Economics of health and aging in diverse societies and developmental contexts

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Health Care & Public Health Systems for Healthy Longevity: A Workshop for the Global Roadmap for Healthy Longevity Initiative

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Overview

• Longer healthy life spans are an enormous gain in human welfare - Income per capita is not a welfare measure

• Welfare inequality is higher than income inequality because income, health, and longevity move together

• Current institutional arrangements in many countries are unsustainable given population aging

• **Aging is not the problem – institutions are the problem.** Institutions should be changed to improve welfare, we should not change people to sustain existing institutions-

• We should change economic incentives and social norms
Better Ways of Measuring Welfare

• Measuring, and maximizing, human welfare, not GDP per capita. Policies can reduce GDP per capita and increase welfare.

• Alternative measures: Include at least income, health, longevity, leisure. Income adjusted life expectancy; Capability adjusted life expectancy.

• Adjusting welfare measures for value of risk – important for policies that redistribute risk

• Use broader measures of welfare to evaluate policies
Income Adjusted Life Years
Welfare Ratios of Deciles at Age 60

<table>
<thead>
<tr>
<th>Measure</th>
<th>10/50 ratio</th>
<th>90/50 ratio</th>
<th>90/10 ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifetime Welfare</td>
<td>0.23</td>
<td>5.22</td>
<td>23.08</td>
</tr>
<tr>
<td>Lifetime Consumption</td>
<td>0.35</td>
<td>2.65</td>
<td>7.50</td>
</tr>
<tr>
<td>Lifetime Health QALE</td>
<td>0.61</td>
<td>1.22</td>
<td>2.00</td>
</tr>
<tr>
<td>Utility at age 60</td>
<td>0.35</td>
<td>3.02</td>
<td>8.71</td>
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</tbody>
</table>
Output and Welfare Effects of Effective Rural Health Insurance in China

<table>
<thead>
<tr>
<th></th>
<th>Pension Insurance</th>
<th>Health Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>-3.10</td>
<td>-2.80</td>
</tr>
<tr>
<td>Consumption</td>
<td>-2.65</td>
<td>-3.33</td>
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<tr>
<td>Capital</td>
<td>-4.39</td>
<td>-2.43</td>
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<tr>
<td>Hours worked</td>
<td>-2.00</td>
<td>-9.03</td>
</tr>
<tr>
<td>$CEV$ (%)</td>
<td>-2.76</td>
<td>11.35</td>
</tr>
</tbody>
</table>

% change from baseline
Aging in Singapore

- Not Locked into unsustainable PAYG transfer systems
  - Fiscal space for innovation
- Self reliance and limited risk pooling and redistribution
  - Potential for more risk sharing
- Rising health and long-term care costs
  - Value for money, who pays and role of the family, insurance
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