

News release

Multi-stakeholder approach needed to meet the long-term care challenge, says Swiss Re *sigma* study

- **The funding and provision mechanisms for long-term care (LTC) of the elderly are unsustainable, not comprehensive and often non-existent**
- **The burden of providing care will increasingly fall on individuals, but awareness of the risks and costs of LTC is very low**
- **In most countries, including in Europe, the US & China, people generally cannot afford to pay their nursing home costs**
- **Private insurers can help more households with consumer-centric innovations, but LTC is a multi-stakeholder challenge**

Zurich, 22 October 2014 - The number of people aged 65 years and above will grow by around 80% to nearly 1 billion over the next 15 years. Meeting the care needs of the elderly will be one of the main challenges facing society. Swiss Re's latest *sigma* study: *How will we care? Finding sustainable long-term care solutions for an ageing world* examines how tightening government budgets, changing demographics, low personal means and limited awareness need to be addressed if this challenge is to be met.

The decision to move to a nursing home, or to set up some other form of LTC for their later years, is one of the most difficult life decisions people make. Yet awareness of the risks and costs of LTC is very low. For example, data in this *sigma* show that in most countries, people would not have enough wealth to cover the costs of a longer stay in nursing home – even if they sold their homes. Similarly, median incomes in most countries would make it very difficult for retirees or their children to fund their stay.

However, very few realise that there is a funding gap. There is also widespread misconception that the government will play a leading role as provider. "The problem is that people underestimate the cost of LTC and overestimate what the state will provide," says Kurt Karl, Swiss Re's chief economist.

Media Relations, Zurich
Telephone +41 43 285 7171

Lukas Steinmann, Zurich
Telephone +41 43 285 4687

Kulli Tamm, Armonk
Telephone +1 914 828 6504

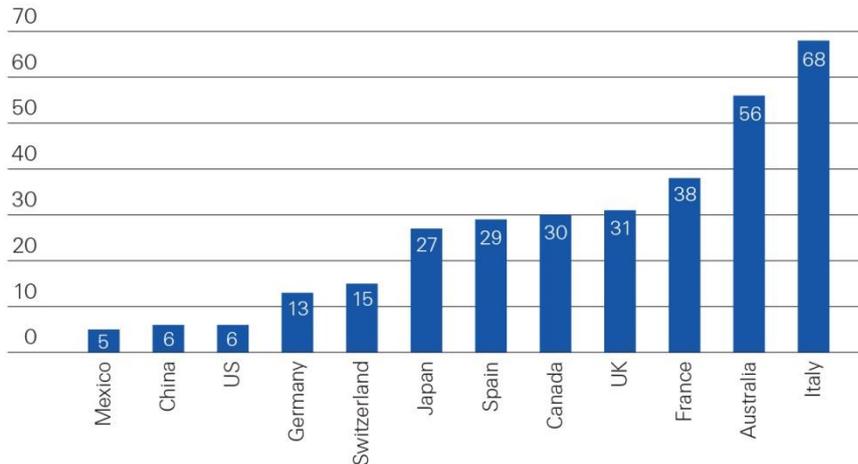
Clarence Wong, Hong Kong
Telephone +852 2582 5644

Swiss Re Ltd
Mythenquai 50/60
P.O. Box
CH-8022 Zurich

Telephone +41 43 285 2121
Fax +41 43 285 2999

www.swissre.com
 @SwissRe

Figure 1: How many months of nursing home care can people afford?



Note: this chart is derived from the data from Table 2 of the sigma report. Based on the average monthly cost of care and median wealth, people in many countries would struggle to fund a longer stay in a nursing home without assistance from another funding source.

Source: Swiss Re Economic Research and Consulting.

Current systems are unsustainable and not comprehensive

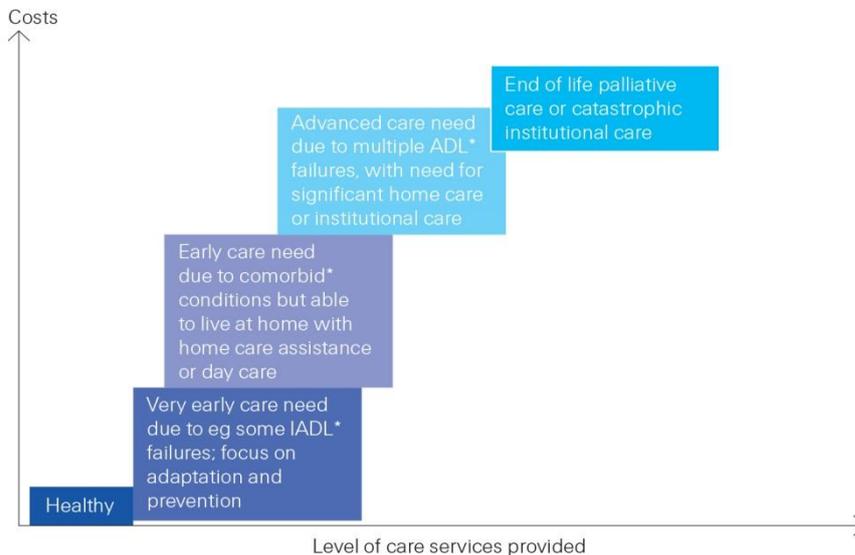
The current systems of funding and providing long-term care (LTC) for the elderly are unsustainable, according to Swiss Re's research. In many advanced markets, state provisions do not fully cover the high costs of care. In most emerging markets, state-provided systems are often non-existent, while traditional models of family care are coming under pressure from demographic changes such as younger people moving from rural to urban areas, and increasing female labour force participation. Societal changes like these and demographics will lead to a shortage of informal caregivers. Another issue, in both the advanced and emerging markets, is limited capacity in residential care homes and a shortage of qualified formal carers.

Today, the bulk of care is provided informally by family members and financed mostly by out-of-pocket payments. Public spending on care for the elderly is expected to increase in the coming decades but even so, tax-payer funding is limited and the large scale of the LTC challenge will strain already-tight government budgets.

Towards an integrated, multi-stakeholder approach

A fundamental premise of today's understanding of LTC is to assist people to live at home for as long as they can. The continuum of care begins with simple health prevention and assistance to help a recent retiree maintain an independent life. Thereafter comes additional support to manage the mounting health and physical incapacities that come with age. The very-later years of life may entail 24-hour residential care.

Figure 2: The continuum of care



*IADL = instrumental activities of daily living; ADL = activities of daily living; comorbid=medical condition(s) existing simultaneously but independently with another or a related medical condition.

Note: Long-term care is not just about nursing home stays. The continuum of care illustrates that assistance can already begin in the home. This depends on the ability to care out "activities of daily living" and the impact of possibly multiple medical conditions.

Source: Swiss Re Economic Research & Consulting.

An integrated, multi-stakeholder approach – including private insurance – is needed to deliver the full continuum of care. To date, insurers have played only a small role in the financing of LTC, with different demand- and supply-side factors holding back the development of a large-scale private insurance sector. There is scope to grow the market with more hybrid-type solutions that combine LTC insurance with life, retirement/pension and critical illness products. Insurers can also develop new products that better suit customer needs, such as immediate-need annuities and short-term care products.

But insurers can't do it alone. All stakeholders, including governments, healthcare institutions, care providers and consumers should contribute to what can be a financially sustainable LTC solution. For example, private insurers can become investors in care infrastructure and services, and employers can do more to raise awareness of LTC risks. There also needs to be stronger coordination of the different agents involved in care delivery and greater promotion of healthy-ageing initiatives.

Other options are tax incentives to encourage and support family members to become home carers, and to enable those wishing to continue working to do so either in the formal sector or in social engagement activities. Technological innovation, which can enable better health monitoring and care coordination, is another element. "The different stakeholders and insurers can work together to create an effective and affordable system for LTC," says Lukas Steinmann, co-author of the report. "In doing so both the insurance industry and society at large will benefit."

Note to editors**Swiss Re**

The Swiss Re Group is a leading wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Dealing direct and working through brokers, its global client base consists of insurance companies, mid-to-large-sized corporations and public sector clients. From standard products to tailor-made coverage across all lines of business, Swiss Re deploys its capital strength, expertise and innovation power to enable the risk-taking upon which enterprise and progress in society depend. Founded in Zurich, Switzerland, in 1863, Swiss Re serves clients through a network of over 60 offices globally and is rated "AA-" by Standard & Poor's, "Aa3" by Moody's and "A+" by A.M. Best. Registered shares in the Swiss Re Group holding company, Swiss Re Ltd, are listed in accordance with the Main Standard on the SIX Swiss Exchange and trade under the symbol SREN. For more information about Swiss Re Group, please visit: www.swissre.com or follow us on Twitter [@SwissRe](https://twitter.com/SwissRe).

How to order this *sigma* study:

The English and German versions of the *sigma* No 5/2014, *How will we care? Finding sustainable long-term solutions for an ageing world*, are available electronically on Swiss Re's website: www.swissre.com/sigma.

Printed editions of *sigma* No 5/2014 in English and German are available now. The printed versions in French, Spanish, Chinese and Japanese will be available in the near future. Please send your orders, complete with your full postal address, to sigma@swissre.com.