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**THE HEALTHCARE CONUNDRUM
BABY BOOMERS, SUPERANNUATION
AND **HEALTH FUNDING**
THE NEW REALITY**

A REPORT BY FUJITSU AUSTRALIA AND NEW ZEALAND, OCTOBER 2008

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PREFACE

While a proportion of baby boomers will have the financial resources to purchase the health services they might need in the future – and the private healthcare sector is potentially able to provide such services – many will not be as fortunate. More than four million people in this age group will not be able to afford or have the insurance to pay for health services, creating a health divide. Those who cannot pay will look towards the public healthcare system, which will use up significant tax dollars. Disadvantaged individuals who tend to be less healthy will also be further disadvantaged by the funding gap.

Many baby boomers are spending their accumulated wealth, rather than passing it on to the next generation or investing in adequate superannuation or health insurance. The current statutory level of superannuation will be insufficient to provide the level of funding required for health services. There is a need for greater awareness and incentives for baby boomers to invest more.

A survey we conducted earlier in the year (detailed below) revealed a greater awareness of superannuation-related issues than healthcare-related issues, and it also showed many baby boomers have an unrealistic view of the level of healthcare support and funding that will be available in the future.

EXECUTIVE SUMMARY

In 2007 Fujitsu published a white paper about baby boomer attitudes to health care. One of the critical findings was that many boomers were ill prepared to fund their later life and health needs, which could put stress on the public health sector. It was an important insight for policy makers and those in the private health sector.

This year we conducted a more comprehensive omnibus survey on baby boomers that examined their superannuation arrangements, views on their financial positions, and expectations for the future. The survey was the result of 6,000 telephone interviews executed between May and July 2008. It was statistically representative in terms of age, state and geo-demographics, and was probably the most comprehensive survey completed on this subject in Australia.

We discussed the research findings and their implications with a range of senior healthcare practitioners, managers, advisors and business owners in a workshop staged as part of the Australian College of Health Service Executives (ACHSE) National Congress, held in Alice Springs in August 2008. ACHSE is now Australia's largest professional body representing health management in Australia.

The results of the survey, the discussions and potential policy recommendations are outlined in this report, which includes:

- overview of the survey method
- key results
- summary of the main topics discussed in the workshop
- specific commentary and recommendations relating to the provision and funding of long-term healthcare.

This report is relevant to policy makers, healthcare professionals and a broader range of interested parties.

In summary, we found that the current approach to long-term healthcare is not sustainable because of the large number of baby boomers who will require care. In addition, the current approaches to superannuation will leave many boomers with insufficient resources to fund their retirement and health services. As a result, substantial changes are needed to address care in a community setting and provide alternative funding models to support the sector.

METHODOLOGY

The Australian Bureau of Statistics (ABS) defines the baby boomers as ‘those who were born in Australia or overseas during the years 1946 to 1964’. In fact, the fertility rate began its rapid rise in 1946, peaked in 1961 and had dropped just below the 1946 level by 1965.

For our research we grouped the 5.4 million Australians who are classified as baby boomers into the following age bands:

- 45–49 years
- 50–54 years
- 55–59 years
- 60–64 years
- 65 and over.

We assumed those aged between 45 and 64 years of age fell into the baby boomer category.

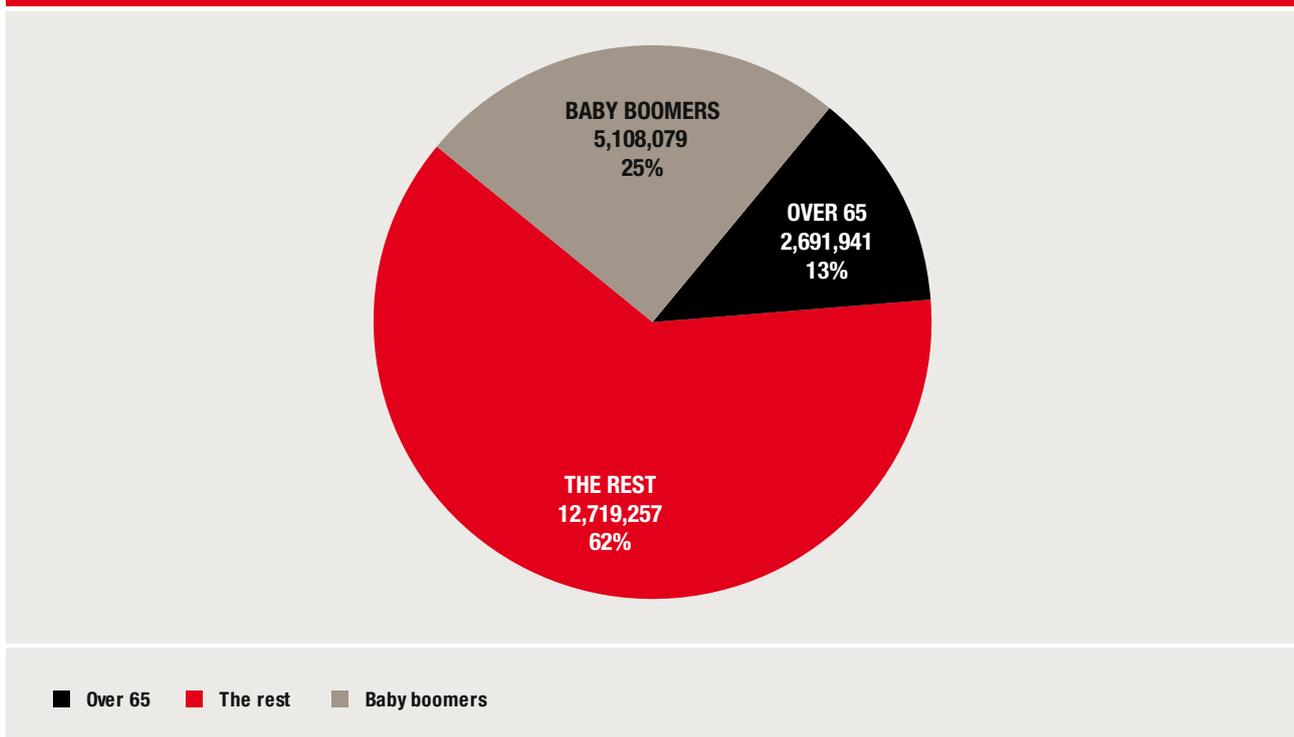
We asked a series of structured questions in a short telephone survey. The questions allowed us to analyse people’s social and geographic demographics, alongside their attitudes towards superannuation and healthcare.

We also made comparisons between the various segments within the boomer groups and incorporated data from the ABS Census data cube.

KEY FINDINGS

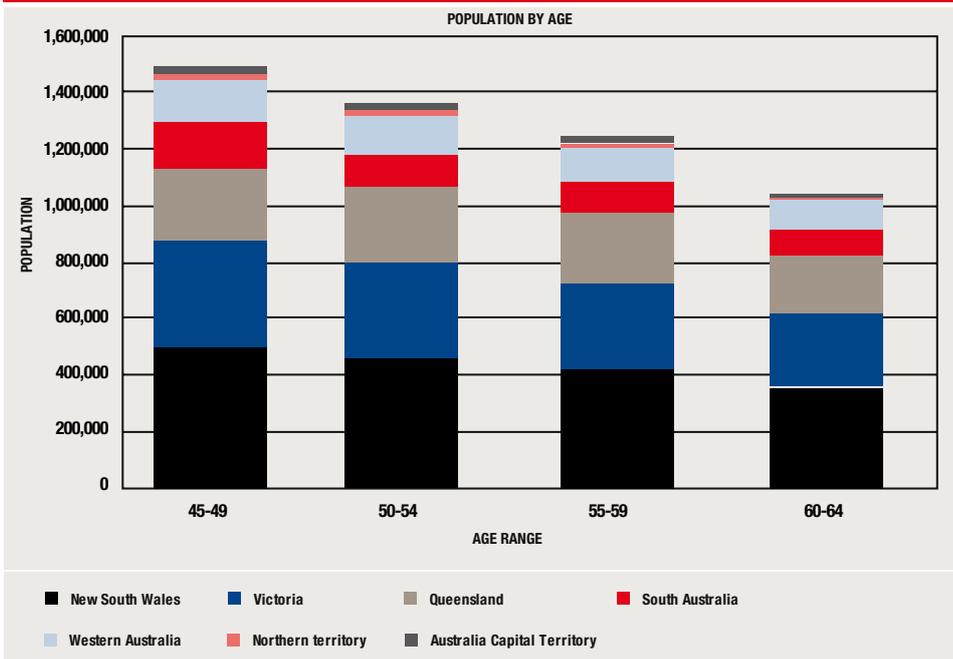
A significant proportion of Australians fall into the baby boomer category – 25 per cent of the total population, compared with 13 per cent over age 65. This translates to over 5 million individuals looking to retire within the next few years.

FIGURE 1 AUSTRALIAN POPULATION



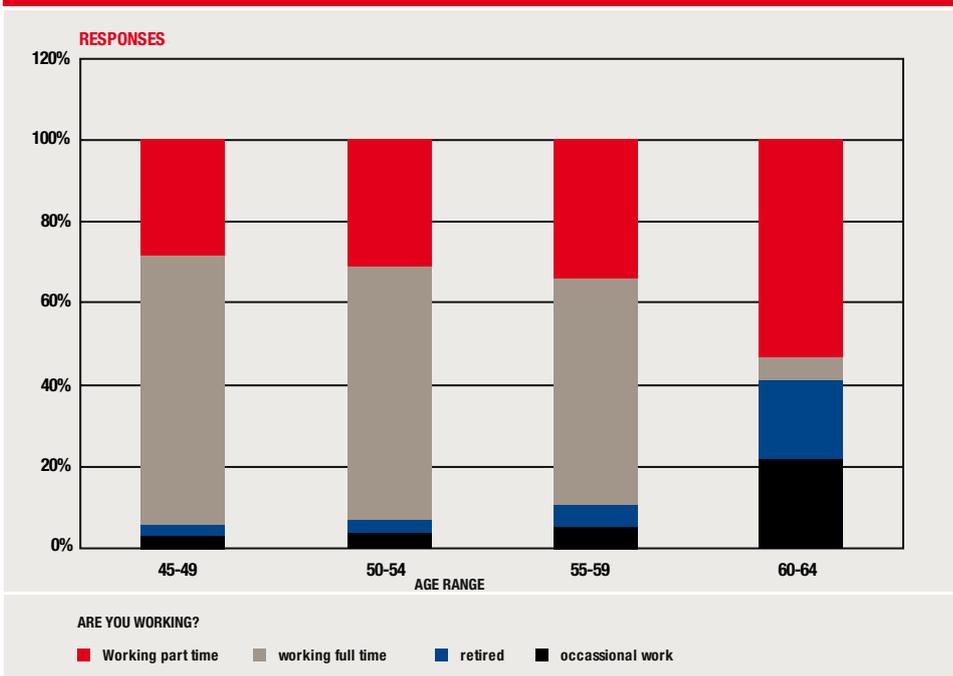
In the next 10 years the number of people approaching retirement and potentially requiring healthcare will rise significantly. According to Alzheimer's Australia, the average rate of moderate to severe dementia among Australians aged 65+ is about one in 15. For people aged 80–84 the rate is one in nine, and among those aged 85+ it is one in four.¹

FIGURE 2 AGE DISTRIBUTION



Today most baby boomers are in some form of work, but as they approach their later working life they prefer to move to part-time employment or casual employment.

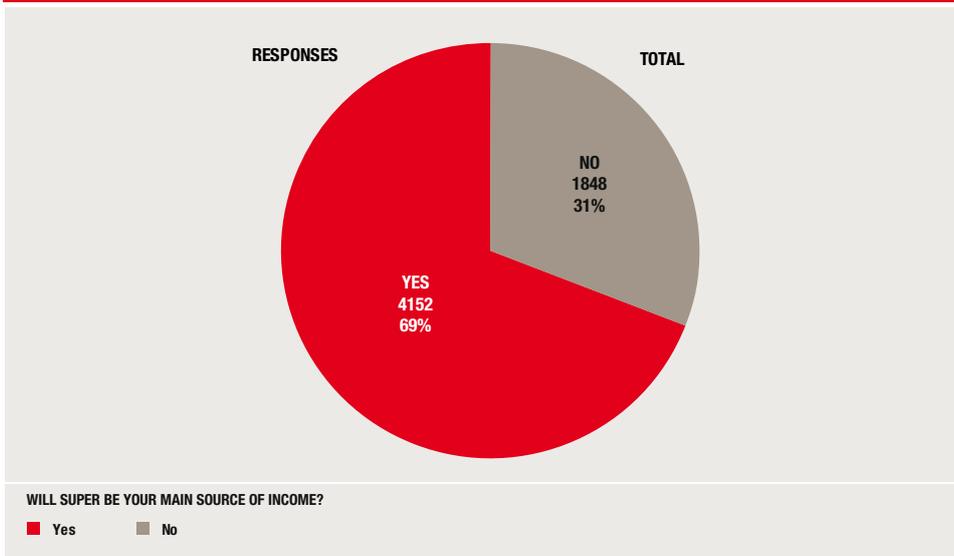
FIGURE 3 EMPLOYMENT STATUS



Only 4 per cent of baby boomers live in specialist aged care facilities and there is a strong preference to live in their homes well into old age.

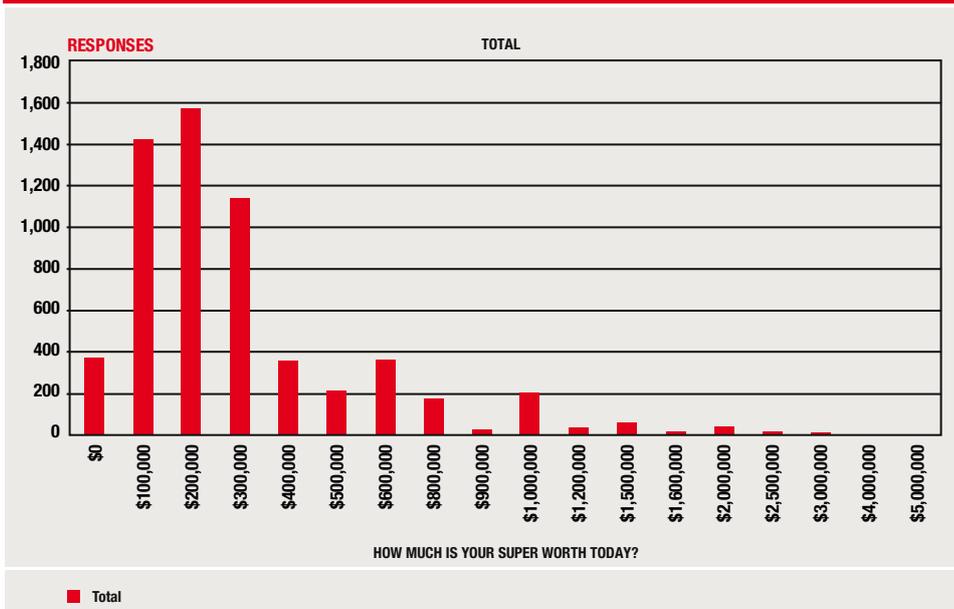
More affluent boomers tend to worry more about their financial future.

FIGURE 4 WILL SUPER BE YOUR MAIN FORM OF INCOME?



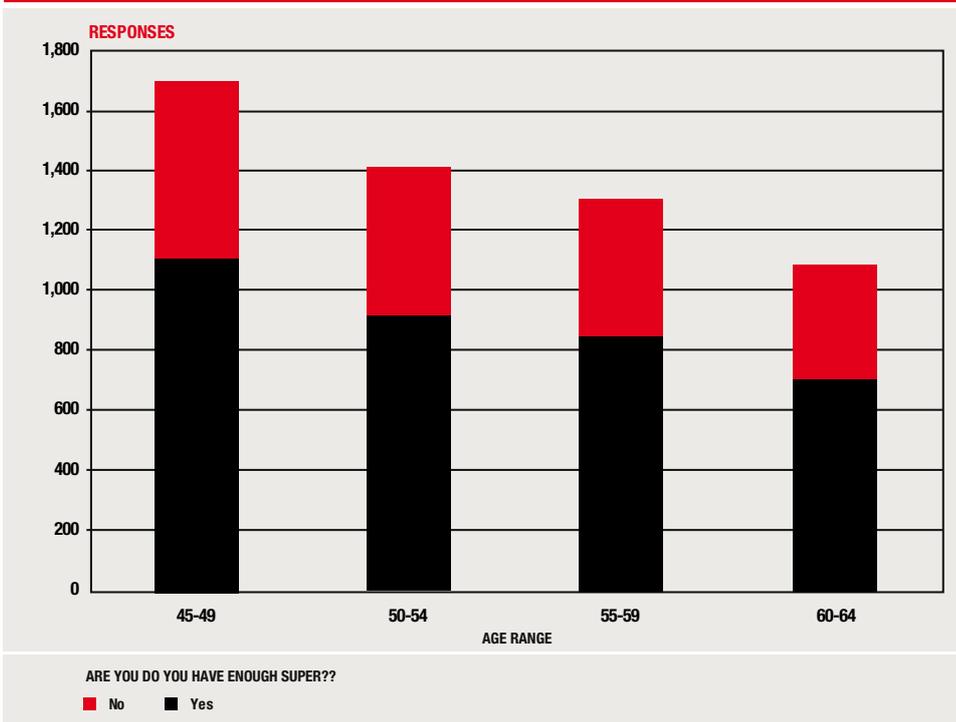
Nearly 70 per cent of boomers believe that their superannuation will be their main source of income into their old age – but more affluent groups tend to be less reliant on super.

FIGURE 5 HOW MUCH IS YOUR SUPER FUND WORTH?



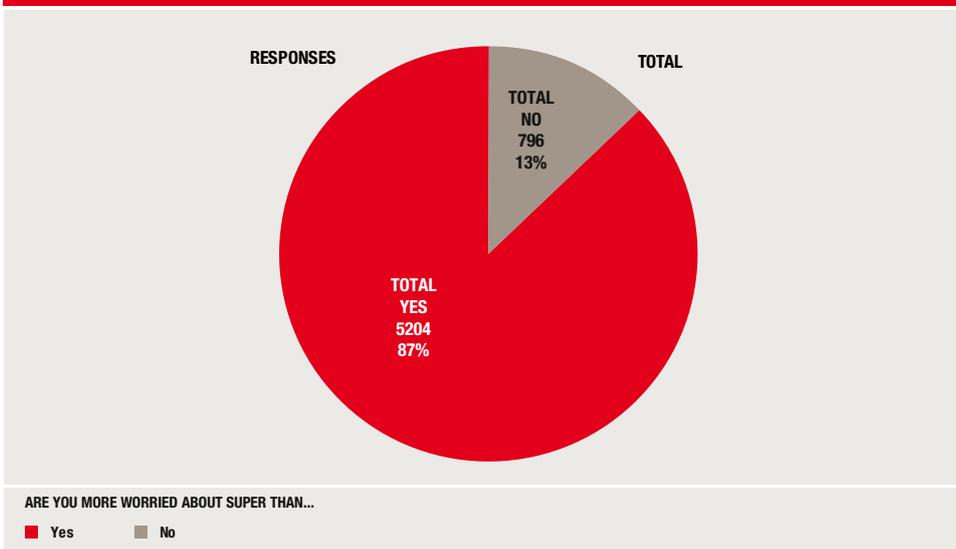
While the average value of individuals' superannuation varies, the majority lay in the A\$200k–A\$300k range.

FIGURE 6 DO YOU HAVE ENOUGH SUPER?



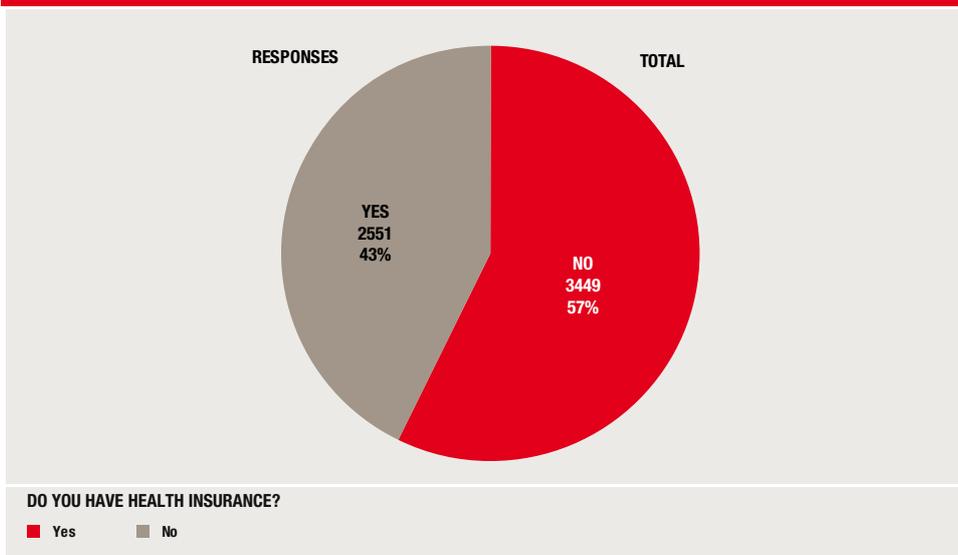
Two-thirds of respondents do not believe they have enough in super, although the more affluent groups were more comfortable.

FIGURE 7 ARE YOU MORE WORRIED ABOUT SUPER THAN YOU WERE A YEAR AGO?



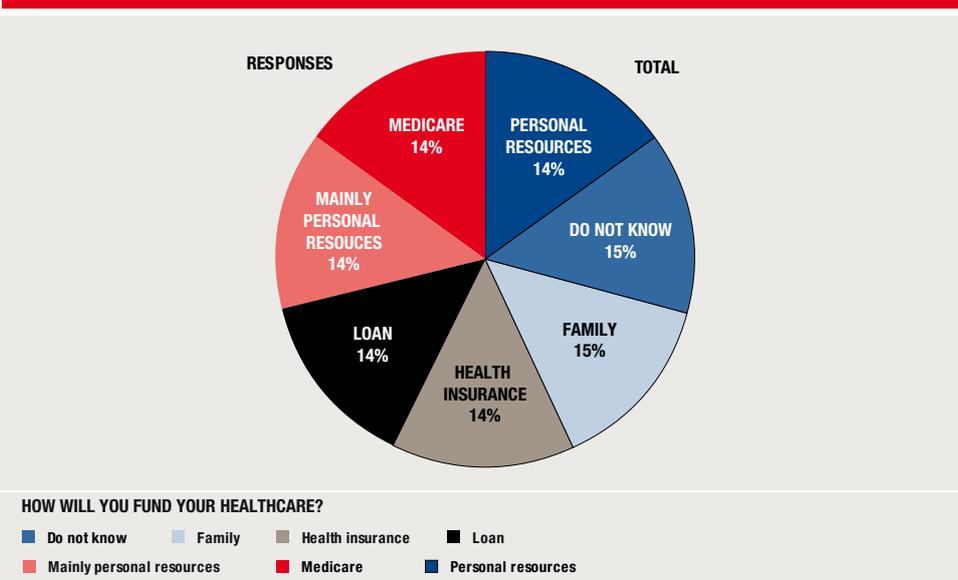
Nearly 90 per cent of boomers are more worried about their super than 12 months ago.

FIGURE 8 DO YOU HAVE HEALTH INSURANCE?



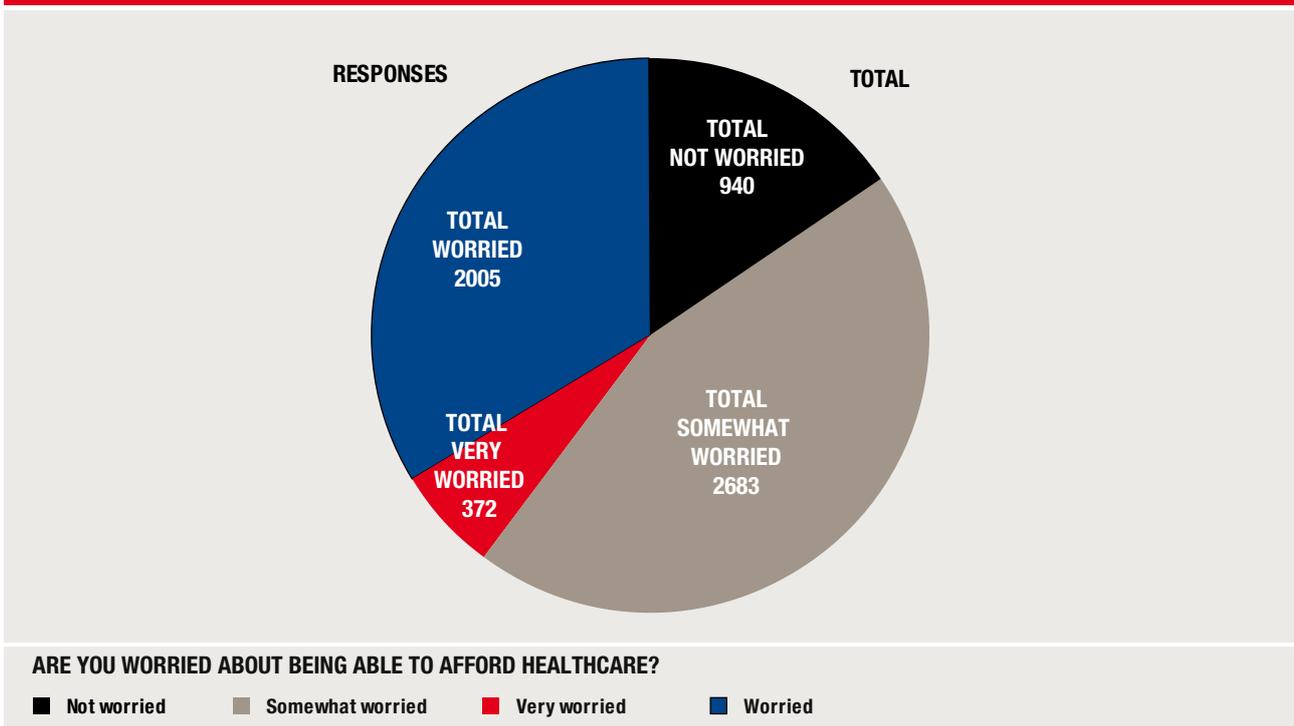
Fifty-seven per cent of respondents do not have any form of health insurance. More affluent groups are likely to have health insurance.

FIGURE 9 HOW WILL YOU FUND YOUR HEALTHCARE?



Fifteen per cent of respondents do not know how they will fund their healthcare needs.

FIGURE 10 ARE YOU WORRIED ABOUT BEING ABLE TO AFFORD HEALTHCARE?



Over three-quarters of baby boomers are worried they cannot pay for their medical care. Affluent boomers are less worried than other groups.

We envisage a future where a small proportion of boomers will be able to adequately fund their health care, but the majority of them will have insufficient funding. These individuals will become reliant on government support unless they are encouraged now to contribute more to their future wealth. This is a challenge for the healthcare, superannuation and government bodies.

SUMMARY OF WORKSHOP DISCUSSIONS

There was universal agreement that the emergence of the retired baby boomers is a significant issue for the healthcare industry. The large increase in the number of people requiring care will fundamentally change the game. Interestingly, this group will be a vocal, active and able political force, and its voting power means it will be courted by politicians across the spectrum.

The group was divided on whether healthcare funding should be covered by an increase in income tax. Many were attracted by the concept of higher rates of income tax if people with higher incomes would pay more. However, the level of tax increase would be large and the implications for other sectors significant. To illustrate, according to Alzheimer's Australia, the total financial cost of dementia in 2002 was A\$6.6 billion – over A\$40,000 per annum per person with dementia. By 2051 dementia's financial impact will total 3.3 per cent of GDP (gross domestic product).

The question of funding raised the opportunity for new financial services and health insurance products. Perhaps the banking sector would see a potential new market opportunity, which might lead to the potential acquisition of health insurance providers. Funding would also require higher levels of superannuation contributions. The survey also showed support for better public education about the realistic levels of superannuation people need to fund their retirement and healthcare. Some advocated a tax surcharge basis for health funding while others believed there should be a stronger focus on a person's responsibility for saving.

Many healthcare operatives are baby boomers. There will be an insufficient number of health workers in the future to provide the amount and mode of care currently provided to older Australians. This is driven first by the growth of people requiring care and second by the decreasing number of available workers, as people are being enticed into better paid employment categories.

The emphasis needs to shift from healthcare to health preservation and wellness, and from long-term residential care to community care with limited hospice care in urgent need. Healthcare and advice need to be delivered differently to achieve these goals. Several experts say that homecare tends to be more expensive and places more burden on relatives and families than in-specialist units. Many 'volunteers' act as the spine of informal care, and this will continue and increase. Community-based strategies must focus more on prevention, which requires health education, screening and ongoing monitoring to rise. The approach must be tailored to local needs – from high-populated city areas to remote areas.

Finally, there was much discussion about the structural issues in healthcare. There are clear tensions between the State and Federal Government responsibilities, between general practitioners, other health professionals and government bodies, and between the public health system and the private sector. Several participants spoke about the need for structural reform and the difficult political issues it raises. The survey showed people were optimistic that reform was possible with Labor controlling State and Federal agendas. However, the impact on the unionised workforce, GPs and other health professionals were seen as challenges.

COMMENTARY AND RECOMMENDATIONS

HEALTH FUNDING FOR BABY BOOMERS IS A SIGNIFICANT ISSUE

This issue has been long discussed and is widely recognised, but the current savings trajectory for many boomers means they cannot afford to fund their retirement or cover healthcare costs. A different approach is required, such as education about how much superannuation they need to fund approximately 30 years of retirement, a rise of statutory superannuation contribution, new hybrid savings and health insurance products. This may also create new businesses, new business opportunities and products.

HEALTH PRESERVATION AND SELF HELP SHOULD HAVE GREATER FOCUS

Individuals must take more responsibility for their health. They also need to access education and screening services. A 2007 US article reported that just a small effort to prevent sickness would free up funds. Medicare spending is expected to double by 2016 to A\$862.7 billion. The US healthcare spend is approaching US\$2 trillion a year and is also expected to double in the next 10 years. The increases will result from treating chronic diseases such as cancer, diabetes, heart and lung diseases. These diseases are the leading causes of death in the US and are largely preventable. Eighty per cent of the risk factors are behaviour-related. People smoke, eat too much and don't exercise so they have greater chances of developing deadly, costly diseases. However, there is scope to change priorities and ensure adequate spending goes to health checks and advice.

If our healthcare system shifted a small percentage of spending into preventative programs, overall healthcare costs would fall dramatically. If we had more resources to help sick people manage their illness, we could help reduce healthcare costs and have healthier people. One problem is that health professionals and care providers lack adequate financial incentives to help prevent illness. Only a handful of the 15,000 reimbursement codes under our Medicare system are for preventative care. There are also few patient education billing codes, for example, codes that reimburse providers for helping educate patients about the importance of exercise, proper diet or other activities that promote health. When tests reveal patients are at risk of chronic disease, physicians have no incentive to help them stay healthy. A good example of systematic behaviour change is seen in treating diabetes. When someone is diagnosed, it is not a death sentence. People with diabetes can live healthy lives if they manage their blood glucose levels carefully, get exercise and maintain a healthy diet. However, they need a support system to help them stay on track.

COMMUNITY-BASED CARE MUST BE THE NORM

Health planners will need to redefine how healthcare in the community will be delivered. This will require greater use of health practitioners other than doctors, and appropriate community-based programs. The responsibility of local communities, the State Government and the Federal Government should be revisited. This may also mean that funding needs to change from acute care in hospital to local care in the community.

NEW TECHNOLOGY CAN BE HARNESSSED TO PROVIDE COMMUNITY CARE AND MONITORING

There is compelling evidence that technology can provide a route map to better healthcare in the community at lower cost. For example, in the UK the annual costs for a person participating in a Supervised Exercise, Diet and Stress management (SEDS) program is around 41,000 euros for conventional treatment, whereas the annual cost for mobile patient management is just 15,000 euros. It is possible for remote monitoring technologies to monitor patient states and trigger alarms in case of specific events. Such monitoring can be controlled via a central station and can cover a wide geographic area. Patient trials have succeeded, such as a trial in Europe that ran from September 2005 to July 2006, involving patients with varying health conditions at three different sites. The goal was to test remote systems in real-life scenarios. One project partner, Medisch Spectrum Twente of the Netherlands, monitored high-risk pregnancies and showed that the potential financial benefits can be very high, as integrating mobile patient monitoring is feasible at low cost.

At the Hospital Clínic Provincial de Barcelona, Spain, remote monitoring was used to support remote assistance during home visits to elderly and chronically ill patients suffering from chronic obstructive pulmonary disease (COPD). Another partner, LITO Polyclinic in Cyprus, tested two groups of cardiac patients – those with an acute episode or in a suspected acute episode.

However, this remote monitoring has significant complex technology requirements, including the need for highly available and high bandwidth networks.

THE ROLES OF STATE GOVERNMENT, FEDERAL GOVERNMENT, HEALTH PROFESSIONALS AND GENERAL PRACTITIONERS NEED TO BE CLARIFIED

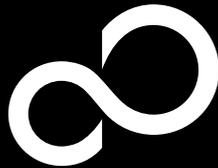
Australia has a complex web of entities with pieces of the health continuum. There are many examples of split responsibilities, or unclear accountabilities. The debate about state versus federal health funding, or the role of general practitioners compared with other health workers, are two classic examples. Structural reform is essential to unlock the potential within the system, remove the bureaucratic road blocks and get better care delivered when needed. Changes need to prevent illness, and provide acute care.

CONCLUSION

There is significant opportunity to radically transform healthcare in Australia. The status quo is unable to provide appropriate healthcare for an additional 5 million people requiring care in the next few years. However, the emerging baby boomers create the potential opportunity to drive reform to prevent illness in the community, leverage emerging technology and clarify the roles and responsibilities of key industry players. In addition, there are new opportunities for superannuation and health insurance companies to create new and compelling products which can help baby boomers save for their futures.

ACKNOWLEDGEMENTS

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