Health Systems and Population Ageing in the Asia-Pacific Region: Challenges and Policy Options for the Future

Abstract

Health care for the ageing population has surfaced as a critical issue in many countries that have undergone rapid demographic and epidemiological transition. As chronic and degenerative health conditions are expected to intensify the demand and expenditure for health care, it becomes necessary to plan for appropriate and cost-effective services for the increasing number and proportion of elderly persons. Hence the urgency to apply bold and innovative approaches to the organization and financing of health care against the pressures of increasing costs for rapidly ageing societies. What are the regional lessons and what would be the long term impact on health and health systems?

It is timely to take stock and monitor the trends and issues in healthcare systems around the region and to identify from a comparative perspective, the challenges that have arisen with changing social, economic and political conditions, and the ways in which governments are responding to these challenges. In this regard, it would be important to examine the changing roles concerning the interface between the public, private and voluntary sectors; the extent of public-private participation and integration in health and social care; and the policy implications in terms of future developments for health governance, education and research throughout the region.
Abridged Version of the Lecture

The Asia-Pacific – A Region of Diversity and Transition

The Asia-Pacific region is very diverse and undergoing rapid changes in all aspects of cultural, social, economic and political development, and along with this is the parallel development in the health sector. Until the current global financial crisis, many of the countries in the region have been experiencing the fastest rates of economic growth. Some high-performing economies have enjoyed impressive improvements in living standards including health outcomes which have caught up with those of the developed countries, while others continue to stagnate under poor economic and health conditions. These disparities have raised concerns over inequity in health care amidst the growing affluence and reflected in the epidemiological trends of the population.

The Lancet Series on Health in Southeast Asia (Chongsuvivatwong V, Phua KH, Yap MT et al 2011) has provided an overview of the complex regional health situation:

• The diversity of geography and history, including social, cultural, and economic differences have contributed to highly divergent health status and health systems across and within countries.
• Demographic transition is taking place at among the fastest rates compared with other regions of the world, whether in terms of fertility reductions, population ageing, and rural to-urban migration. Rapid epidemiological transition is also occurring with the disease burden shifting from infectious to chronic diseases.
• Rapid urbanisation, population movement, and high-density living raise concerns about newly emerging infectious diseases, but the outbreaks have stimulated regional cooperation in information exchange and improvement in disease surveillance systems.
• The peculiar geology contributes to it being the most disaster-prone region in the world, more susceptible to natural and man-made disasters affecting health, including earthquakes, typhoons, floods, and environmental pollution. Climate change along with rapid economic development could exacerbate the spread of emerging infectious diseases.
• Regional health systems are a dynamic mix of public and private delivery and financing, with new organizational forms such as corporatized public hospitals, and innovative service delivery responding to competitive private health-care markets and growing medical tourism.
• The health-care systems are highly diverse, ranging from dominant tax-based financing to social insurance and high out-of-pocket payments.
• There is a greater push for universal coverage of the population, but more needs to be done to ensure access to health services for the poor.
• Private expenditure is increasing relative to government expenditure, where new forms of financing include user charges, improved targeting of subsidies and greater cost recovery. Health financing could be further restructured in response to future demographic shifts in age-dependency, as in medical savings and social insurance for long-term care.
• There is potential for greater public-private participation with economic growth through regional integration and international health collaboration through new regional organizations like ASEAN.
Comparative Health Systems

Throughout the countries of Southeast Asia and the wider Asia and Pacific region, health policy makers are applying a variety of organizational and management reforms towards the goal of improving performance. Many of these reforms share the characteristics of maintaining predominantly public financing as well as control, while simultaneously adopting best practices from the private sector - such as more performance-oriented organizational and management structures, incentives and exposure to increased market pressures. In trying to improve equity, efficiency and responsiveness, health systems in the region have experimented with devolution and decentralization, ranging from autonomous agencies to corporatized entities. Other forms have involved greater degrees of public-private participation either in delivery or financing of services.

A comparison of the health systems would provide different implications and policy options for influencing access, costs and quality, which would depend also on how resources are pooled and mobilized in various institutions. Governments have a crucial role both in income redistribution and protection through taxes and social security, and in the regulation of both public and private financing, while allowing a level playing field for health sector developments, such as the recent growth of the biomedical industry and medical tourism in the region.

What are the common policy challenges for governments in providing, financing and regulating the use of innovative medical technologies? What are the roles of both the public and private sectors to achieve an optimum balance in health care for the changing needs and demands of the diverse populations in this fastest growing region of the world? These issues should be examined in greater detail by a comparative analysis of the health systems and policies of countries in the region, in order to elicit lessons of best practices to inform evidence-based health policy-making and planning.

Costs of Population Ageing

There are fears expressed that the region would become aged before it becomes rich. As the demand for quality healthcare for the rapidly ageing population rises across the Asia-Pacific, especially in the newly emerging countries with rapidly changing fertility and dependency ratios, governments must respond by developing innovative healthcare policies and welfare programs for the growing elderly population. However, increase in the utilization of high-technology medical consumption may not necessarily benefit all countries if there are few mechanisms for ensuring access, affordability and distribution. The increasing use of expensive technology and high-end medical services for the ageing population will also increase the costs of healthcare on the domestic front. This could marginalize poorer population groups who are unable to afford such services.

The costs of chronic care is expected to rise in future with the increasing number and proportion of older persons, and the increasing life expectancy of the population. If the onset of disease and disability continue to manifest at relatively younger ages without any further compression of morbidity, this would then be expressed as increased periods of disease burden with higher costs of care. Even though ageing per se is not the main driver of health costs, yet the extension of life for the ageing population without concern for cost-effectiveness on the supply side, will lead to higher medical care inflation.
Women generally outlive and therefore outnumber men in the older age structure of populations. The health problems of the elderly are consequently more reflected in the conditions and needs of a growing proportion of elderly women. As the common pattern in Asia is for an older male to be cared for by a younger spouse or female member of the family, this would not pose more problems for the care of the elderly male than for the elderly female. Widowhood, one-parent (maternal) and one-person (female) households are usually associated with reduced income, increased poverty and enhanced risks of ill-health of the survivors. Typically, women will have shorter periods of paid employment in the labour market and lower levels of earnings than men, due to their child-bearing and child-rearing functions. Health and social care financing systems should therefore take such cultural factors of gender inequity into account in the Asia-Pacific region.

**A Life Cycle Approach to Financing Old Age Security**

From Modigliani’s theory of the life cycle for income and spending (above), we could propose possible policy options to tackle the impending problems of ageing populations:

1) Reduce living expenses and consumption in younger ages and thus save more during the productive years
2) Postpone retirement and lengthen period of active employment with more savings
3) Reduce living expenses and consumption in older ages and dissave less during the retirement years

Many governments around the region are extending the official age of retirement and reforming their pension and social security systems to balance the rates of lifetime savings with expected dissavings in old age. Hopefully, these policies could serve to accumulate greater savings with the increased numbers employed and additional years of active work, while reducing the levels of welfare spending through the postponement of retirement.
Financing Options for the Care of Ageing Populations

New medical technologies that are currently transferred into the booming economies of the region may never filter down to the average households and marginalized ageing populations. To narrow the disparities, health care supply systems must be reformed appropriately to enable more equitable and efficient services to be delivered through socially acceptable means. The different components of health care financing, whether payment methods, pricing or subsidy policies would have to be fair and balanced for all population groups, commensurate with their means, affordability and levels of economic development of the country.

Many countries may be pressured to expand pay-as-you-go social security and health insurance schemes, which without modification will be unaffordable and unsustainable against the fastest population ageing rates in the world. Their growth rates will inevitably slow down and yet they may have to maintain higher spending with shrinking tax bases. Considering that health and social care needs are expected to be greater in old age, the proactive policies of governments should ensure that the same sustainable requirements be met for health care financing as for old age social security systems. To avert both the gender and inter-generational problems posed by population ageing, stronger financing pillars to support the basic functions of old age security – redistribution, insurance and savings, are recommended. Since health and social care needs are projected to rise even higher in the rapidly ageing societies of the Asia-Pacific region, should not similarly diversified insurance and savings-based financing methods be strengthened further to offer more social protection while promoting economic growth?

Future Policies to Enhance Financing with Savings and Insurance?

In view of the expected demographic, epidemiological, social and economic trends, future health care financing will have to sustain growing needs. The Singapore medical savings model has attempted to avoid the problems of imposing ever-increasing tax burdens on the productive, including employers and employees, and subjecting social expenditure to the vagaries of economic cycles. The present generations of younger wage-earners are mandated to save for their own inevitable health care needs in old age, instead of relying on the uncertain taxes of future generations. By such a savings-based financing system, together with varying levels of cost-sharing and subsidy in a public-private mix of health services, it is hoped that the future developed economy with a larger proportion of the aged population would be able to withstand the increasing burden of health care costs, besides providing a sustainable degree of social security.
Future Health and Social Care Policies

Ageing-in-place policies for greater substitution of expensive medical care would require the right-siting and utilization of a whole spectrum of intermediate and long term services, in order to bridge the divide between institutions and homes. Thus the lines between medical and social care will be increasingly blurred as such new alternative types of community-based long term care are further integrated with the existing health care systems. Disease prevention and health promotion programs that are targeted at high-risk lifestyles and social behaviours such as smoking and substance abuse, unhealthy eating, lack of exercise and obesity, etc would also go a long way towards reducing the burden of disease and health expenditure among the ageing population.

An imperative is for healthcare training and research institutions to develop and evaluate care-giving alternatives for the elderly across the continuum of preventive, curative, rehabilitative, intermediate, long-term and terminal care with diverse, but more efficient and cost-effective systems of provision, financing and regulation. These should also include integration of cultural forms of social capital and social support across different levels of public-private participation in health care and social services.

Policy lessons and best practices should be studied and compared for their potential to transfer positive experiences of the more aged societies to other fast-developing ageing societies. The ultimate challenge is to translate such policies into reality, by building solid and sustainable health systems to withstand the Silver Tsunami that is sweeping across the Asia-Pacific.

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