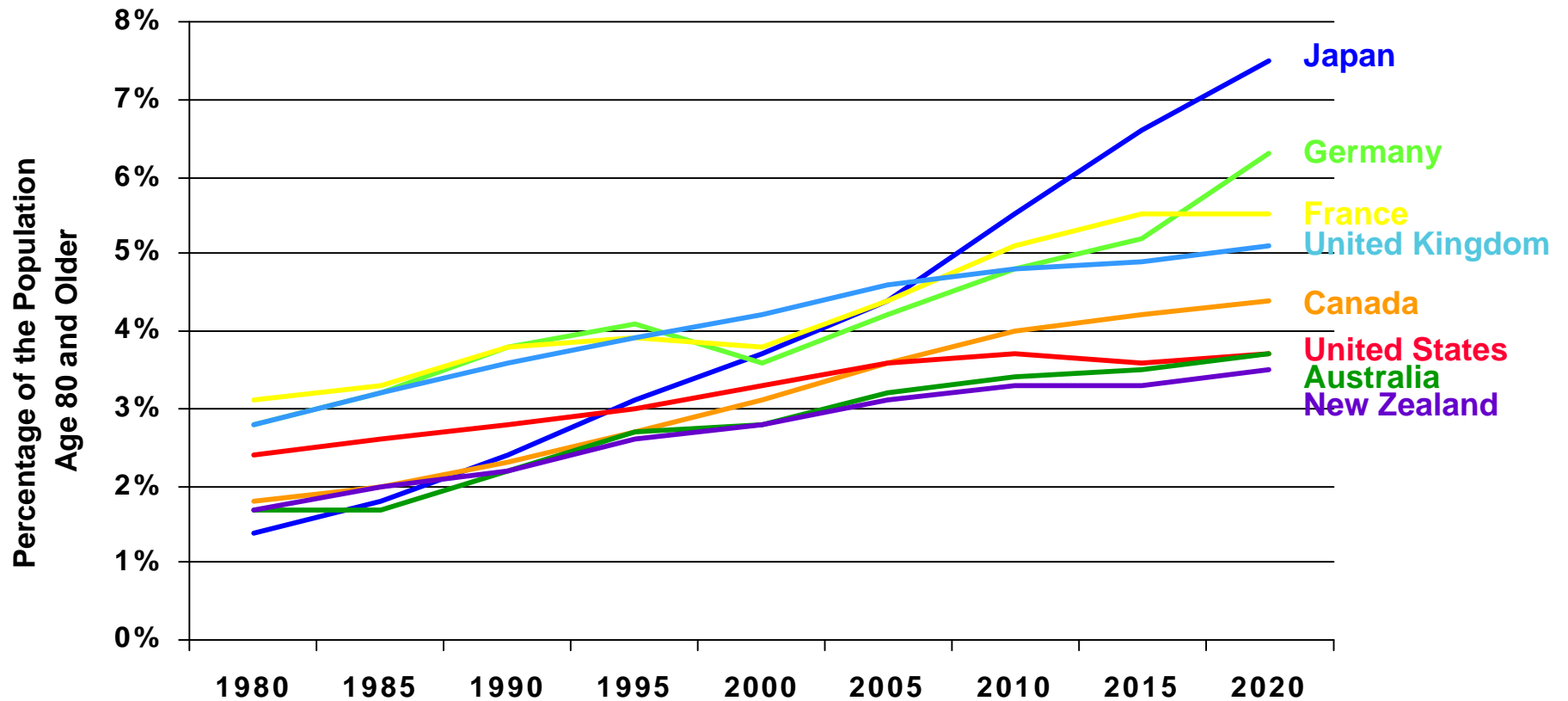


Chart II-3

Life expectancy at age 65 increased by three to seven years from 1960 to 1996.

- Japan had the most rapid increases in life expectancy at age 65; the United States had among the slowest.
- Increases in life expectancy at age 65 were greater for women than men.
- The United Nations hypothesizes that the rate of increase in life expectancy will be slower from 2000 to 2020 than from 1960 to 2000.¹

Change in Life Expectancy for Females at Age 65, 1960–1996

Country	Life Expectancy in Years		Increase in Life Expectancy in Years, 1960–1996
	1960	1996	
Japan	14.1	21.5	7.4
France	15.6	20.7	5.1
Canada ^a	16.1	20.2	4.1
Germany ^b	14.6	18.6	4.0
Australia	15.6	19.6	4.0
New Zealand ^a	15.5	19.0	3.5
United Kingdom	15.0	18.3	3.3
United States	15.8	18.9	3.1

Change in Life Expectancy for Males at Age 65, 1960–1996

Country	Life Expectancy in Years		Increase in Life Expectancy in Years, 1960–1996
	1960	1996	
Japan	11.6	16.9	5.3
France	12.5	16.1	3.6
Australia	12.5	15.8	3.3
United States	12.8	15.7	2.9
United Kingdom	11.9	14.8	2.9
Germany ^b	12.1	14.9	2.8
New Zealand ^a	12.8	15.5	2.7
Canada ^a	13.6	16.3	2.7

^a1961
^b1963

Chart II-3

At age 65, people live, on average, another 15 to 22 years.

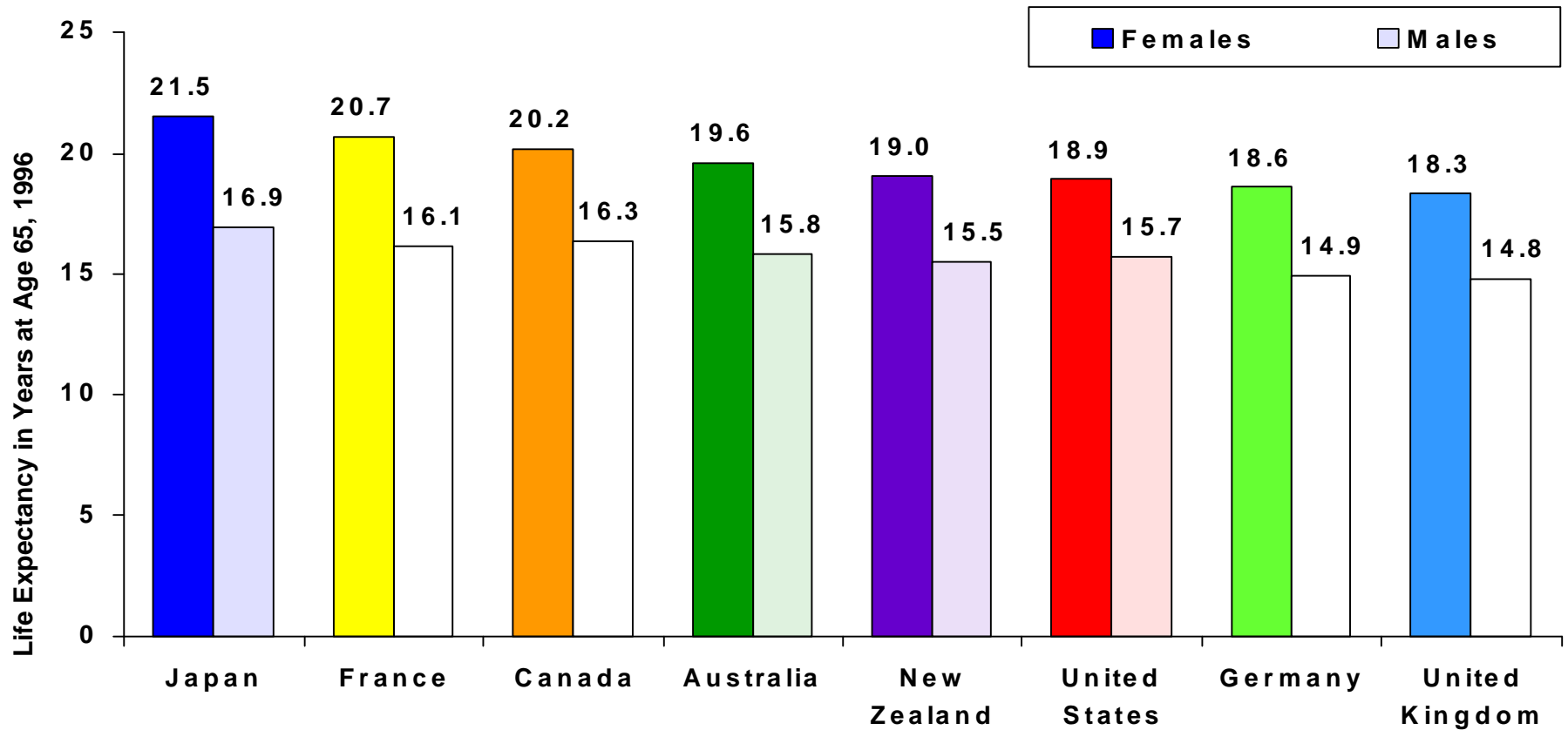


Chart II-4
Life expectancy at age 80 increased by one to four years
from 1960 to 1996.

- Japan had the most rapid increases in life expectancy at age 80; the United States had the slowest.
- Increases in life expectancy at age 80 were greater for women than men.

Change in Life Expectancy for Females at Age 80, 1960–1996

Country	Life Expectancy in Years		Increase in Life Expectancy in Years, 1960–1996
	1960	1996	
Japan	5.9	9.9	4.0
France	6.3	9.2	2.9
Canada ^a	7.0	9.6	2.6
Australia	6.6	8.9	2.3
New Zealand ^a	6.4	8.6	2.2
Germany ^b	5.9	8.1	2.2
United Kingdom ^a	6.3	8.5	2.2
United States	6.8	8.9	2.1

Change in Life Expectancy for Males at Age 80, 1960–1996

Country	Life Expectancy in Years		Increase in Life Expectancy in Years, 1960–1996
	1960	1996	
Japan	4.9	7.5	2.6
France	5.1	7.3	2.2
Australia	5.6	7.0	1.4
Germany ^b	5.2	6.6	1.4
New Zealand ^a	5.5	6.8	1.3
United Kingdom ^a	5.2	6.6	1.4
Canada ^a	6.2	7.6	1.4
United States	6.0	7.3	1.3

^a1961

^b1963

Chart II-4

At age 80, people live, on average, another 7 to 10 years.

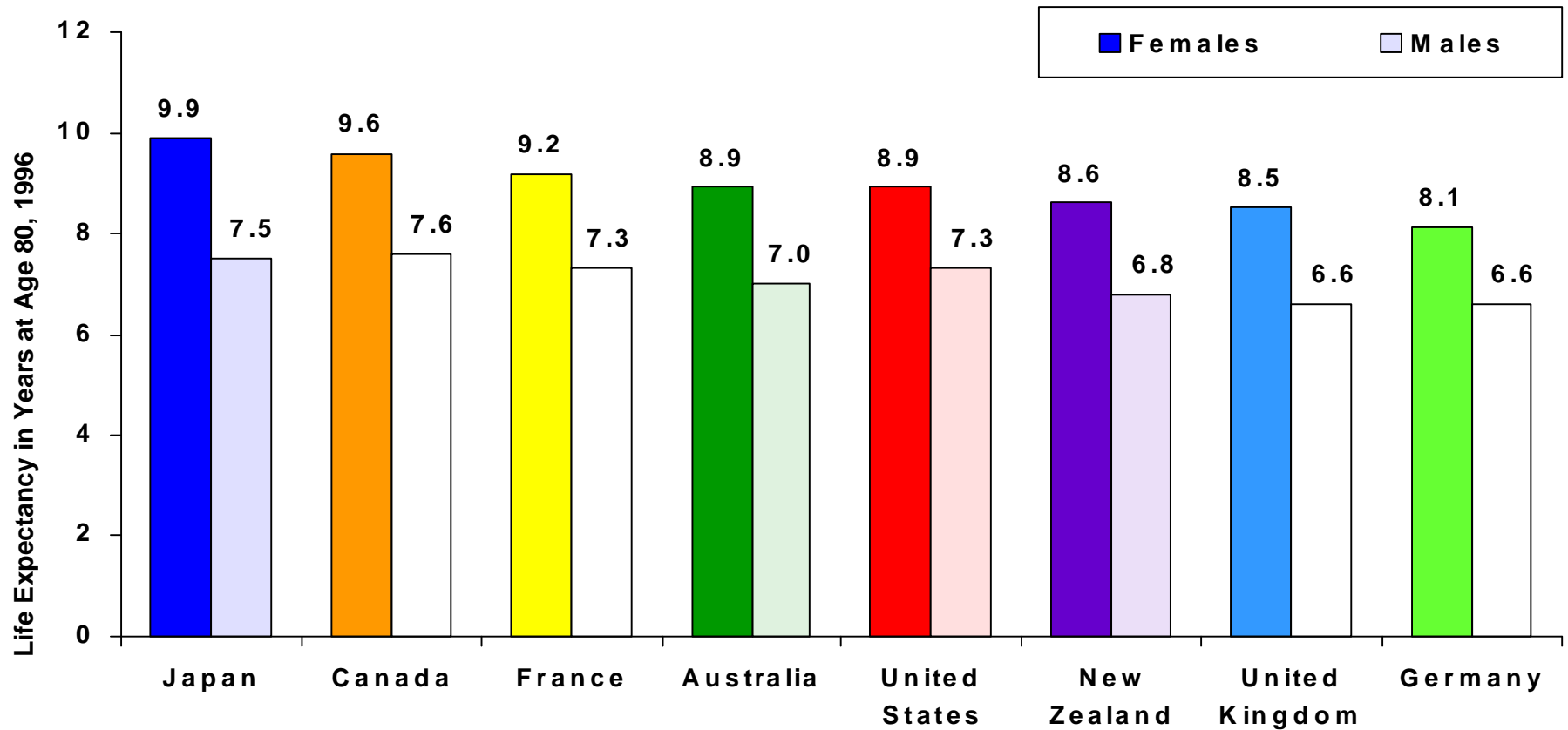


Chart II-5

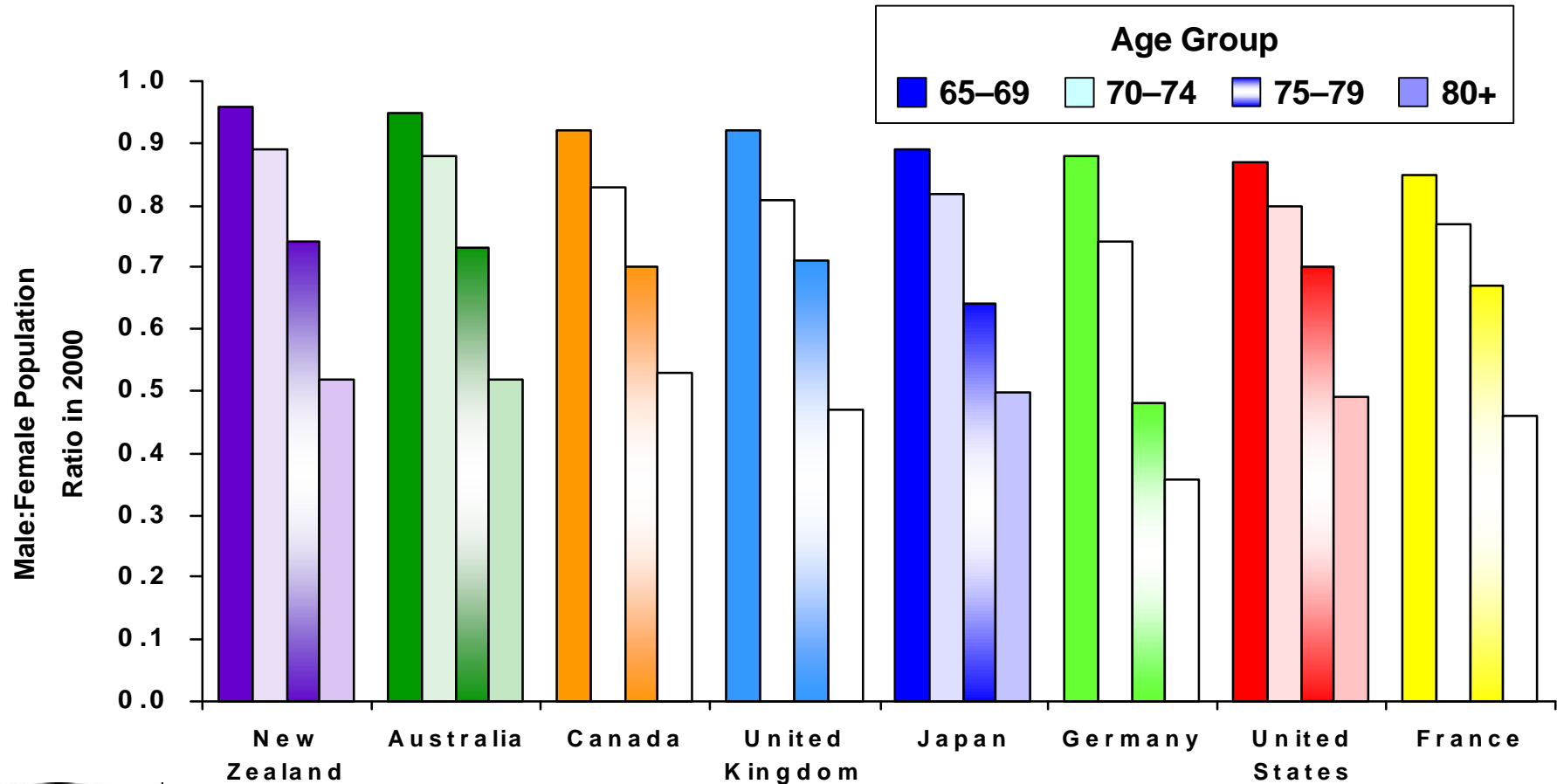
Nearly twice as many women as men live to age 80.

- Approximately 9 men for every 10 women live to age 65.
- Approximately 8.5 men for every 10 women live to age 70.
- Approximately 7.5 men for every 10 women live to age 75.
- Life expectancy for women averages 6 years longer than for men.
- From 2000 to 2020, the difference in life expectancy between men and women is projected to shrink in Australia, Canada, France, Germany, New Zealand, and the United States, and remains the same in Japan and the United Kingdom.

Country	2000			2020		
	Men	Women	Difference	Men	Women	Difference
France	75.0	82.5	7.5	77.0	84.2	7.2
Japan	77.2	83.3	6.1	78.8	84.9	6.1
United States	74.2	80.6	6.4	76.8	82.6	5.8
Germany	74.7	80.7	6.0	77.0	82.7	5.7
Canada	76.6	82.3	5.8	78.4	84.0	5.7
Australia	76.0	81.6	5.7	78.0	83.4	5.5
New Zealand	74.9	80.5	5.6	77.2	82.5	5.3
United Kingdom	75.3	80.6	5.3	77.3	82.6	5.3

Chart II-5

The ratio of men to women declines rapidly in older population groups.



III. Health Care Costs

Chart III-1

Most countries spend three to five times more on people age 65 and older than on people younger than age 65.

- Japan has the highest ratio—4.8.
- The United States' ratio is near the middle—3.8.
- Germany has the lowest ratio—2.7.³

Average Health Expenditures per Capita, Ratio Age 65+/Age 0–64

Country	Ratio
Japan (1995)	4.8
Canada (1994)	4.7
Australia (1994)	4.0
New Zealand (1994)	3.9
United Kingdom (1993)	3.9
United States (1995)	3.8
France (1993)	3.0
Germany (1994)	2.7

Chart III-1

In 1997, average health expenditures per capita for people age 65 and older were highest in the United States.^{2,3}

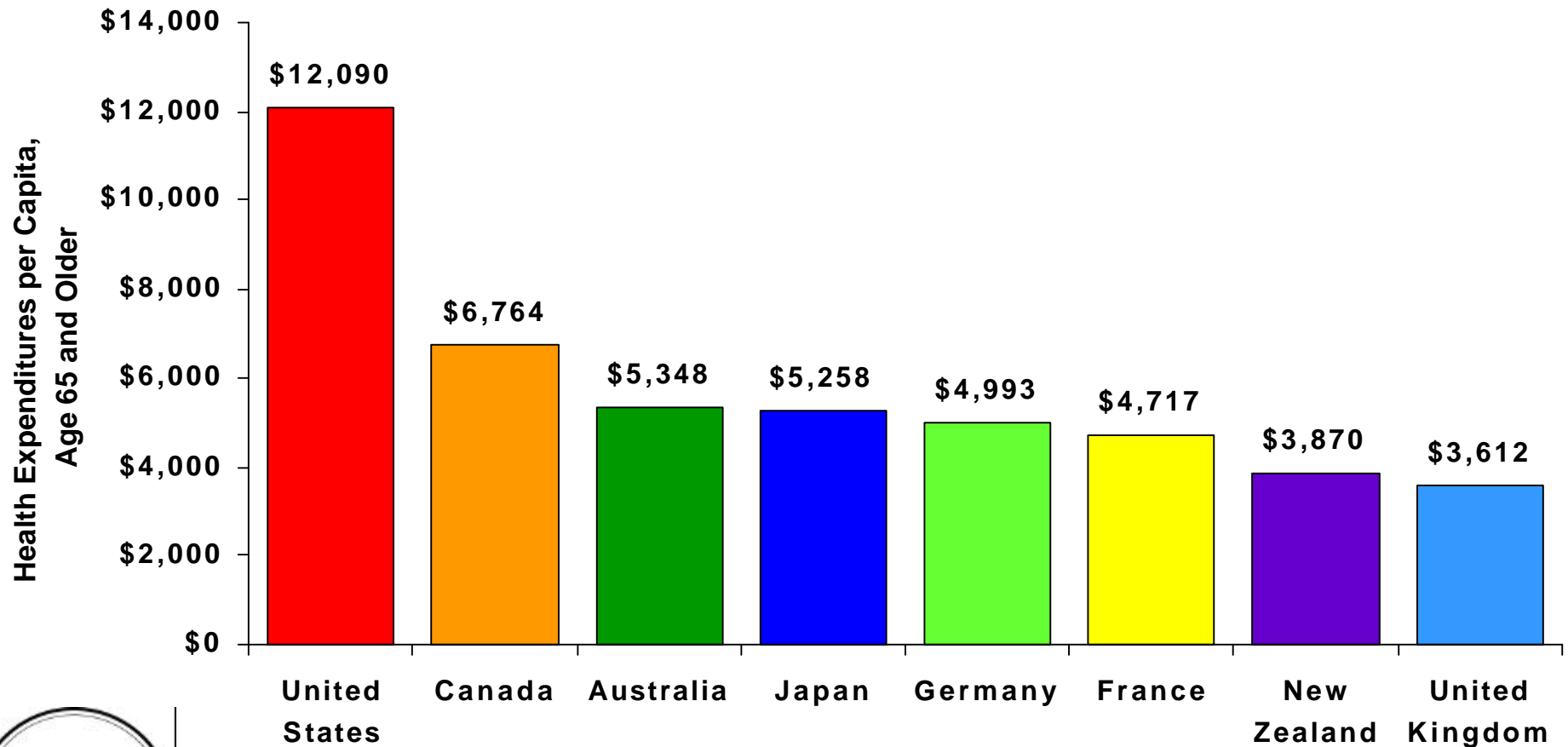


Chart III-2

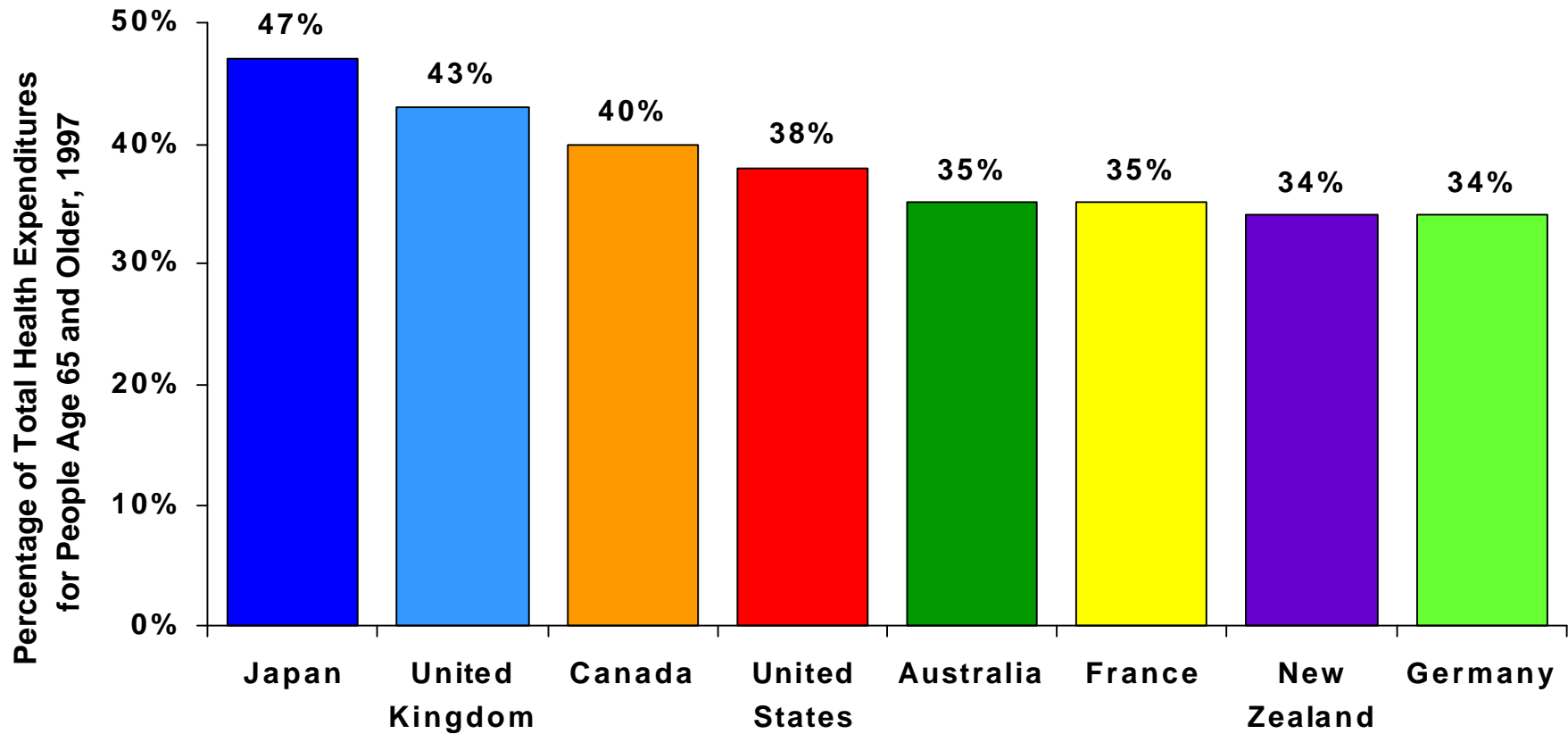
International differences in population age groups do not account for variations in health spending.

- The United States spent the greatest percentage of GDP on health in 1997, but had the second smallest percentage of the population age 65 and older.
- Japan had the greatest percentage of the population age 65 and older in 1997, but spent the second smallest percentage of GDP on health.
- Countries were estimated to spend from 2.5 percent to 5 percent of GDP on health for their populations age 65 and older in 1997.
- The correlation between the percentage of the population age 65 and older and the percentage of GDP spent on health for elderly people is -0.07, which is not statistically significant.

Country	Percentage of GDP Spent on Health	Percentage of Population Age 65 and Older	Estimated Percentage of GDP Spent on Health for Elderly People
United States	13.6	12.5	5.0
Germany	10.4	16.8	3.5
France	9.6	16.0	3.4
Canada	9.3	12.9	3.6
Australia	8.3	12.2	3.0
New Zealand	7.6	11.7	2.5
Japan	7.3	17.5	3.4
United Kingdom	6.7	16.1	2.8

Chart III-2

One-third to one-half of health spending is for elderly people.⁴



IV. Long-Term Care

Chart IV-1

Public institutional long-term care spending exceeds public formal home care spending.

Public Long-Term Care Spending by Category, Percentage of GDP

Country	Formal Home Care	Institutional Care	Percent Institutional
Japan (1996)	0.1	0.7	88
Australia (1996)	0.2	0.7	78
Canada (1995)	0.2	0.5	71
France (1994)	0.2	0.4	67
United States (1994)	0.2	0.4	67
United Kingdom (1998)	0.4	0.6	60
Germany (1995)	0.3	0.4	57

Chart IV-1

One of 15 to 1 of 20 people age 65 or older are institutionalized.^{5,13}

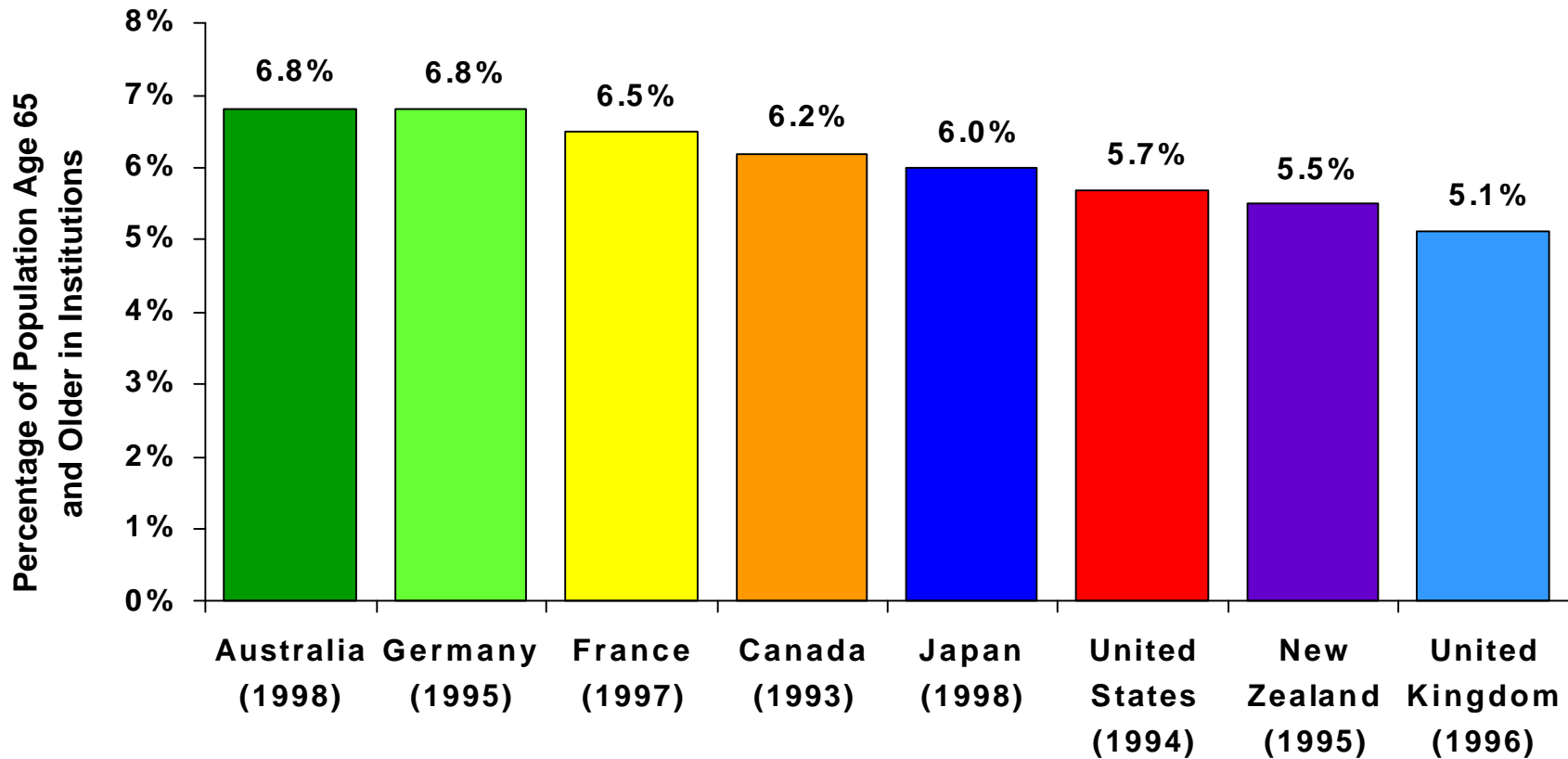


Chart IV-2

Japan has the highest rate of parents living with their grown children and the smallest percentage of elderly people living alone.

- The percentage of the population age 65 and older living with their grown children is highest in Japan. In the rest of the countries, the percentage ranges from 12 percent to 17 percent.

Percentage of the Population Age 65 and Older Living with Their Grown Children

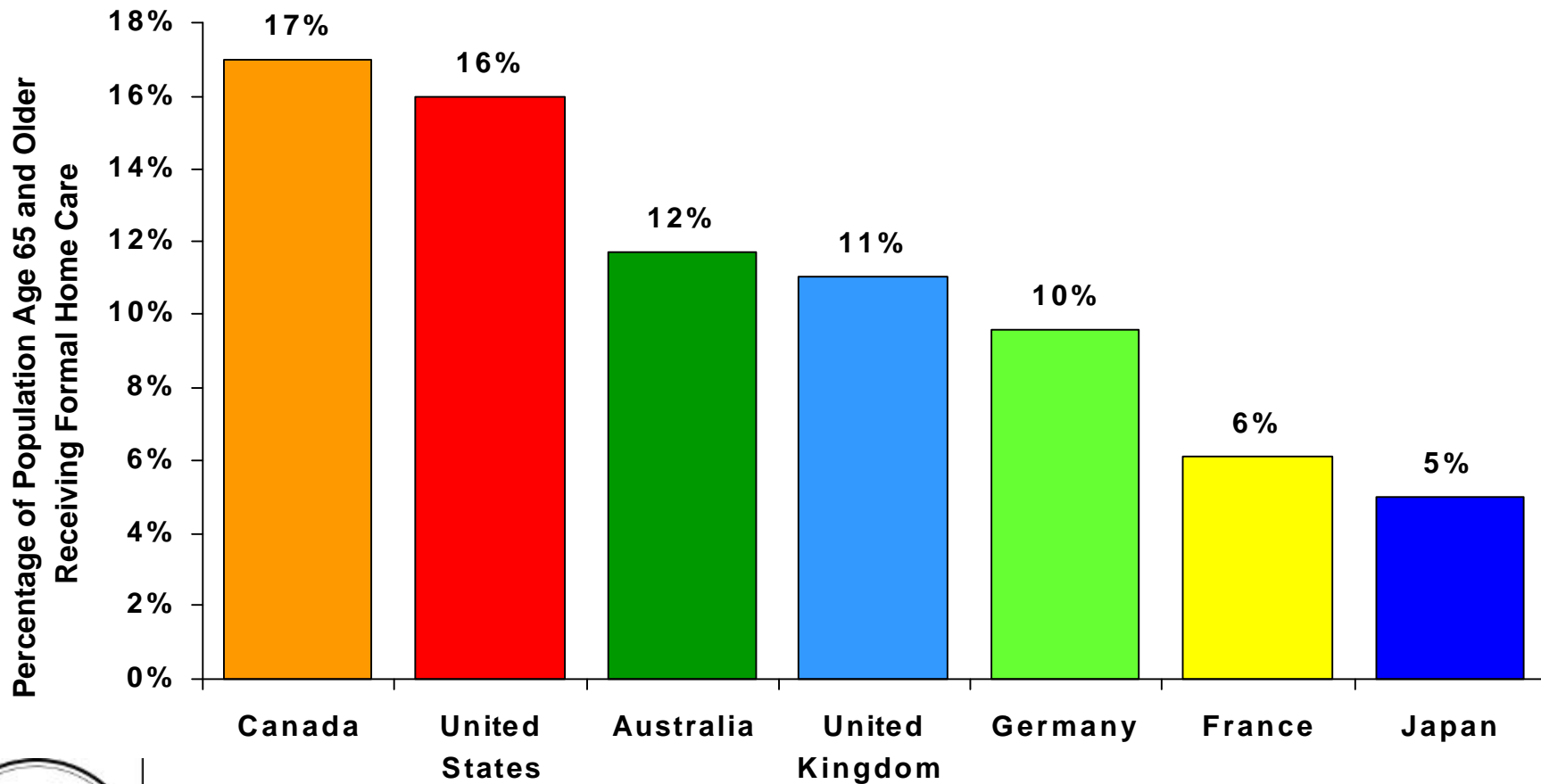
Country	Percent	Country	Percent
Japan (1997)	50	Germany (1987)	14
France (1990)	17	United States (1994)	13
United Kingdom (1987)	16	Canada (1991)	12

- The percentage of elderly people living alone increased in all countries from 1970 to 1990.

Percentage of the Population Age 65 and Older Living Alone, 1970–1990¹⁴

Country	Percent Living Alone	
	Circa 1970	Circa 1990
Germany	33.9	41.0
United Kingdom	27.1	38.0
United States	23.2	30.2
New Zealand	21.5	29.8
France	23.8	28.0
Canada	17.2	27.0
Australia	17.8	26.0
Japan	6.0	14.0

Chart IV-2
In 1995, Canada and the United States provided the greatest access to formal home care for people age 65 and older.^{6,15}



V. Retirement

Chart V-1

The ratio of potential workers to children and seniors plateaus in most countries from 1990 to 2010.

- After 2010, the ratio of potential workers to children and seniors begins to decline.
- The ratio of potential workers to children and seniors is the inverse of the “total dependency ratio,” a measure of the supportive capacity of a population.

Ratio of People Ages 15–64 to People Age 14 and Younger and 65 and Older, 1960–2020

Country	1960	1970	1980	1990	2000	2010	2020
Japan	1.8	2.2	2.1	2.3	2.1	1.8	1.5
France	1.6	1.7	1.8	1.9	1.9	1.9	1.7
United Kingdom	1.9	1.7	1.8	1.9	1.9	2.0	1.8
New Zealand	1.4	1.5	1.7	1.9	1.9	2.0	1.8
Australia	1.6	1.7	1.9	2.0	2.1	2.1	1.9
Canada	1.4	1.6	2.1	2.1	2.2	2.2	1.9
United States	1.5	1.6	2.0	1.9	1.9	2.1	1.9
Germany	2.1	1.7	1.9	2.2	2.1	2.0	1.9

Chart V-1

The number of working-age people for every elderly person has declined steadily since 1960, and is projected to continue to decline through 2020.

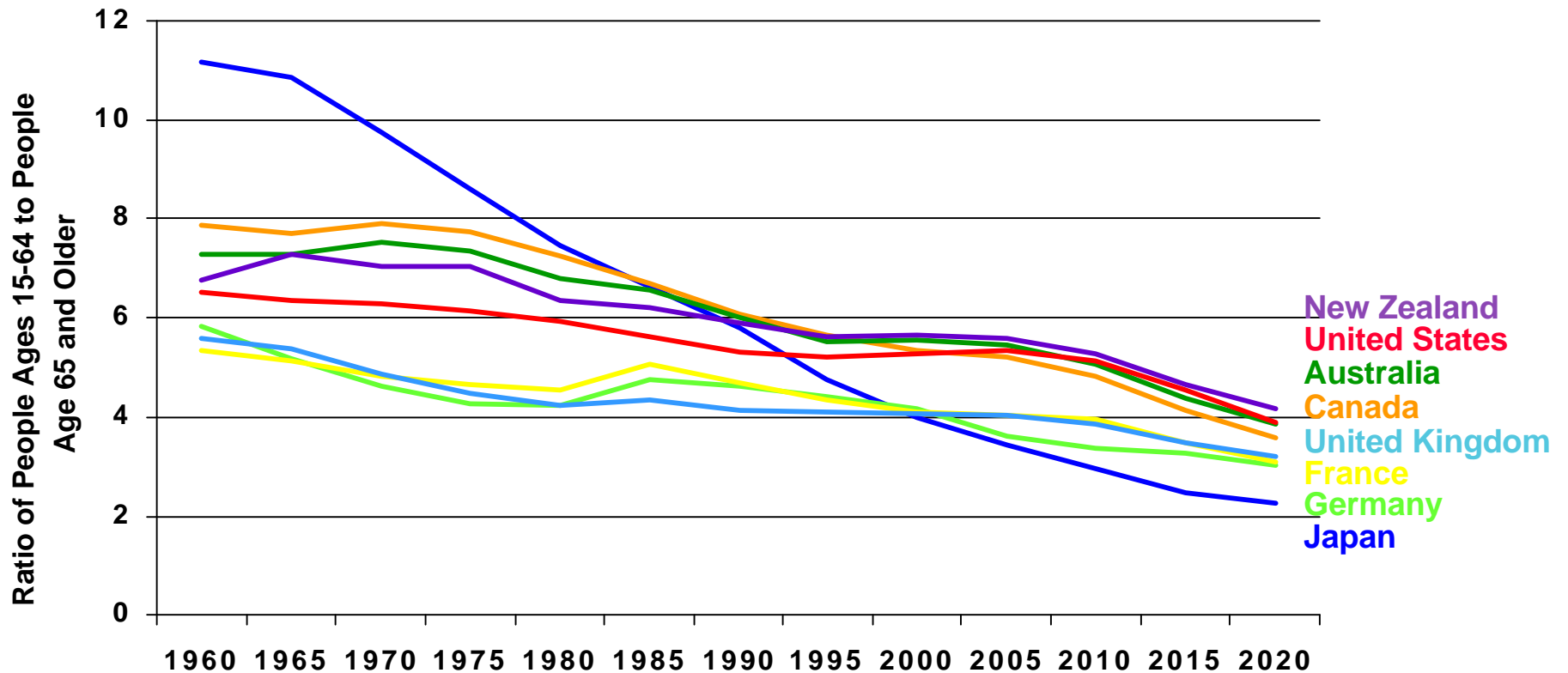


Chart V-2

The average age of retirement declined in all eight countries from 1960 to 1995.

- Women retire earlier than men in all countries.
- For men in 1995, France had the earliest average age of retirement, Japan the latest.
- For women in 1995, Australia had the earliest average age of retirement, Japan the latest.
- From 1960 to 1995, France had the most rapid decline in retirement age, Japan the least.

Country	Males			Females		
	1960	1995	Percent Decline	1960	1995	Percent Decline
France	64.5	59.2	5.3	65.8	58.3	7.5
Germany	65.2	60.5	4.7	62.3	58.4	3.9
Australia	66.1	61.8	4.3	62.4	57.2	5.2
Canada	66.2	62.3	3.9	64.3	58.8	5.5
United Kingdom	66.2	62.7	3.5	62.7	59.7	3.0
New Zealand	65.1	62.0	3.1	62.5	58.6	3.9
United States	66.5	63.6	2.9	65.1	61.6	3.5
Japan	67.2	66.5	0.7	64.6	63.7	0.9

Chart V-2

The average age of retirement ranged from 57 to 67 years in 1995, and women retired earlier than men.

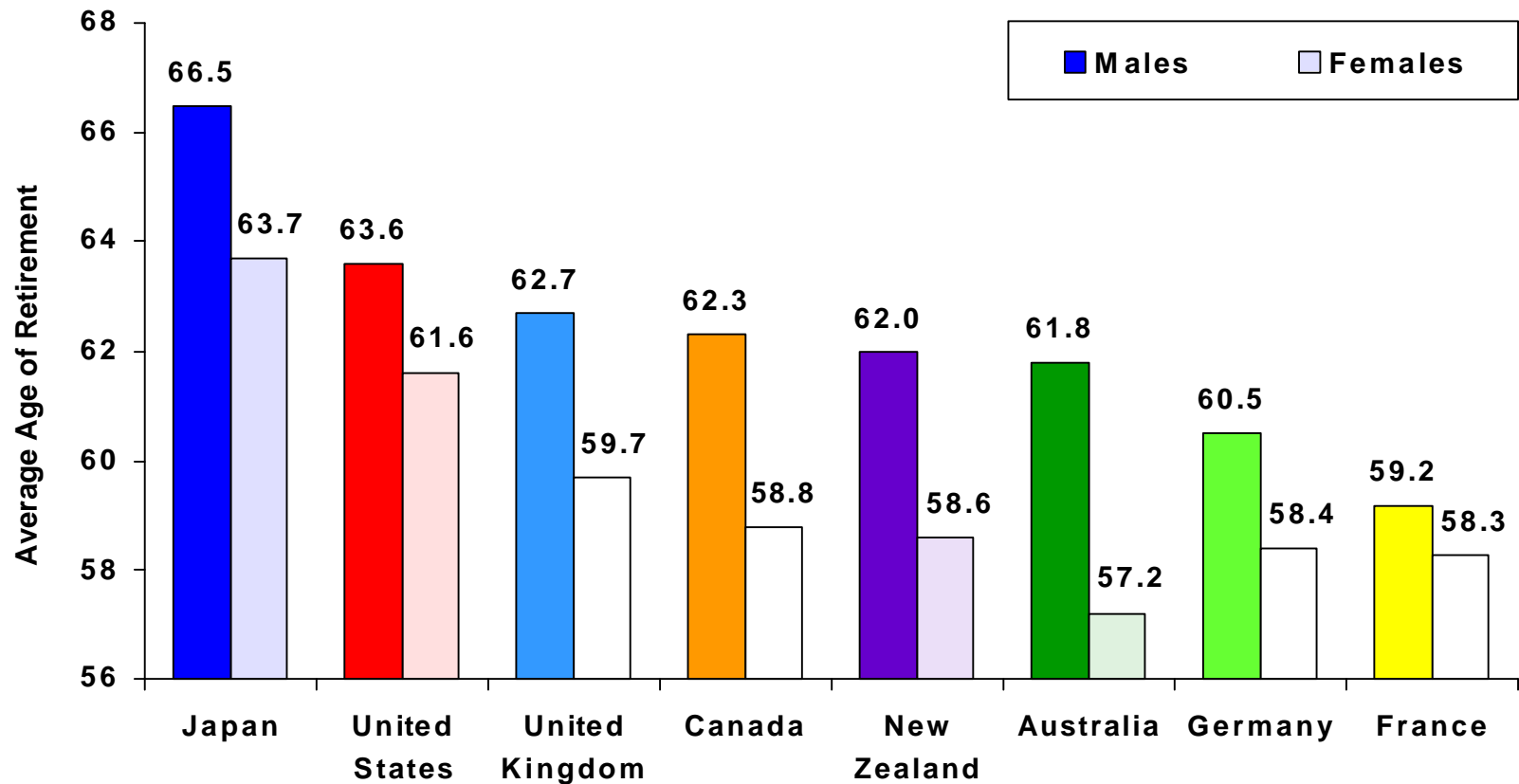


Chart V-3

Labor forces are projected to become significantly older by 2030.⁷

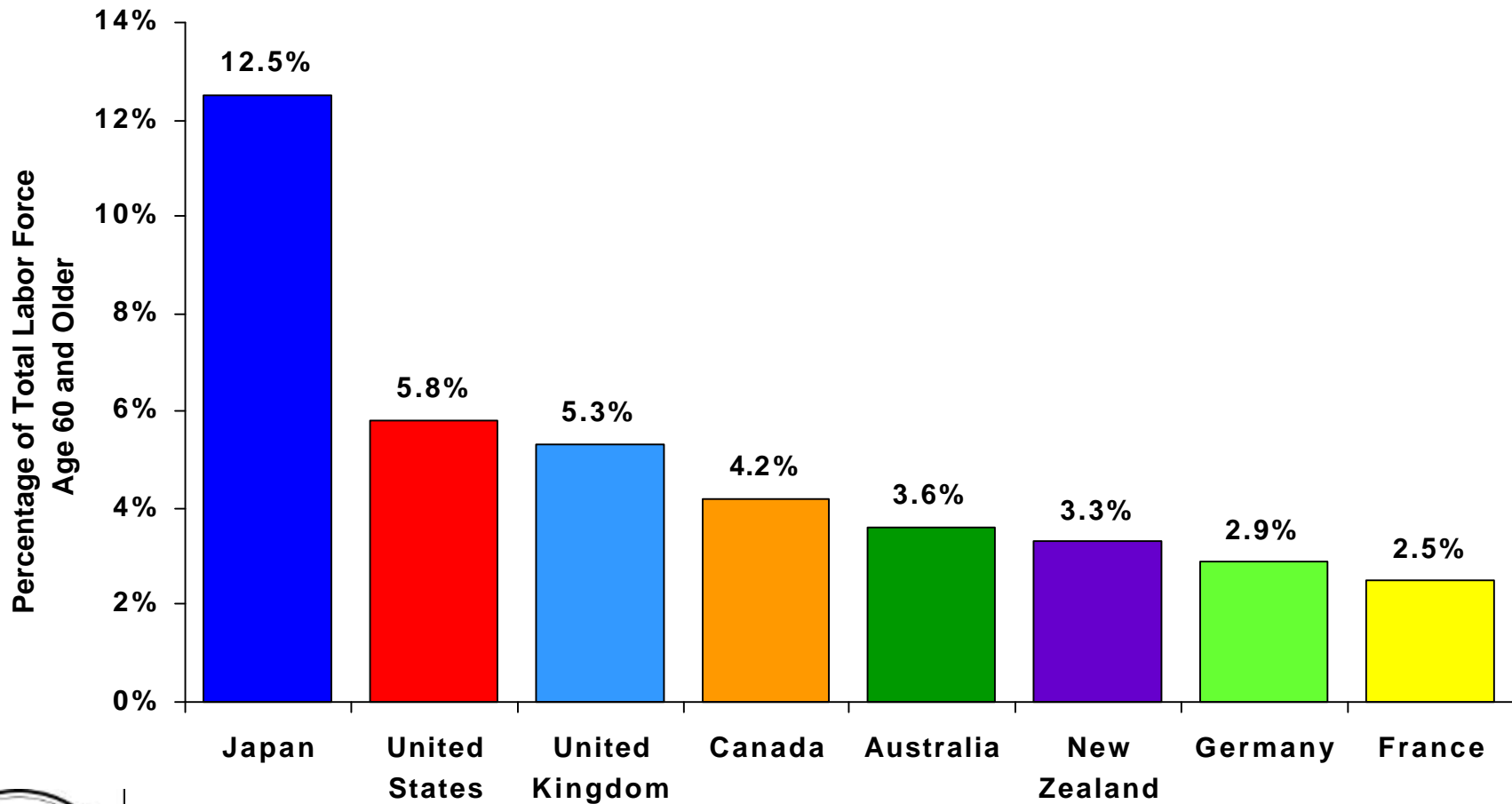
- From 1970 to 1995, labor force participation by those age 60 and older declined in all countries except Japan.
- Current retirement projections are that by 2030, more than 1 of 5 Japanese workers will be age 60 or older. In the United States, 1 of 10 workers will be age 60 or older.

Labor Force Participation Rates, Age 60 and Older, 1970–2030

Country	1970	1995	2030
Japan	9.3	12.5	20.7
United States	9.1	5.8	9.8
United Kingdom	9.0	5.3	8.1
Canada	6.9	4.2	8.1
Australia	6.4	3.6	6.3
New Zealand	6.5	3.3	5.3
Germany	9.3	2.9	5.5
France	7.9	2.5	4.0

Chart V-3

A relatively small proportion of the labor force was age 60 and older in 1995.



VI. Income of the Elderly

Chart VI-1

A greater percentage of people age 67 in the United States and United Kingdom receive private income support than in other countries.⁹

- Singles are less likely to receive private income support than couples.

Percentage of Households Receiving Private Income Support at Age 67

Country	Singles	Couples
United Kingdom	51	73
United States	54	73
Japan	25	29
Germany	28	28
Australia	11	17

- People with high incomes are more likely to receive private income support.

Percentage of Households Receiving Private Income Support at Age 67, by Income Quintile

Country	Singles		Couples	
	Bottom Income Quintile	Top Income Quintile	Bottom Income Quintile	Top Income Quintile
United States	17	79	29	83
United Kingdom	24	80	50	78
Germany	16	38	19	39
Australia	0	42	3	33
Japan ¹⁶	32	42	25	29

Chart VI-1

At age 67, incomes drop to an average of 70 percent to 80 percent of what they were at age 55.^{8,17}

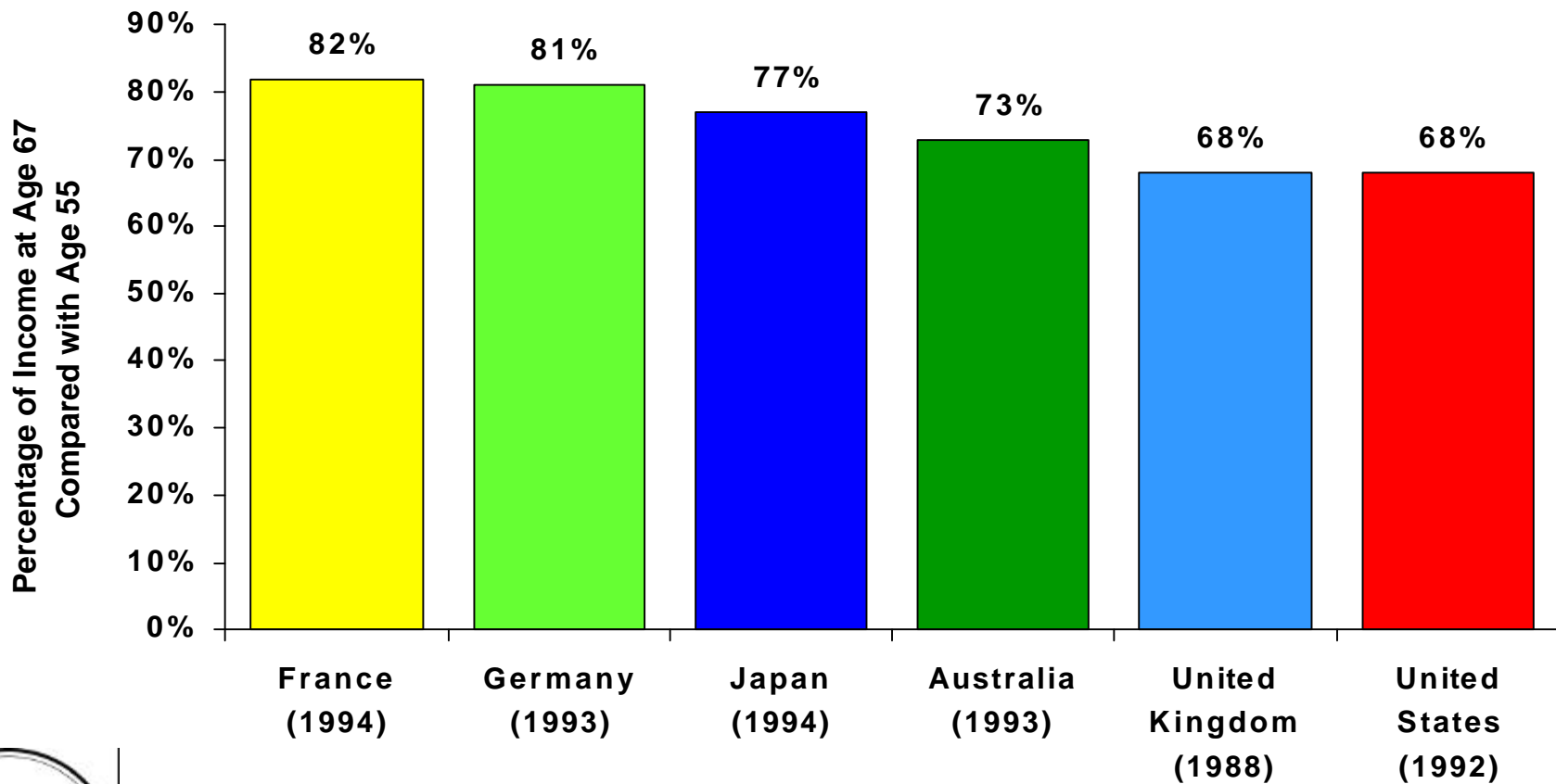


Chart VI-2

The age of entitlement for public old-age pensions ranges from 60 to 65.

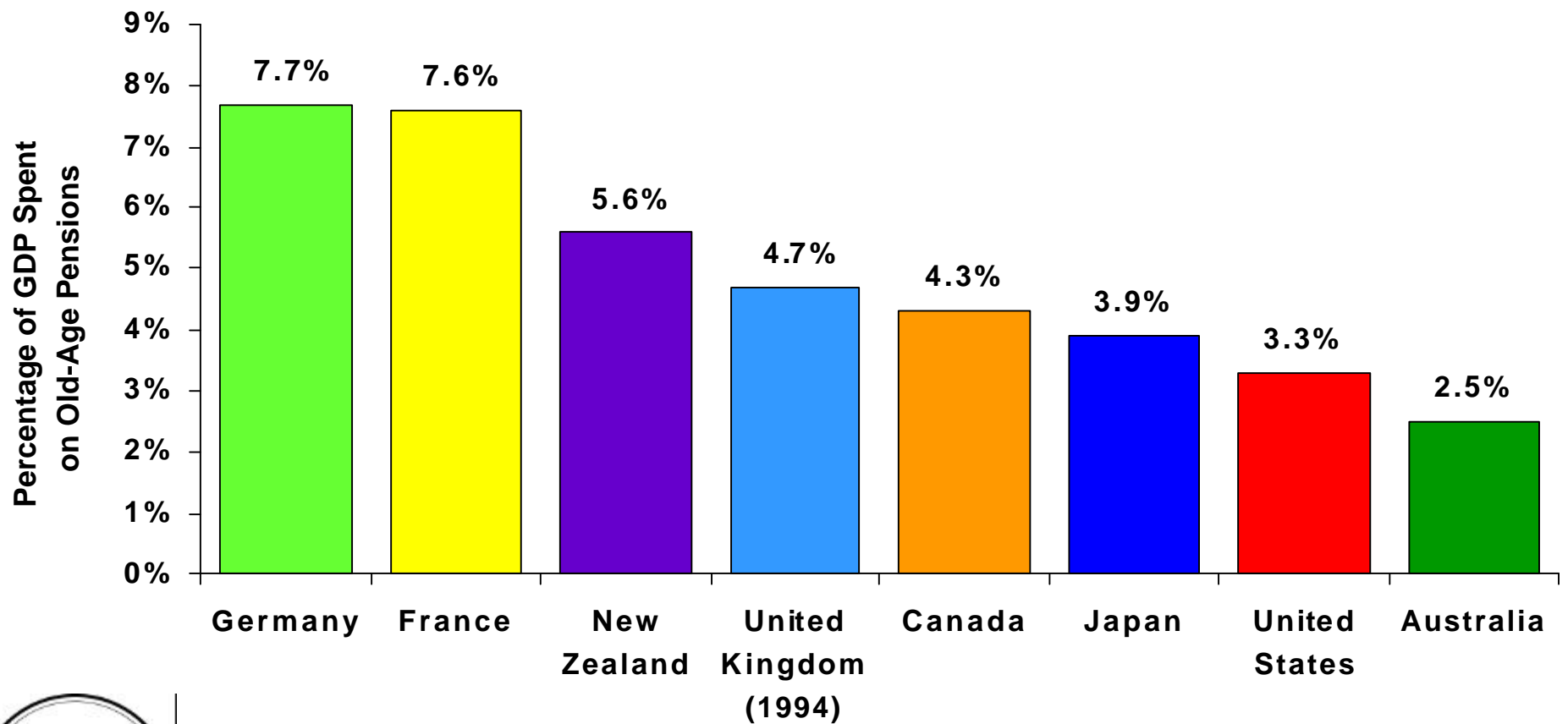
- In some countries, women are eligible for pensions earlier than men.

Standard Age of Entitlement to Full Public Old-Age Pensions, 1997

Country	Males	Females
Australia	65	61
Canada	65	65
France	65	65
Germany	65	65
Japan	65	65
New Zealand	63	63
United Kingdom	65	60
United States	65	65

Chart VI-2

Public old-age pension expenditures ranged from 3 percent to 8 percent of GDP in 1995.¹⁰



VII. Public Policy

Chart VII-1

All countries except the United States offer universal pharmaceutical insurance coverage for the elderly.

- In the United States, the Medicare program does not cover pharmaceuticals. Instead, public coverage is obtained from the Medicaid program. In addition, most Medicare managed care plans offer pharmaceutical coverage. Some Medicare beneficiaries receive private pharmaceutical coverage through employer-based retiree health benefits or through privately purchased Medigap policies.
- In Germany, universal public pharmaceutical coverage is offered, but some people above a certain income threshold opt for private health insurance coverage. These plans have pharmaceutical coverage.
- In Canada, slightly fewer than 100 percent of elderly people have access to prescription drug coverage. Under the *Canada Health Act*, provincial and territorial health plans are required to fully cover all medically necessary drugs administered in the hospital without charging patients; however, the Act does not require plans to cover drugs prescribed outside of hospitals or in nursing homes. In most provinces and territories, seniors are enrolled in government-sponsored drug plans for outpatient drug coverage. The majority of these drug plans have client cost-shared components dependent upon income.
- In some countries, pharmaceutical coverage is more restrictive than in others. For example, Australia uses cost-effectiveness to determine which pharmaceuticals are covered publicly.

Chart VII-1

In the United States, far fewer elderly people had insurance coverage for pharmaceuticals than in the other seven countries in 1995.

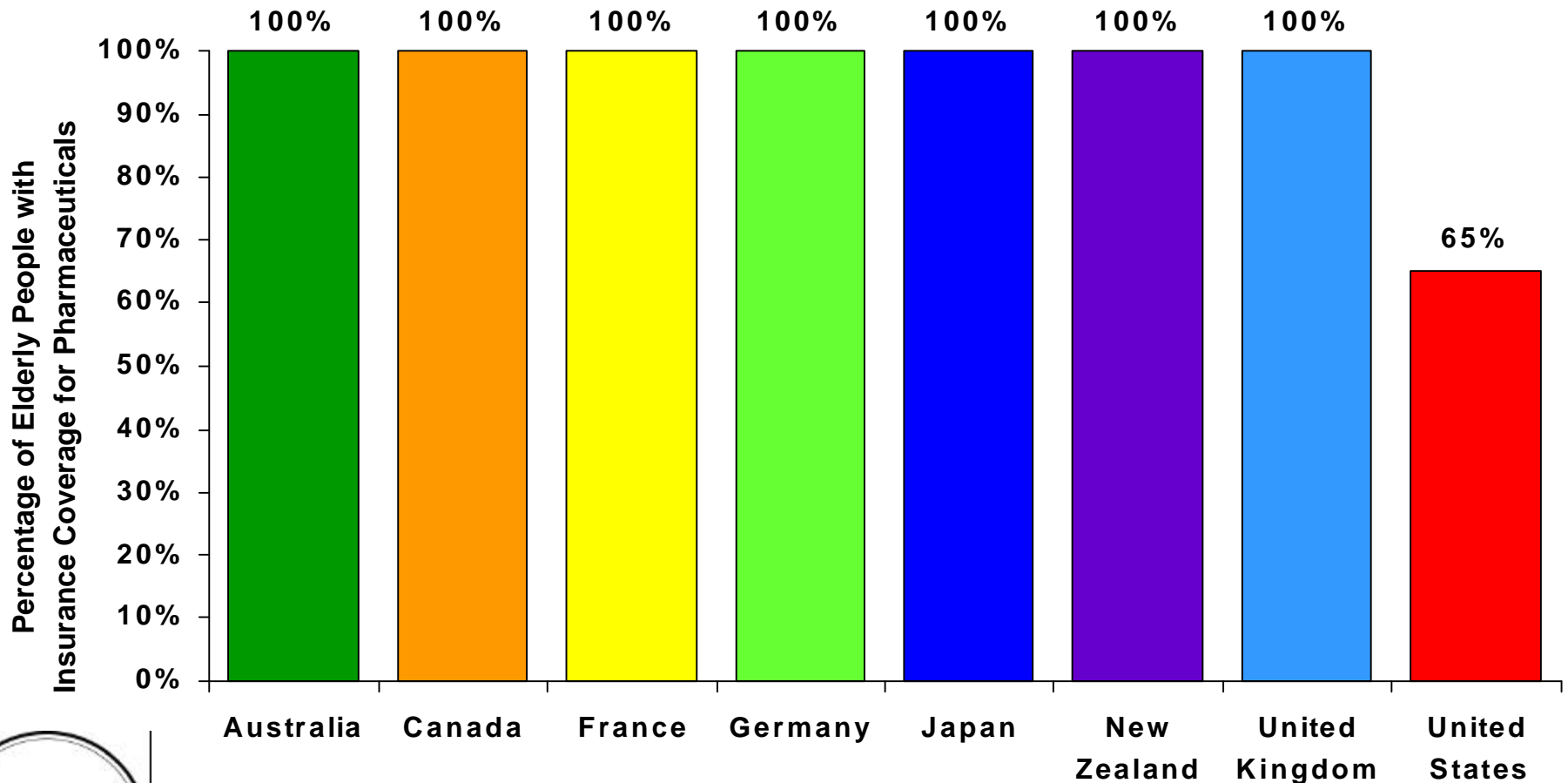


Chart VII-2

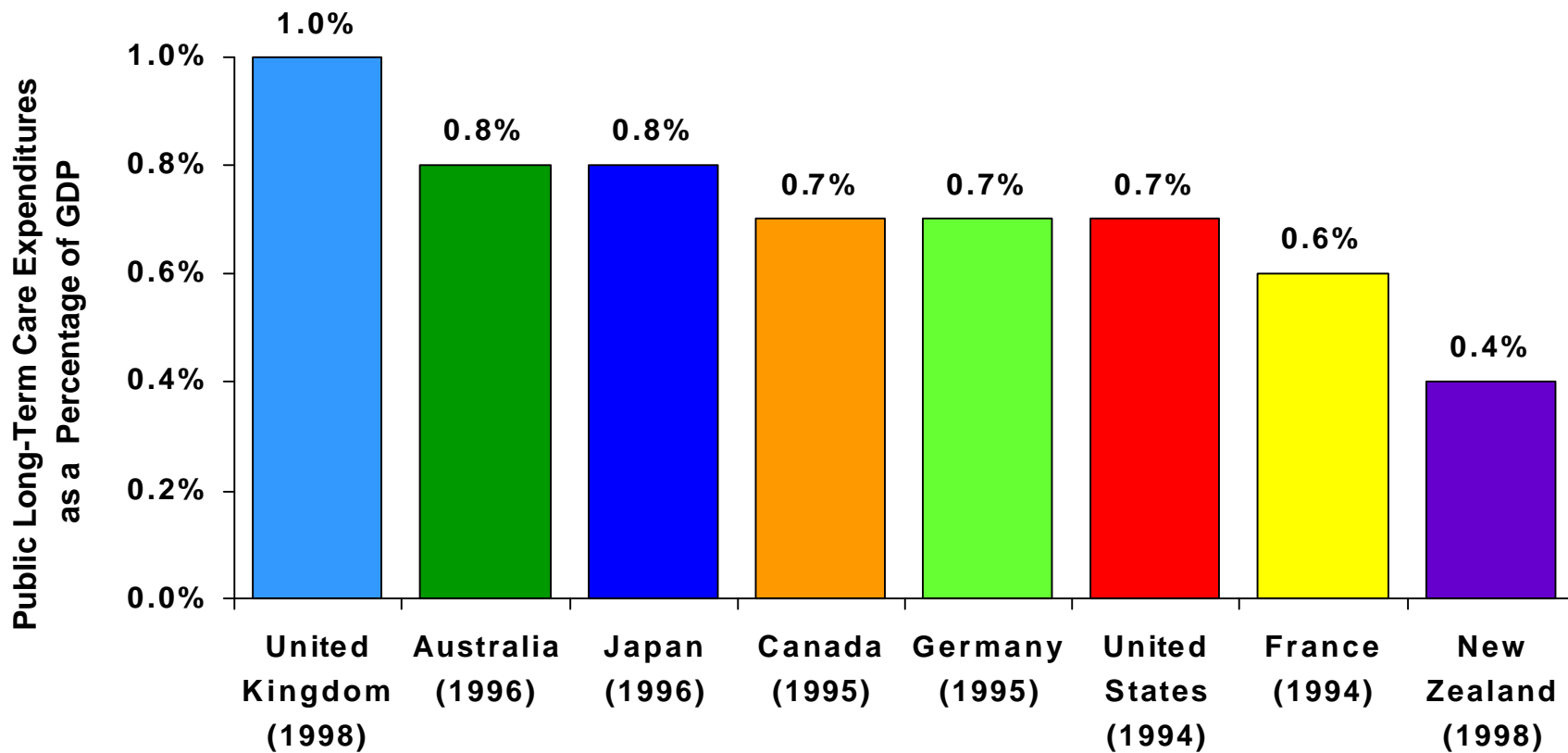
In most countries, the majority of spending for long-term care is from public sources.

Percentage of GDP Spent on Long-Term Care¹⁸

Country	Total	Public	Percent Public
Australia (1996) ¹⁹	0.9	0.8	89
Canada (1995)	1.1	0.7	64
United Kingdom (1998)	1.6	1.0	63
United States (1994)	1.3	0.7	54
New Zealand (1998)	0.9	0.4	49
France (1994)	n/a	0.6	n/a
Germany (1995)	n/a	0.7	n/a
Japan (1996)	n/a	0.8	n/a

Chart VII-2

Public long-term care spending accounts for 1 percent or less of GDP.¹⁸



VIII. Country Summaries

Australia

Pensions

- *Coverage:* Residents.
- *Financing:* Government general revenues.
- *Qualifying Conditions:* Age 65 (men) and 61 (women, rising to age 65 by 2013); resident at time of application and 10 years of continuous residence.
- *Benefits:* Up to US\$137 a week for singles and US\$227 for couples;²⁰ means- and asset-tested, reduced benefits above certain thresholds.

Institutional Long-Term Care

- *Delivery:* Residential long-term care has traditionally been provided in two settings: nursing homes (for higher-dependency residents) and hostels (for lower-dependency residents). In 1997, these settings were combined into a single delivery system providing care for residents with a range of dependencies.
- *Ownership:* 64 percent of residential care services (nursing homes and hostels) are run by nonprofit community organizations, 24 percent by private operators, and 11 percent are government and ex-government homes. Almost all of these are in process of being transferred to private and nonprofit community organizations.
- *Coverage:* Universal federal coverage.
- *Access:* Based on medical, physical, psychological, and social need.
- *Financing:* The federal government bears around 75 percent of the cost of residential care, including recurrent subsidies

averaging US\$26,200 per nursing home level resident and US\$11,200 per hostel level resident each year. Residents pay an average of US\$7,500 a year in daily care fees and accommodation payments. Residents receiving the highest level of government income support payments (age pension) pay a basic daily care fee set at 85 percent of pension, currently around US\$16 a day. Residents may also pay an income-tested fee and an accommodation payment depending on their income and assets. The government requires 27 percent of places nationally to be set aside for residents who cannot afford an accommodation payment. Facilities receive additional funding for these residents.

Home Care

Home care is provided through the Home and Community Care program, administered by the state governments. Services include home help, personal care, home nursing, respite care, center day care, home maintenance, home meals, and center meals. The Home and Community Care program is funded by the federal government (60%) and by state governments (40%). In addition, community aged care packages support people who prefer to remain at home but require a level of care similar to that provided in hostels.

Health Insurance for Elderly People

Coverage is universal. Elderly people are covered with a small copayment for a list of pharmaceuticals determined by the government. Forty percent of elderly people purchase supplementary private insurance coverage, primarily to guarantee timely access to elective hospital services.

Canada

Pensions

- *Coverage:* Basic pension: Residents. Earnings-related pension: Employees and self-employed people.
- *Financing:* Basic pension: General revenues 100 percent. Earnings-related pension: 3.5 percent of individual earnings from US\$2900 to US\$30,900 and 3.5 percent of employer payroll; 7 percent of individual earnings for the self-employed.
- *Qualifying Conditions:* Basic pension: age 65 and minimum 10 years of residence in Canada (40 years for full pension). Retirement not necessary. Earnings-related pension: age 65 and at least one contribution; reduced amount at age 60; increased amount for later retirement until age 70.
- *Benefits:* Basic pension: Maximum US\$342 per month. Income-tested supplement for low-income households of up to US\$406 for a single person or someone married to a non-pensioner and \$264 for someone married to a pensioner. Income-tested benefits are also provided to non-pensioner low-income spouses of pensioners (up to US\$607 per month) and widowed persons (up to \$671 per month). Earnings-related pension: 25 percent of average covered earnings from age 18 until receipt of benefits. Maximum full pension is \$621 per month. Amount reduced if retirement begins earlier, or increased if commencement is later.

Institutional Long-Term Care

- *Delivery:* Long-term institutional services are primarily administered by the provinces and delivered at the community level. Long-term care facilities have been combined into a single delivery system.

- *Ownership:* Approximately 50 percent of long-term care facilities are privately owned and administered.
- *Coverage:* All citizens are covered for the health care component of long-term care through the national health insurance program.
- *Access:* Based on medical need.
- *Financing:* Provinces and territories fund long-term care primarily from general revenues and from a block transfer of cash contributions and tax points through the federal Canada Health and Social Transfer (CHST). Residents are charged for accommodations (permanent residents) or for extra services or facilities. Long-term care is a major recipient of donations from the private sector.

Home Care

Home care services vary widely by province. They are administered by the provinces and delivered at the community level.

Health Insurance for Elderly People

Coverage for medically necessary hospital, inpatient, and outpatient physician services is universal. Pharmaceutical coverage varies by province/territory; most elderly people have coverage from a provincial plan, while some have supplemental coverage from a group retiree plan as well that complements the government plan.

France

Pensions

- *Coverage:* Employed persons.
- *Financing:* 6.55 percent of insured's pensionable earnings, 8.2 percent of employer's covered earnings plus 1.6 percent of total payroll, variable government subsidies. Maximum earnings for contribution and benefit purposes: US\$2108 a month.
- *Qualifying conditions:* Age 65 and 37.5 years of coverage. If less than 37.5 years of coverage, pension is subject to reduction.
- *Benefits:* 50 percent of average salary for the best 25 years.

Institutional Long-Term Care

- *Delivery:* Residential long-term care is provided in long-stay hospital wards, retirement homes (nursing homes), and sheltered housing. Both retirement homes and sheltered housing facilities can provide health-related long-term care in "medical sections." Sheltered housing provides virtually independent living arrangements with supplementary services such as a restaurant, medical section, alarm system, etc.
- *Coverage:* Long-term care falls under the auspices of three social insurance schemes: health, old age, and family assistance. Health insurance programs cover the medical costs of long-term care. The family assistance program provides a means-tested subsidy for the cost of accommodations. Locally funded social assistance programs also provide assistance for low-income elderly people in long-term care facilities.

- *Access:* Based on need.
- *Financing:* Social insurance programs are financed mainly by contributions by workers and employers, with some central government tax funding. Individuals are responsible for the nonmedical costs of long-term care.

Home Care

Home care services include home help (assistance with domestic tasks), home nursing care, home day care, home adaptation assistance, live-in helper programs, and neighborhood services. Locally funded social assistance programs provide assistance for low-income elderly people in paying for home help services (up to 30 hours per week). Individuals are responsible for part of the cost of home help, part of the cost of a live-in helper, and part of the cost of neighborhood services.

Health Insurance for Elderly People

Coverage is universal. Pharmaceuticals are covered with a copayment that varies based on the type of drug ("comfort" 60%; "normal" 30%; "necessary" 0%). The copayment is waived for elderly people with multiple chronic conditions.

Germany

Pensions

- *Coverage:* Employed people, certain self-employed, people caring for a child under age 3, recipients of social benefits, and voluntary care workers.
- *Financing:* 10.15 percent of insured's earnings (self-employed, 18.6%); 10.15 percent of employer payroll; annual government subsidy of about 20 percent of total cost of pension insurance. Maximum earnings for contribution purposes: US\$4141 per month.
- *Qualifying Conditions:* Age 63 with 35 years of coverage; age 65 with five years; age 60 with 15 years of coverage and unemployed 1 year in the past 18 months; women age 40 with 10 years of coverage; and severely disabled individuals age 60 with 35 years of coverage.
- *Benefits:* Based on wages earned while working compared with average wages for all workers.

Institutional Long-Term Care

- *Delivery:* Nursing homes.
- *Ownership:* 44 percent private nonprofit, 43 percent private for-profit, 13 percent public (1993).
- *Coverage:* Universal. People above a certain income level who opt for private health insurance must also purchase private long-term care insurance. In addition, long-term care insurance funds make pension contributions for people providing informal care for more than 14 hours per week and working less than 30 hours per week.

- *Access:* People requiring assistance with normal day-to-day activities (personal hygiene, eating, mobility, and housekeeping) for at least six months are eligible for benefits. Individuals are classified into one of three levels depending on need. Need assessment is performed by doctors or qualified nurses.
- *Financing:* Payroll tax of 0.85 percent of income below US\$3220 per month, equally matched by the employer (includes home care; prior to coverage of home care, the contribution was 0.5% for employee and employer). Individuals are responsible for the costs of food and accommodations.

Home Care

Home care benefits are scaled according to need. Individuals can choose between cash benefits, noncash benefits, or a mix. Services include home nursing, home help, and respite care.

Health Insurance for Elderly People

Coverage is universal, but people above a certain income level may opt for private coverage. Pharmaceuticals are covered with a copayment. Chronically ill people are exempt from copayments if they spent 1 percent of income on treatment in the past year.

Japan

Pensions

- *Coverage:* National pension program: Residents. Employee's pension insurance: Employees of firms in industry and commerce.
- *Financing:* National pension program: included in employee and employer contributions to employment-related programs; government pays one-third of costs plus administrative costs. Employee's pension insurance: 8.675 percent of insured person's earnings, 8.675 percent of employer payroll, government pays administrative costs. Maximum monthly earnings for contribution and benefit purposes: US\$3483; minimum, US\$543.
- *Qualifying Conditions:* National pension program old-age pension: age 65, and 25 years' contribution. Pension payable at ages 60–64 with actuarial reduction. Pension increased if first paid at age 66 or older. Employee's pension insurance old-age pension: age 60 (men) or 59 (women) or 56 (seamen, miners); 25 years of coverage.
- *Benefits:* National pension program old-age pension: US\$386 per month plus additional amounts if voluntary contributions were made. Employee's pension insurance old-age pension: 0.75 percent of indexed monthly wages multiplied by the number of months of coverage.

Institutional Long-Term Care

- *Delivery:* Much long-term care for elderly people is provided in hospitals, although policy initiatives have attempted to move long-term care out of the hospital. Health Services Facilities for the Elderly are nursing homes that attempt to return residents to their own home. Nursing Homes for the Elderly

supply long-term personal and domestic care. There are two types of Nursing Homes for the Elderly: Special Nursing Homes provide constant care for those with serious disability, and Homes for the Elderly provide assistance with daily living activities.

- *Coverage:* All residents are covered under the national health insurance plan, but are subject to copayments. Out-of-pocket costs are higher in residential care facilities than in the hospital. A public long-term care insurance program is scheduled to take place in 2000, funded by general taxes and premiums. Residents age 65 and older will be eligible for benefits, as well as those ages 40–65 suffering from an age-related disease.
- *Access:* Based on need.
- *Financing:* Hospitals and Health Services Facilities for the Elderly are financed by national health insurance and by general revenue, along with user copayments. Nursing Homes for the Elderly and home care are financed by general revenue and copayments.

Home Care

Home care services include home nursing, home help, adult day care, and respite care.

Health Insurance for Elderly People

Coverage is universal. Elderly people are primarily enrolled in Citizens' Health Insurance, one of three groups of insurers. A special pooling fund pays for health care for elderly people; each group of insurers must pay into the fund as if their enrolled population was demographically similar to the national average. Copayments are waived for those age 70 or older. Pharmaceuticals are covered.

New Zealand

Pensions

- *Coverage:* Residents.
- *Financing:* Government general revenues.
- *Qualifying Conditions:* Age 62.9 in 1997, rising to 65 by 2001. Ten years residence after age 20, of which five must be since age 50.
- *Benefits:* US\$543 per month for a single person, US\$835 per month for a couple.

Institutional Long-Term Care

- *Delivery:* Publicly funded long-term institutional care is coordinated and purchased by the health funding authority (HFA) and provided in public and private nursing homes. Each nursing home is contracted with by the HFA to provide care at a certain level of intensity. In addition, the voluntary sector provides some long-term care services.
- *Ownership:* Mainly private. Private ownership includes nonprofit religious and voluntary groups.
- *Coverage:* Elderly people in public long-term care residential facilities must turn over their pensions minus a small allowance. Residents in public and private long-term care residential facilities are responsible for the cost of their care until their income, including assets, is below a certain limit. Below the limit, a government subsidy pays for the cost of care.

- *Access:* In order to receive a subsidy, applicants must be assessed by an HFA-funded needs assessment and coordination service.
- *Financing:* Long-term care is purchased by the HFA, which is funded from general taxation. A global budget for health care is set centrally. Annual adjustments to HFA budgets are made according to growth due to demographic, price, and technology changes.

Home Care

Home help and meals on wheels are subsidized by the HFA and are income-tested. Home nursing services are provided for free.

Health Insurance for Elderly People

Coverage is universal. Pharmaceuticals coverage is means-tested and includes a copayment.

United Kingdom

Pensions

- *Coverage:* Basic State Retirement Pension and State Earnings-Related Pension Scheme: Compulsory contributions for employed people earning US\$376 per month or more. Basic State Retirement Pension only: Compulsory contributions for self-employed people with net annual income of US\$5273 or more. Voluntary contributions payable by non-employed people, employed people earning below US\$376 per month, and self-employed people with annual net income below US\$5273.
- *Financing:* Employees: 2 percent of first US\$94 per week plus 10 percent weekly on earnings between US\$94 and US\$705. Self-employed: \$9 per week plus 6 percent of net income between US\$10,621 and US\$36,636 per year. Employer: 3 percent to 10 percent of employee's total earnings according to wage bracket. Government: Full cost of means-tested allowances and other non-contributory benefits.
- *Qualifying Conditions*: Age 65 (men) and 60 (women, gradually rising to 65 by 2020).
- *Benefits:* Basic State Retirement Pension: US\$378 per month. State Earnings-Related Pension Scheme: 25 percent of average earnings of best 20 years.

Institutional Long-Term Care

- *Delivery*: Residential care includes long-stay hospitals, nursing homes, and residential homes that provide domestic services and social support.
- *Ownership*: 74 percent private, 26 percent public.

- *Coverage*: All residents are covered for long-term care in hospitals through the National Health Service (NHS), but hospitals account for only a small proportion of institutional care for elderly people. Public funding for nursing homes and residential care is subject to a means test. People with assets generally including housing equity in excess of US\$24,240 are not eligible for public funding.
- *Access*: Based on medical need and determined by local authorities.
- *Financing*: The operation of health and social services is separate. Health care is funded through central general taxation. Nonmedical long-term care is financed from national welfare funds and capped by a global budget that is allocated to local authorities. Residents in public nursing homes are required to contribute almost all of their income to the cost of their care.

Home Care

NHS community health services, including home nursing, are free, but social services are mostly subject to means tests. Social services are organized and operated by local authorities and include home care (personal and domestic tasks), meals on wheels, disability equipment, adaptations to homes, transport, respite care, and social work. Social services are funded by a mix of central and local taxation and user charges.

Health Insurance for Elderly People

Coverage is universal. There is first-dollar pharmaceutical coverage for those older than the state pension age.

United States

Pensions

- *Coverage:* Employed people.
- *Financing:* 6.2 percent of insured's earnings (self-employed: 12.4%). 6.2 percent of employer's payroll. Government pays cost of means-tested allowance. Maximum earnings for benefit purposes: \$65,400 a year.
- *Qualifying Conditions:* Age 65 (62–64 with reduction), gradually increasing to age 67 over the period 2000–27.
- *Benefits:* Based on covered earnings averaged over the period after age 21 up to age 62 or death, excluding five years with the lowest earnings.

Institutional Long-Term Care

- *Delivery:* Facilities are varied and include skilled nursing facilities, providing 24-hour nursing care; residential care homes, providing personal care and some nursing care; and respite care facilities.
- *Ownership:* 66 percent private for-profit, 26 percent private nonprofit, 8 percent public.
- *Coverage:* Medicare covers up to 100 days of posthospital recovery care in skilled nursing facilities following an inpatient discharge. Medicaid pays for individuals below income and asset thresholds that vary by state.
- *Access:* Based on ability to pay. Access to the Medicaid program is means- and asset-tested.

- *Financing:* 47 percent Medicaid, 29 percent out-of-pocket, 14 percent Medicare, 5 percent private insurance, 5 percent other in 1997.

Home Care

Home care includes home-delivered meals, visiting nurses, home help (personal care), and homemakers (housecleaning and some personal care). Community-based services include adult day care, transportation services, and congregate meals. Medicare pays for medically oriented home care for individuals who are homebound, under the care of a physician, and in need of part-time skilled nursing or therapy. Medicaid pays for a broader range of services including personal care.

Health Insurance for Elderly People

Elderly people receive public health insurance through the federal Medicare program. Pharmaceuticals are not covered.

IX. Sources

Chart II-1: United Nations Demographic Indicators 1950–2050 (1998 Revision), medium estimate.

Chart II-2: United Nations Demographic Indicators 1950–2050 (1998 Revision), medium estimate.

Chart II-3: OECD Health Data 1999.

Chart II-4: OECD Health Data 1999.

Chart II-5: Male:Female ratios from OECD, “Caring for Frail Elderly People: Policies in Evolution” (Paris: OECD, 1996), except for New Zealand, from New Zealand Department of Statistics. Life expectancy projections from United Nations Demographic Indicators 1950–2050 (1998 Revision), medium estimate.

Chart III-1: OECD Health Data 1999 and authors’ calculations.

Chart III-2: OECD Health Data 1999 and authors’ calculations.

Chart IV-1: Jacobzone S, “Ageing and Care for Frail Elderly Persons: An Overview of International Perspectives” (Paris: OECD, 1999).

Chart IV-2: Jacobzone S, “Ageing and Care for Frail Elderly Persons: An Overview of International Perspectives” (Paris: OECD, 1999). Formal home care data for the United Kingdom: personal communication, Clive Smee, United Kingdom Department of Health. For New Zealand percent of elderly population living alone circa 1990, Prime Ministerial Task Force on Positive Aging, “Facing the Future: A Strategic Plan,” p. 18.

Chart V-1: United Nations Demographic Indicators 1950–2050 (1998 Revision), medium estimate.

Chart V-2: Blondal S and Scarpetta S, “The Retirement Decision in OECD Countries” (Paris: OECD, 1998).

Chart V-3: OECD, “Work Force Ageing: Consequences and Policy Responses” (Paris: OECD, 1998).

Chart VI-1: Disney R, d’Ercole M, and Scherer P, “Resources During Retirement” (OECD: Paris, 1998).

Chart VI-2: Public pension expenditure: OECD Social Expenditure Database. Retirement ages: United States Social Security Administration.

X. Endnotes

¹ Increase in life expectancy at birth, UN historical series and projections:

Country	Percent Increase		
	1960–1980	1980–2000	2000–2020
Australia	6%	4%	2%
Canada	7%	3%	2%
France	6%	5%	2%
Germany	5%	5%	2%
Japan	11%	5%	2%
New Zealand	4%	5%	2%
United Kingdom	5%	4%	2%
United States	7%	3%	2%

² Calculations use population and overall spending data from 1997 with age-specific spending ratios from 1993 for France and the United Kingdom; 1994 for Australia, Canada, Germany, and New Zealand; and 1995 for Japan and the United States. All expenditure figures are adjusted for cost-of-living differences using purchasing power parities (PPP).

³ Long-term care expenditures are included in health spending figures, except in Germany.

⁴ Calculations use population, GDP, and overall spending data from 1997 with age-specific spending ratios from 1993 for France and the United Kingdom; 1994 for Australia, Canada, Germany, and New Zealand; and 1995 for Japan and the United States.

⁵ The definition of “institutionalized” differs among countries. In general, the definition of institutions was restricted to those which are partly medicalized for nursing activities, or specifically dedicated to older people; acute care hospitals were excluded, except for long-term care sections such as in Japan.

⁶ Formal home health care includes visiting nursing and assistance with Activities of Daily Living at a minimum; the specific range of services included in “formal home health care” differs between countries.

⁷ Projections of the labor participation rate assume that age-specific participation rates remain constant.

- ⁸ “Income” includes earnings, capital income, public transfers, and private income support, and is net of direct taxes paid. The comparison relies on household surveys focusing on two cohorts: one with head of household age 55, and one with head of household age 67. For France, the survey of the age 55 cohort was conducted in 1994, and for age 67, 1992. For the United States, the survey of the age 55 cohort was conducted in 1992, and for age 67, 1993.
- ⁹ “Private income support” includes private and occupational pensions, private health insurance payments, workers’ compensation, alimonies, and remittances from relatives.
- ¹⁰ Pension expenditure does not include the effects of taxation or fiscally advantaged private pension plans.
- ¹¹ The relatively slow growth rate of the percentage of the population age 80 and older in the United States is due partly to the relatively high growth rate of the younger population.
- ¹² The percentage of the population age 80 and older in Germany was above 4 percent in 1994, will dip below 4 percent in the period 1995–2000, and then will begin to increase again.
- ¹³ The projection assumes constant trends in institutionalization and prevalence of disability rates.
- ¹⁴ For elderly people living alone figures, the following years were used: Australia, 1976 and 1986, age 60 and older; Canada, 1971 and 1986; France, 1975 and 1990, age 60 and older in 1990; Germany, 1975 and 1992; Japan, 1975 and 1992; New Zealand, 1971 and 1991; the United Kingdom, 1981 and 1991; and the United States, 1970 and 1990.
- ¹⁵ The rates of formal home care in Germany and Japan are expected to increase after the institution of public long-term care insurance.
- ¹⁶ In Japan, higher percentages of single people in the top and bottom income quintiles receive private income support than in the middle three quintiles. In the second-highest quintile, 23 percent of singles receive private income support; in the third- and fourth-highest quintiles, 15 percent of singles receive private income support.
- ¹⁷ The tax rate in the United States was assumed to be 33 percent for nonretired people and 16 percent for retired people for the calculation of replacement rate.
- ¹⁸ Numbers in the table on page 24 were used to calculate the Public percentage of GDP spent on long-term care shown in the table on page 46 and the chart on page 47. Differences in the total are due to rounding.
- ¹⁹ Public expenditure on aged care services was AUS\$3232.9 million in 1996, according to the Australian Institute of Health and Welfare publication “Older Australia at a Glance,” or about 0.6 percent of GDP. The OECD source was used for consistency.
- ²⁰ All monetary values were adjusted for cost-of-living differences to US dollars using purchasing power parities (PPP).