

# MAP2030: Modelling Pensions and Long-term Care

Chris Curry (PPI) and Raphael Wittenberg (PSSRU)

PPI Annual General Meeting

9 June 2010

[www.lse.ac.uk/collections/MAP2030](http://www.lse.ac.uk/collections/MAP2030)

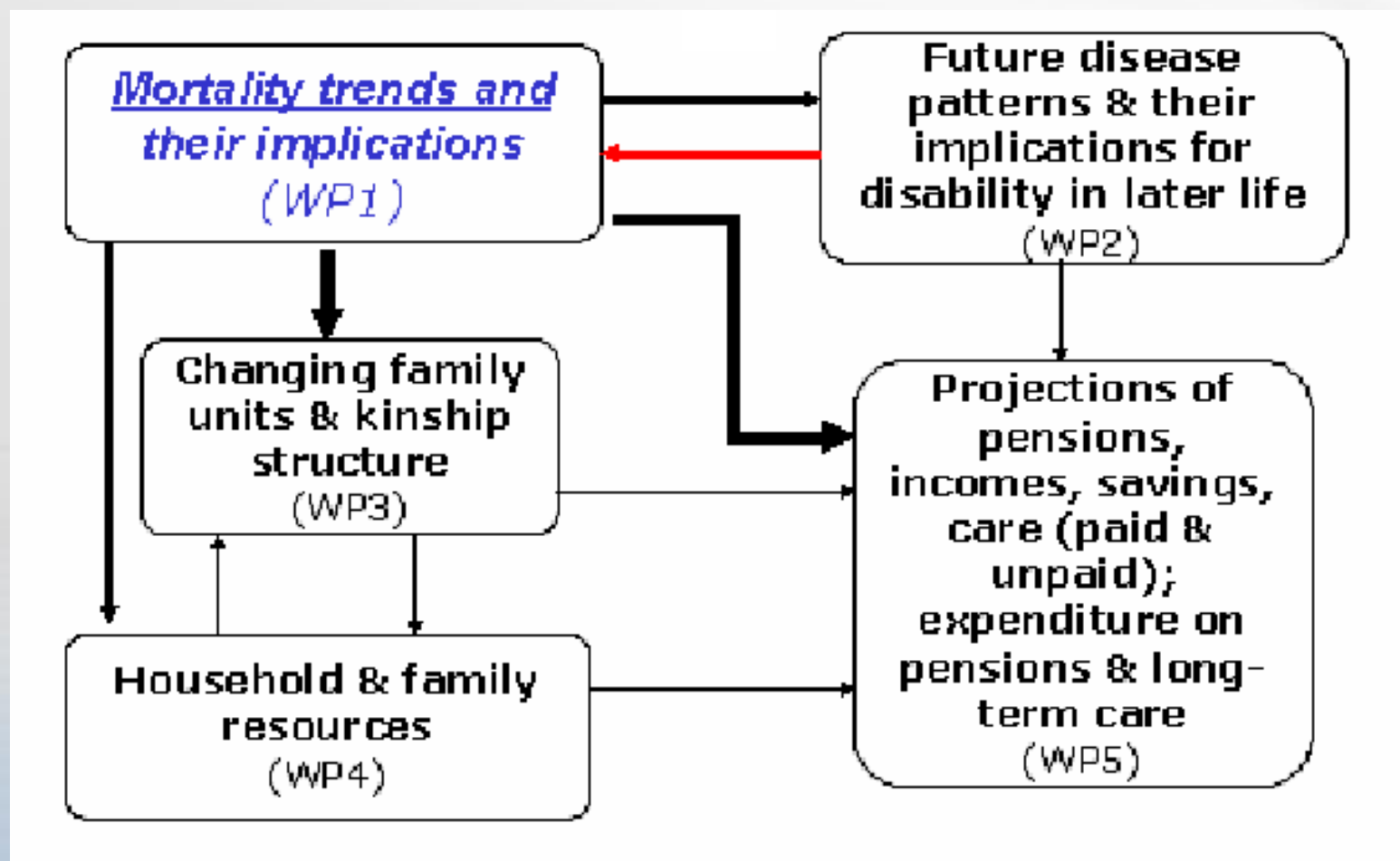


## *MAP2030 Programme Objectives*

To produce high quality analysis to inform public debate and development of future long-term care and pensions policy up to 2030 by:

- projecting the numbers, disability status, family circumstances, income, savings and care needs of older people
- assessing the affordability and distribution of costs and benefits of combined policy options for pensions and long-term care
- accounting for links between care needs and economic resources in later life

# MAP2030 Structure



## *MAP2030 Research Teams*

Mike Murphy, Mariachiara di Chesare (LSE)

Carol Jagger, James Lindesay, Ruth Matthews  
(Newcastle and Leicester)

Emily Grundy & Sanna Read (LSHTM)

Ruth Hancock & Marcello Morciano (UEA)

Raphael Wittenberg, Adelina Comas-Herrera, Linda  
Pickard, Derek King & Juliette Malley (PSSRU)

Chris Curry, John Adams, Sean James (PPI)

### **Supporting partner**

Department for Work and Pensions

## *Why look at different longevity projections?*

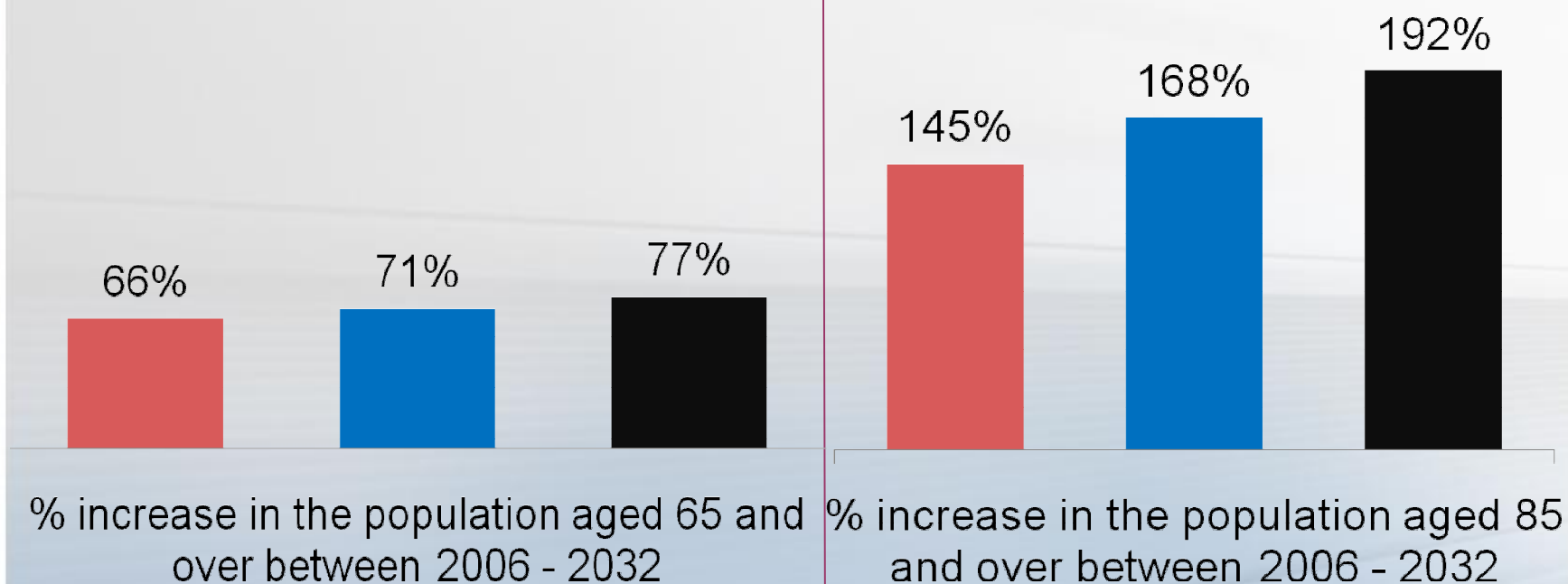
There is still uncertainty surrounding future trends in longevity

- Historical underestimation
- Conflicting evidence: healthcare v obesity
- Inequalities and policies to narrow gaps

## *The number of pensioners could increase significantly depending on future life expectancy*

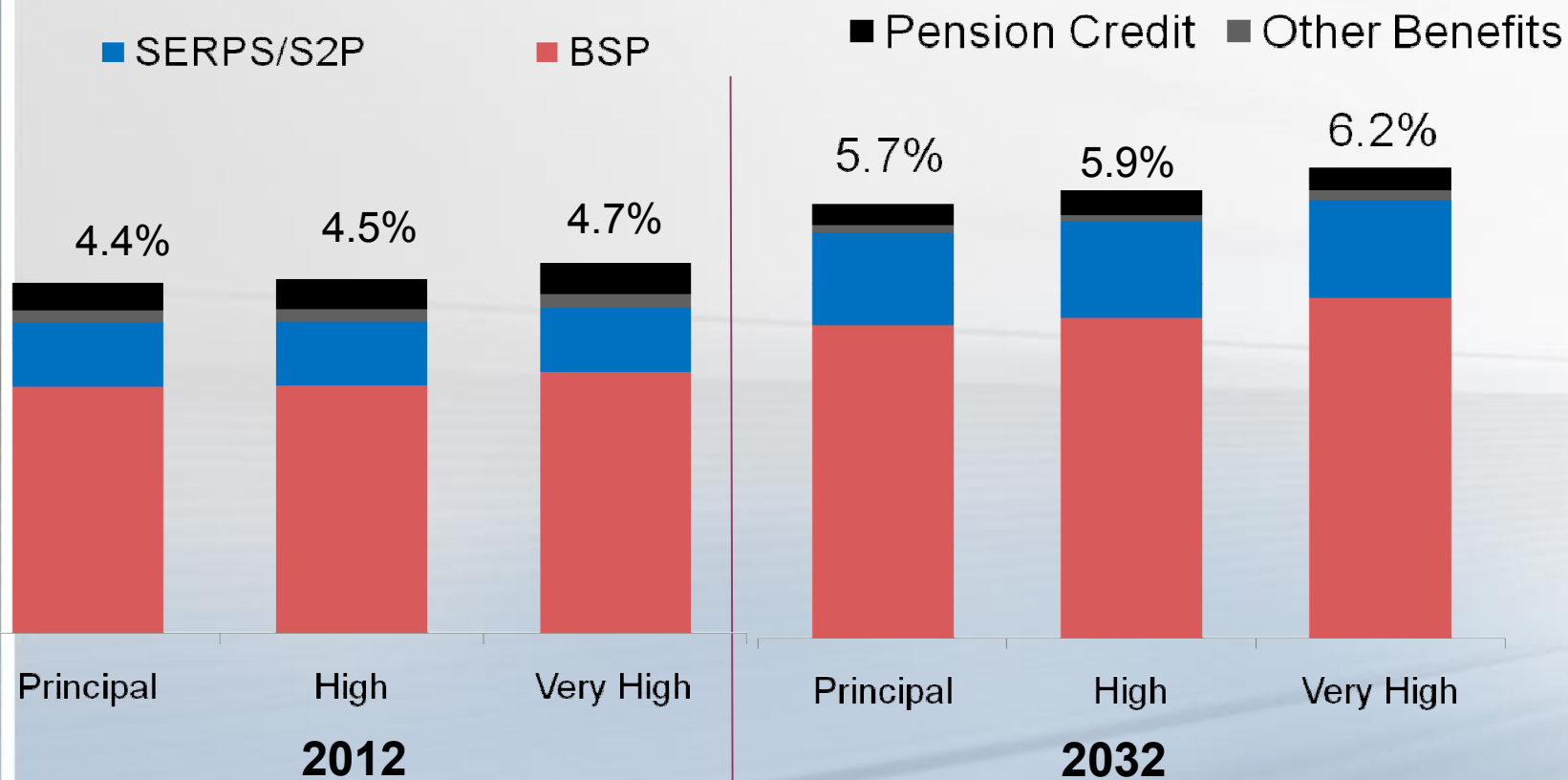
### **Population increase between 2006-2032 under three life population scenarios**

■ Principal ■ High ■ Very High



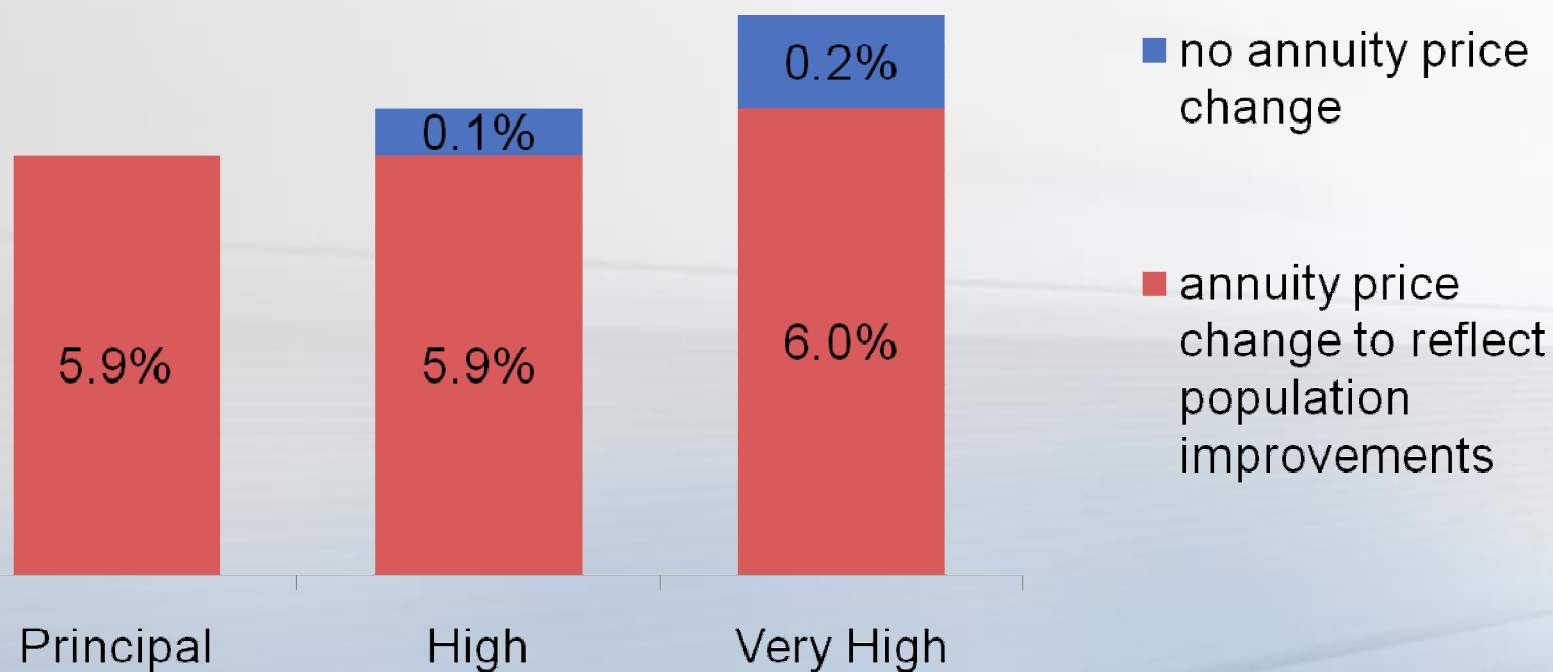
## *State Spending on Pensions increases as the numbers of people over SPA increase*

**State Pension Expenditure as percentage of GDP under the three population projections**



## Higher than anticipated life expectancy could increase private pension income

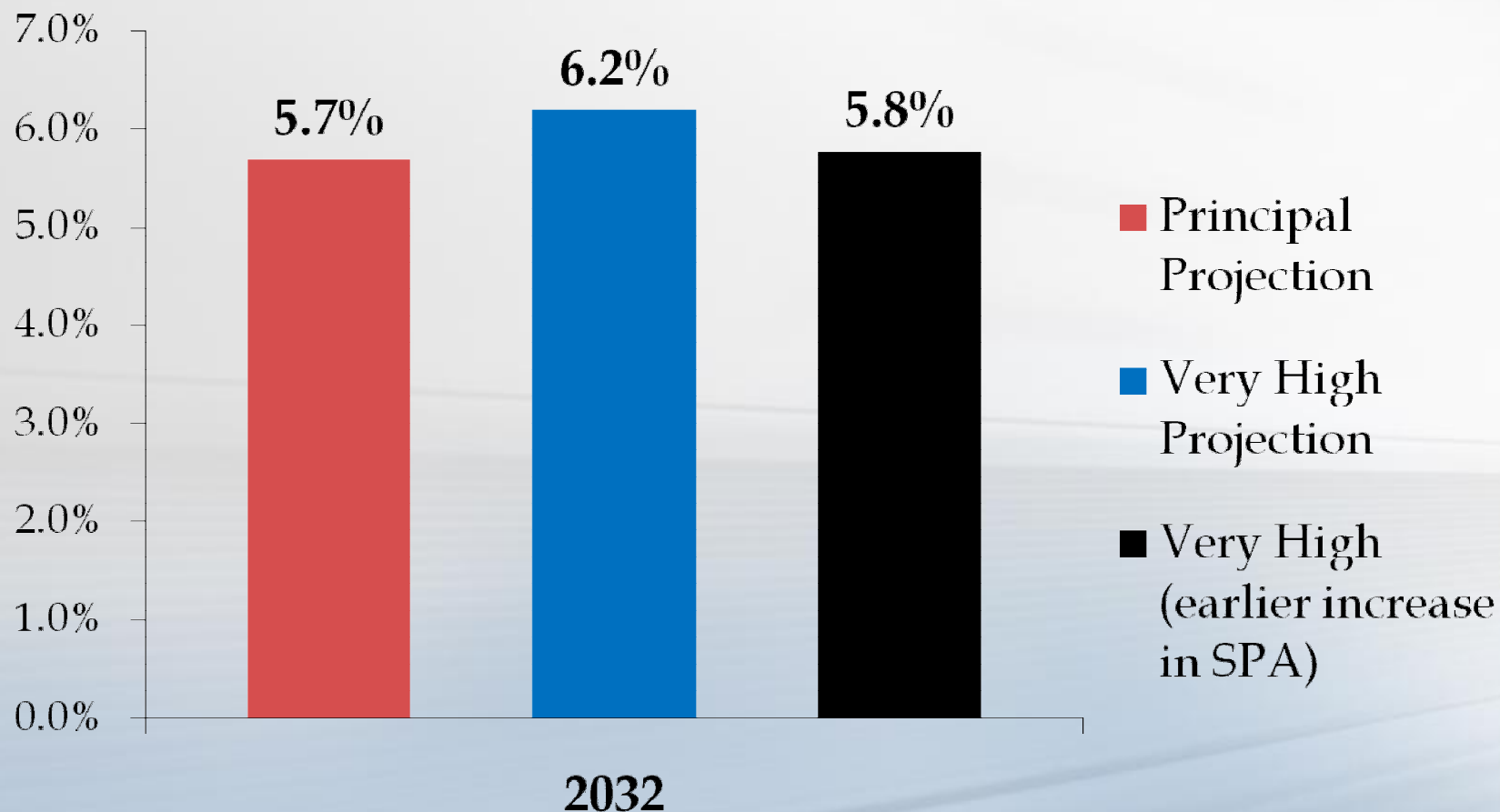
Income from private pensions in 2032, % GDP





## State spending on pensions increases as life expectancy increases but falls back as SPA increases

State Pension Expenditure as percentage of GDP under three scenarios



## Long-Term Care Policy Context

Concern over future affordability of long-term care and pensions

- increasing numbers living to late old age
- uncertainty over numbers who will need care
- highly labour-intensive
- potentially rising expectations

Debate over the last decade about the appropriate balance between public and private funding

## Long-Term Care Financing System in the UK

Health care free of charge at point of use throughout UK

Nursing care in nursing homes now also free throughout the UK

Personal care free in Scotland but subject to user charges in rest of the UK

Hotel costs in care homes and domestic help subject to charges throughout UK

Disability (cash) benefits are not subject to means test, throughout the UK

## Methodology for Producing Projections

Use of three linked models:

PPI suite of models on pensions

Caresim, University of East Anglia, model of resources of older people and charging for care

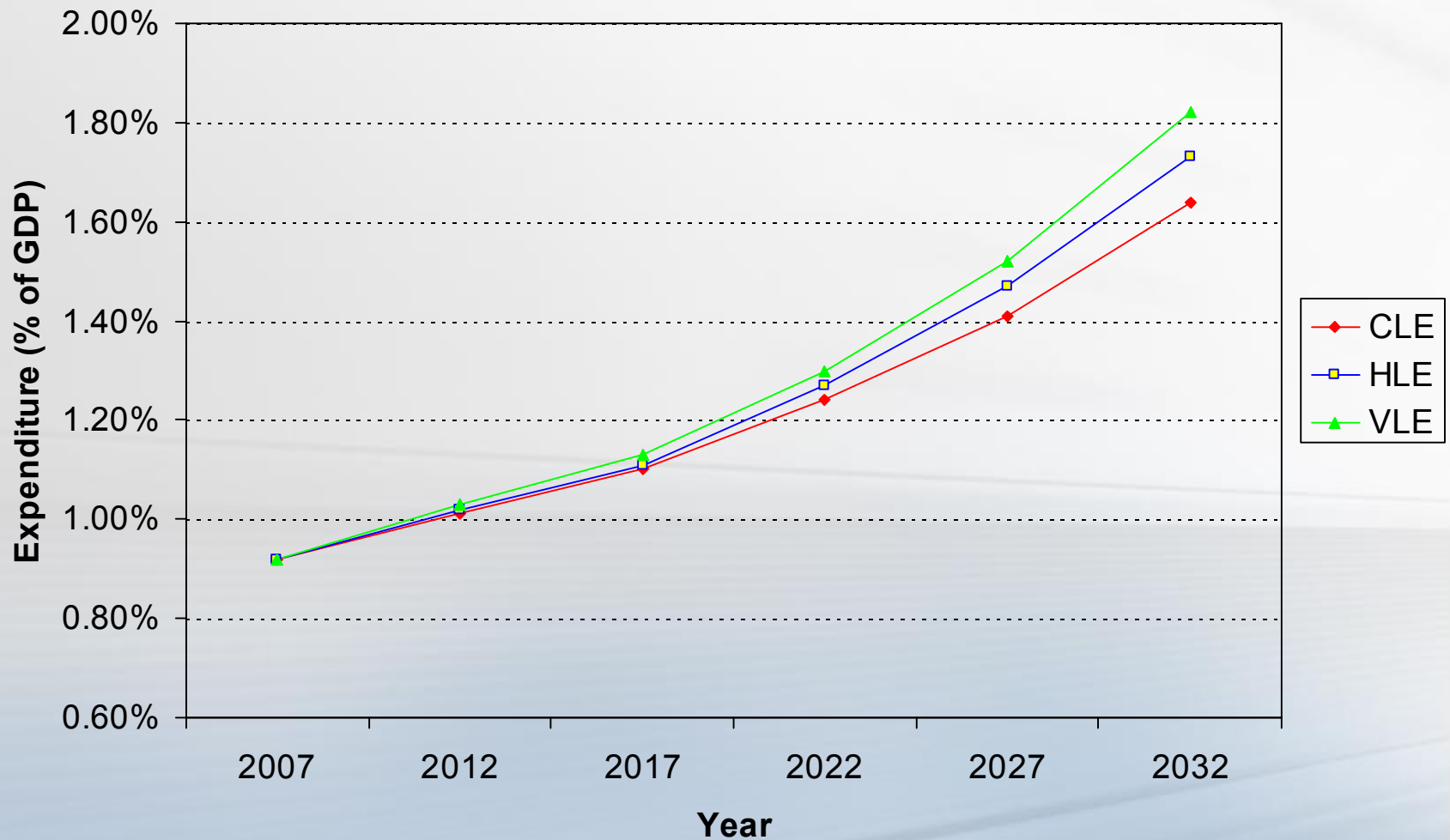
Personal Social Services Research Unit at LSE model of long-term care for older people

Innovative combination of macro and microsimulation models

# Impact of Variant Population Projections On Long-Term Care for Older People

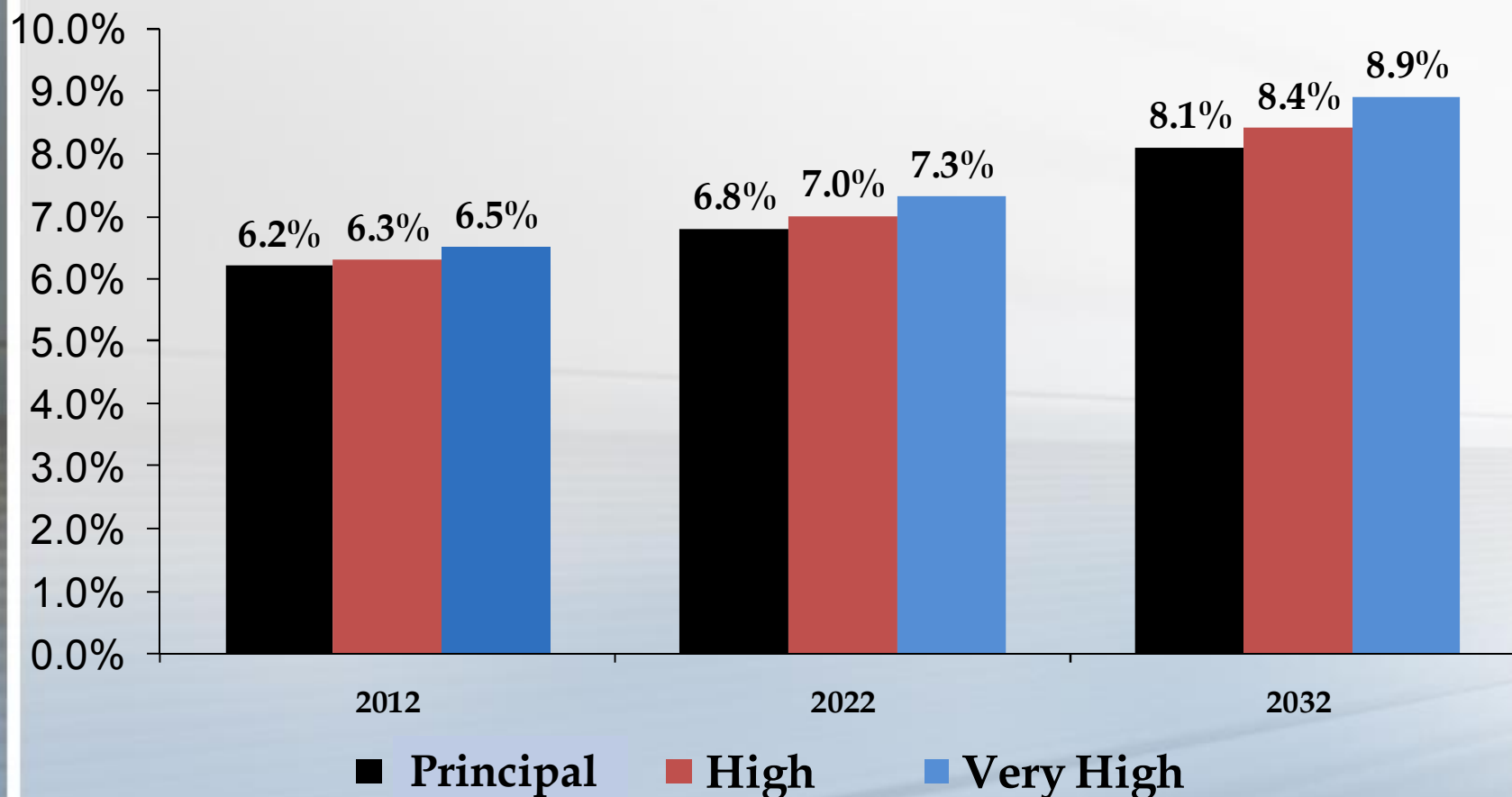
	<b>CLE</b>	<b>HLE</b>	<b>VHLE</b>
<b>Older population increase 2007-2032</b>	<b>64%</b>	<b>70%</b>	<b>75%</b>
<b>Disabled older pop increase 2007-2032</b>	<b>75%</b>	<b>83%</b>	<b>92%</b>
<b>Total expenditure 2032 £bn (2007 prices)</b>	<b>£50bn</b>	<b>£53bn</b>	<b>£56bn</b>
<b>Total expenditure 2032 % GDP</b>	<b>2.70%</b>	<b>2.85%</b>	<b>3.00%</b>

## Projected Public Expenditure on Long-term Care under Different Life Expectancy Variants, % GDP



## Higher life expectancy increases state spending

Government spending on pensions, means tested benefits for pensioners and long-term care, % GDP, without SPA changes



## Policy Agenda under the New Government

The new Government's Coalition Agreement includes commitments to:

hold a review to set the date at which the state pension age starts to rise to 66; and

establish a commission on long-term care which will consider a range of ideas, including both a voluntary insurance scheme to protect the assets of those who go into residential care and a partnership scheme.



## MAP2030 End of Project Conference

The MAP2030 study are holding an end of project conference on **Thursday 17 June 2010 at the London School of Economics.**

The presentations and workshops will cover the range of MAP2030 work including analyses of trends in mortality, disability, kinship, informal care, pensions and long-term care.

On long-term care we will present analyses of the costs and distributional effects of a range of potential reforms such as partnership schemes.

On pensions we will also present new analyses of the costs of potential policy changes.

Website: [www.lse.ac.uk/collections/map2030](http://www.lse.ac.uk/collections/map2030)