Ageing, health, and health care

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The population in the developed world has experienced a significant increase in life expectancy over the last 50 years. Simultaneously, while the onset of comorbidities has been deferred to older age groups, health-care expenditure has grown dramatically, primarily owing to the advancement of medical technology and the expansion of individual income levels, along with population ageing in the wake of increased longevity. However, the contribution of population ageing to health expenditure growth is subject to some theoretical and empirical scrutiny. This paper takes the question of ageing and health and health care to the data to evaluate the net impact of ageing. We focus on two main questions, namely the welfare valuation of longevity improvements for various OECD countries, along with the 'red herring' hypothesis which suggests that population ageing has a small and almost negligible impact on health-care expenditure. Our estimates lead us to suggest an average gain in longevity of 4.5 years since 1980, corresponding to about 13.5 per cent of lifetime income of a 20-year-old in 2000. Furthermore, we confirm a weak red-herring claim, that is, that population ageing accounts for only a 0.5 per cent annual growth rate of health-care expenditure. Finally, we find that the rise in longevity leads to a further demand for life-prolonging medical care.

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