



ASIA'S \$20 TRILLION ELDERLY MEDICAL BILL

WILL RISING ELDERLY HEALTHCARE COSTS SLOWLY
FUEL A REGIONAL HEALTHCARE CRISIS?

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Filial responsibility has always been an honored tradition in Asia, where children take pride in caring for their aging parents, sharing the financial burden between siblings. However, the region's rapidly aging population and declining birth rates mean that the financial cost of this tradition will soon be too much to bear as a result of rising elderly healthcare costs. (See Exhibit 1.)

While many developed countries in Europe have experienced a rise in the proportion of elderly people in their populations, what stands out in Asia-Pacific is the speed of aging. This compromises the ability of countries to prepare for the increased healthcare demands of an aging population. For example, in the 15 years from today to 2030, China's elderly population is expected to rise to 18 percent, from 11 percent; a similar increase in the aged population in Germany took 25 years, according to World Bank data. In Singapore, the elderly population will rise to 20 percent of the total population, from 11 percent over this period; it took France 49 years to do the same.

Based on demographic changes and medical cost trends, we estimate that \$20 trillion will be required to fund elderly healthcare in Asia-Pacific between 2015 and 2030. In Singapore, annual public and private expenditure for elderly healthcare is estimated to rise tenfold, to \$49 billion by 2030, straining government budgets, infrastructure capacity, and personal savings of the elderly and their families. Across the wider Asia-Pacific, annual elderly healthcare expenditure in 2030 will be five times the 2015 total. (See Exhibit 2.)

THE MATH BEHIND THE MEDICAL CRISIS

This rise can be explained by two factors. First, the number of elderly individuals in this region will increase by 70 percent by the end of the next decade, with an additional 200 million people aged 65 and older. Worryingly, elderly healthcare infrastructure in the region, both in terms of facilities and workforce, is lacking. Our projections conservatively show that based on current capacity, Asia-Pacific faces a deficit of 18 million long-term care workers by 2030.

Second, medical cost inflation annually across the region stands at about 10 percent, according to Marsh Mercer Benefits' Medical Trend report. Inefficiency in healthcare models has contributed to healthcare cost inflation, with practices such as fee-for-service care (where payment depends on volume of care instead of patient outcomes) requiring immediate review and reform. In addition, inadequacy in elderly healthcare infrastructure pushes demand beyond supply – and prices rise accordingly.

Countries in Asia-Pacific face a variety of challenges associated with a greying society, depending on their economic development and the extent of aging. The common theme for everyone is the urgency to address the steep increases of the elderly population, which will place greater social and political pressure on governments to increase public expenditure on healthcare. Therefore, governments need to intervene now to ensure the healthcare

By 2030, Asia-Pacific annual elderly healthcare expenditures will be five times the cost in 2015

system, from funding to delivery of services, is on a sustainable course amidst continuously tightening budgets.

EMBRACING DISRUPTION

Due to the complex nature of the healthcare ecosystem, there is no silver bullet to ensuring the inevitable cost rises will be sustainable. Despite the many challenges, however, there is still much room for optimism and innovation to create fundamentally sound, new business models. The market needs to embrace disrupters while simultaneously removing structural barriers, such as the launch of the ASEAN Economic Community (AEC) with various implemented and proposed arrangements to facilitate the freer movement of skilled labor and foreign investment among Southeast Asian countries. Asia-Pacific's healthcare models today are typically fragmented, with poor coordination between different medical specialists and healthcare facilities. This is especially relevant to elderly patients, who often have several disorders

that are managed by multiple, independently operated care providers. For example, by focusing on prevention and treating elderly patients in a coordinated manner, CareMore, an integrated multi-specialty physician association in the United States, has generated better patient outcomes and financial savings.

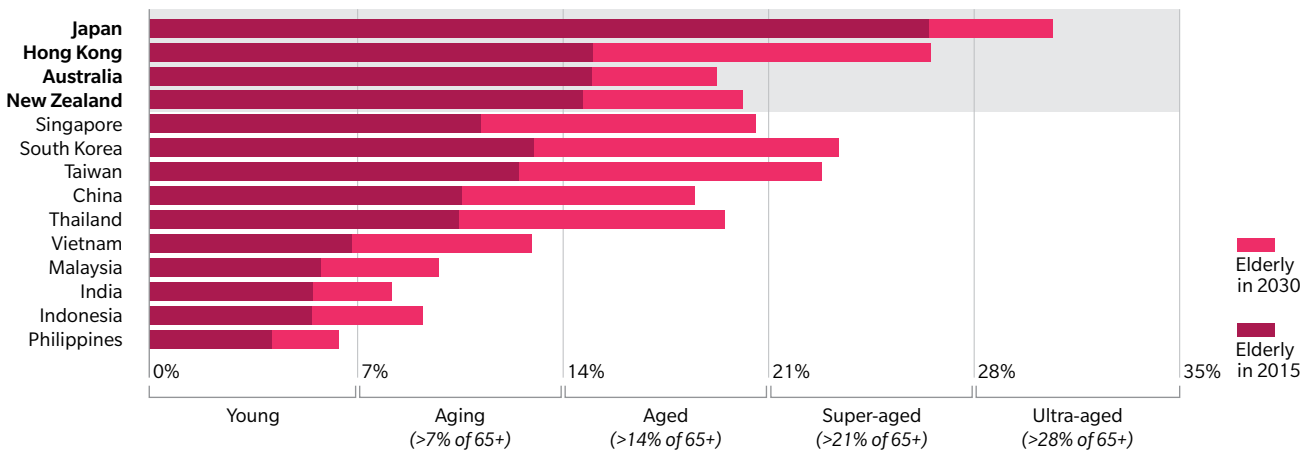
Advances in technology are contributing to an explosion in healthcare data, which is predicted to double every two months until 2020. Wearable health trackers and smart contact lenses could easily redefine mobile, personalized diagnostics. For example, Peek Vision is developing technology to enable mobile phones to obtain high-quality retina images that would allow comprehensive eye examinations.

In Singapore, online platforms such as Jaga-Me.com offer patients and their families access to on-demand professional home nursing and caregiving services. Such services have the potential to cut costs through avoiding nursing homes and hospitalization and reducing family caregivers' opportunity

EXHIBIT 1: ASIA'S RAPIDLY AGING PROFILE

FOUR ASIAN COUNTRIES HAVE "AGED" AND "SUPER-AGED" POPULATIONS. BY 2030, JAPAN IS PROJECTED TO BE THE WORLD'S FIRST "ULTRA-AGED" POPULATION

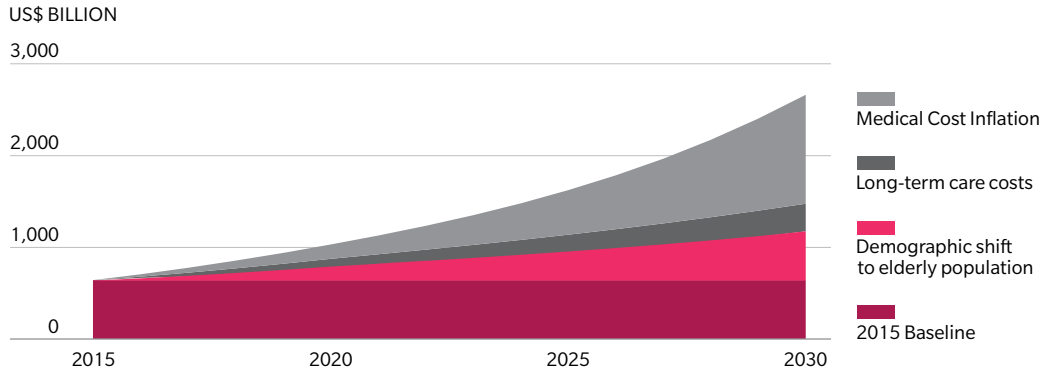
PERCENT OF ELDERLY (≥65 YEARS) IN THE TOTAL POPULATION



Source: Marsh & McLennan Companies Asia Pacific Risk Center analysis of data from Oxford Economics, World Bank, United Nations Population Division

EXHIBIT 2: RISING ELDERLY HEALTHCARE EXPENDITURES

ASIAN ELDERLY HEALTHCARE EXPENDITURES ARE RISING AS A RESULT OF MEDICAL INFLATION, INCREASED LONG-TERM CARE COSTS, AND EXPANDING ELDERLY POPULATIONS



costs. An innovative alternative to current nursing-home care is the use of nursing-care robots. In Japan, robotic technology that improves the mobility of the elderly and monitors elderly patients is fast becoming a viable solution to fill gaps in elderly healthcare. For example, the Robear robot reduces the burden on caregivers by lifting patients onto their beds.

untenable situation where elderly individuals are unable to afford healthcare and governments are forced to increase healthcare spend at the expense of other areas that fuel economic growth, such as infrastructure and education. Unless all stakeholders in Asia's elderly healthcare ecosystem – governments, insurers, healthcare providers, and individuals – take immediate and coordinated action, there will be a real risk that elderly healthcare costs could develop into a full-blown regional healthcare crisis.

A NEW HEALTHCARE ECOSYSTEM

Speeding up innovations in public policies, healthcare practices, and health-related technologies to meet the accelerating pace of societal aging can head off the coming regional elderly healthcare crisis. If current trends continue without intervention, traditional Asian values will be challenged and lead to an

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