Wilton Park

Image: Bine Šedivy

Conference report

UK-Germany Dialogues
Demographic ageing: policy implications and strategies

Thursday 30 May 2013 | WP1239

Held in Berlin

In association with:

BertelsmannStiftung

Wilton Park

Conference report

UK-Germany Dialogues
Demographic ageing: policy implications and strategies

Thursday 30 May 2013 | WP1239

Summary

This conference brought together demographic ageing advocates, policymakers, and researchers from Germany and the United Kingdom (UK), including representatives from government ministries, civil society, the voluntary sector, the financial sector, and academia. The aim of the conference was to assess the current and expected impacts of demographic ageing in Germany and the UK on social security systems, and create comparative and in-depth discussion on the challenges to and solutions for pensions and insurance markets, and health care and long-term care (LTC) sectors.

The scale of demographic ageing in Germany and the UK

Demographic ageing in Germany is challenging because its population has been shrinking since 2003, and a very large cohort of individuals born in the mid-1940s are at retirement age. In 2030, Germany's predicted dependency ratio will be 47% (the highest in Europe).[1] In the UK demographic ageing is not as concerning as it is in Germany, yet in 2030, 51% more people will be aged 65 and over compared to 2010.[2]

Pension provision in ageing societies

Germany's challenges: The current basic pension is generous and is predicted to be unaffordable and unsustainable in the future. The uptake of occupational pensions is low, and private pensions even lower. The pension age has increased, but more must be done to encourage individuals to save for later life.

United Kingdom's challenges: Autoenrolment into the new flat rate pension has increased coverage, but decreased overall benefits. Pension benefits have been 'triple locked' to increase by at least 2.5% annually;[3] however, many are concerned that the defined contribution system and redistributive approach does not provide certainty about the amount of benefits provided in later life for anyone, and may leave the majority of the population living just above the poverty line.

Potential solutions: There was consensus that maintaining the status quo with regard to the pension systems in either country would not suffice. Everyone has a role in change: individuals should increase their receptiveness to planning for the future; the private sector should increase flexibility to accommodate older employees; and the state should guarantee a decent standard of living ('a safety net'), provide incentives for individuals to save, and create tools and information for the public to help them track their pensions.

Health and long-term care provision in ageing societies

Germany's challenges: The health care and LTC system is struggling to keep up with the demographic shift. There is a current workforce shortage in both sectors that will not be able to provide care for the projected future demands. There is also limited uptake of private sector insurance to complement social long-term care insurance (SLTCI), which covers most, but not all care costs. The fund has been running on a deficit for a number of years and new funding is required to continue. Recent government reforms have attempted to encourage people to purchase private long-term care insurance ('PLTCI'), by introducing a subsidy on premiums with a five-year no-claim period, but for now (and the impending future, based on response to incentives), families appear to be covering large portions of LTC costs.

United Kingdom's challenges: LTC funding is unhypothecated, and budgets for local authorities providing care are set to further decrease. Individuals are exposed to very high LTC costs, as it is estimated that 1 in 10 will have lifetime LTC costs that exceed £100,000.[4] To protect their risk, the government has proposed a lifetime cap on personal care costs of £75,000 (not including the costs of accommodation), but in the absence of a market for private long-term care insurance the *risk averse* are left with no real options. There are insufficient numbers of LTC carers available, economic incentives that discourage live-in family carers, and a lack of integration between health and LTC that makes data sharing difficult.

Proposed solutions: The German SLTCI system collapse was argued to be inevitable, and the limited funding available to the system in the UK means that until major financial boosts are provided in each country individuals are left covering significant portions of the cost of care. The 'non-financial' solutions discussed involved:

- Encouraging the private sector to get involved in providing support to older people living in their communities via corporate social responsibility schemes;
- Ensuring that central and local governments build on older people as assets to help care for the oldest old; and
- Increasing prevention and early intervention programmes.

Closing thoughts

Despite the significant criticisms voiced on aspects of the reforms to pension systems and health care and LTC sectors in Germany and the UK, it was agreed that maintaining the status quo was not an option. Accurate models to help predict future care needs and costs are needed.

Structure of the report

This conference report reviews the contexts within which ageing was debated, the challenges faced by both countries and potential solutions. For ease of reporting, pensions are discussed first, followed by the health care and LTC systems; and the issues debated are separated by countries, followed by descriptions of key themes of discussions within the topic.

Demographic ageing

1. Demographic ageing is a leading concern among many policy makers and researchers in Germany. This is due to two factors. The first factor is that the German population has been shrinking since 2003. It is estimated that the country will have seventeen million fewer residents by 2060, a decrease of 21% from current population levels. This decline is driven by falling birth rates and net emigration.[5] Secondly, the demographic structure of the German population is also shifting. There was a large birth cohort around the mid-1940s that has caused a 'Mount Everest'-sized peak in population that has recently started to draw more heavily on social transfers. It is estimated that around 20% of the population is currently aged 65 and over, and this will rise to 29% by 2030. By 2060, one in three Germans will be aged 65 and over.[1]

2. The stress on the social security, health and long-term care (LTC) systems in the United Kingdom (UK) is less dramatic than in Germany because the 1940s 'baby boom' did not peak as high. In England, however, there will still be 51% more people aged 65 and over in 2030 compared to 2010, and 101% more people aged 85 and over in the same time period.[2]

3. The increase in the numbers of older people in Germany and the UK will have a profound impact on a wide range of public services, including pensions and the provision of care from the health and LTC systems. It will also create major challenges for individuals, employers, welfare services, and the state. However, the increased life expectancy around the world represents progress and opportunities for older people, a reflection that participants attempted to keep in mind throughout the discussions.

Funding pensions in ageing societies

Pension provision in Germany

4. Previous to 2000, basic pensions were saved for via a single pillar pay-as-you-go (PAYG) system. However, after a period of weak growth it became clear that a new system was required. The decision-making process required three key steps of work:

    - Resources from other budgets were transferred to create a 'new pot of funds' (because creating a new budget from cost-savings was very difficult);
    - Decisions were made on the possible benefit level reductions and/or contribution increases; and
    - Mathematical models were developed to calculate how many years retirement age could increase based on life expectancy forecasting.

    A number of iterative changes to the basic pension system have since been made (in 2001, 2004, and 2007), but the PAYG feature has remained.

5. The mandatory basic pension has traditionally dominated the pension market in Germany at the expense of the other two schemes, the voluntary occupational pension and the voluntary private pension. There are concerns now, however, that the basic pension is not sustainable beyond 2030. In order to ensure sustainability of the generous basic pension funds, suggestions have been made to raise pension contributions via increased taxes. This option is not popular with the public, especially employees and employers. The former contribute approximately 40% of their salaries to social security, and both equally contribute a shared amount of 20% of the employee's gross income to a pension fund.[6]

6. The 2001 reforms introduced subsidies and tax relief to incentivise expansion of voluntary and private pensions, and thus shift the emphasis away from the basic pension.[7] However, despite the incentives, the distrust in capital markets has resulted in the low up-take of private pensions, especially since the recent economic crisis. Other challenges to reforms over the years have included the workers' unions consistently arguing against increases in retirement age and levies on contributions.[8] It was not until 2012 that the pension age was moved beyond 65, and between 2012 and 2029 the retirement age (for basic and most occupational pensions) will rise to 67, starting with those born in 1947.[9] Occupational pensions are underdeveloped, due in part to employers' perceptions that contribution costs are too high and an unfounded strong public trust in basic pensions. At present, over 80% of pension income remains derived from the German state,[7] voluntary pensions (including occupational and 'Riester' pensions) now have about 50% coverage, and private pensions are still relatively unpopular.[8]

7. While no concrete pension reform plans have been announced by political parties for the upcoming federal election in September 2013, it is predicted that the agenda of the incoming federal leader will include some changes to pensions. Participants suggested that measures may attempt to:

    - Improve income distribution and decrease old age poverty;

- Increase the role of occupational pensions;
- Introduce the mandatory status of private pensions; and

  Undertake long overdue, small adaptations for particular issues (for example balancing out previous reform payments that have discriminated against parents who had children born before 1992 and did not receive the maternity leave contributions paid to parents of children born from 1992 onwards).

While most agreed that these issues would likely be tackled, others argued that the government would never mandate contributions towards two of the three schemes because it would then become liable for almost all pension risk in the country (as opposed to only being blamed for unsuitable corporate governance if an insurer defaulted).

Pension provision in the UK

8. The state pension is funded based on National Insurance (NI) contributions using a PAYG approach, where 30 years of NI contributions qualifies an individual for the full UK state pension.[10] The UK system is dominated by the state pension scheme, but both occupational and private pension schemes are more common in the UK than in Germany.

9. The history of pension reform in the UK over the last 30 years has been the gradual dismantling of the earnings related scheme (SERPS) which was only introduced in 1978. It is finally being laid to rest now. Over that time the basic pension has risen only in line with prices and has, as a result, fallen further behind average earnings. However, the combination of wider eligibility for the basic pension, higher means-tested benefits, the earnings related state pension, and more private pension income has ensured that pensioner incomes have risen more quickly than those of the rest of the population. In addition poverty rates among pensioners have fallen from being several times greater than those among the working age population to a rate below that for working age groups.[11] In future the unwinding of both SERPS and defined benefit occupational pensions will leave most people saving for retirement bearing all the risk. Risk will no longer be shared with employers and the state.

10. To compound the uncertainty of the benefits of occupational and private pensions, there is a severe undersaving problem in the UK. It is estimated that 10.7 million people can currently expect inadequate retirement incomes.[2]

11. To create some certainty for all, the eligibility for a state pension has widened and will be provided at a flat rate via a single-tiered system. This change is part of the recently passed The Public Pensions Service Act (to be enacted in April 2016). As part of the Act, the state has also introduced a commitment to protect the basic State Pension by the ‘triple lock’ – increasing its value by the highest of price inflation, earnings growth or 2.5 per cent. As a result the state pension will represent a higher share of average earnings than at any time since 1992;[3] however, it will mean that the benefits provided should place everyone just above the poverty line. It will also mean that risks for middle-income earners will increase, especially those who are reliant on private pensions to supplement their pension income.

12. To ensure sustainability of the state pension, the state pension age for men and women, currently 65 for men and 60 for women, will become equalised by 2018. In that year, the state pension age will then start to rise gradually to 68 by 2048.[12] While the government has committed to regular reviews of the age increases, many participants argued that women would be disproportionately affected as they often take on caring roles, often looking after ageing family, which detract from opportunities to maintain formal employment.

Cross-country comparison on pension provision: Germany and the UK

13. There are a number of contrasts between the origins and current organisation of the social security systems in Germany (a 'Bismarck' model) and the UK (a 'Beveridge' model) that led some conference participants to suggest throughout discussions that the two countries "couldn't be more different". For example, the current and projected old-age dependency ratios (i.e. the projected number of persons aged 65 and over expressed as a percentage of the projected number of persons aged between 15 and 64), is expected to be nearly 20% higher in Germany than in the UK in 2050.[1] Pension expenditure as a percentage of GDP was higher in Germany than in the UK in 2010 (10.2% v. 6.7%), and the difference between the two countries is expected to slightly increase by 2050. Lastly, the state pension in Germany provides 80% of pension funds to people after retirement, while the new state pension in the UK is decreasing the amount of its benefit (but expanding coverage) (see table below).

	Germany	**UK**
Dependency ratio	2030: 47% 2050: 58%	2030: 35% 2050: 39%
Public pension spending[13] (as a % of GDP)	2010: 10.2% 2050: 12.3%	2010: 6.7% 2050: 8.1%
Reliance on pension schemes (coverage)	Basic (State): significant Occupational: limited Private: limited	State: limited Occupational: significant Private: significant
Contribution	Earnings-related	Flat-rate

14. Despite the cross-country differences, there were shared concerns about the affordability and sustainability of pension schemes in both countries. A number of key insights linked to the theme were discussed. For example:

    There are trade-offs between affordability and sustainability: While *defined benefit* pensions have been largely found to be unsustainable, the seemingly affordable *defined contribution* pensions remain seriously inadequate for many savers. This is due to the location of the risk generated by living longer and the nature of investments. Defined contribution pensions shift most of the associated risk from employer to the individual. More clarity about benefits should be made available to individuals contributing to *defined contribution* pension schemes by the state, insurers and employers.

    Attempts to create affordability and sustainability can backfire: Autoenrolment into a flat rate pension is an important step to achieving equity across a population and will provide an opportunity to create savings for people who have had no previous access to a pension. The trade-off however, is that political promises to ensure a 'decent standard of living in older age' may not prove to be true and may not meet the public's expectations. For example, the scale of pension saving encouraged by autoenrolment in the UK is 8% of an individual's earning, which will result in a pension significantly below many people's expectations.[2] Despite this, participants from both countries agreed that state provision of a decent standard of living ('a safety net') is essential.

    Affordability and sustainability are best maintained through incremental reform and macro-level planning: In order for macro-level pension systems to be sustainable, reforms are best made using the rational political theories whereby incremental and proportional changes are made. Hence, when changes are made in state schemes that proportionate changes are made in other schemes to accommodate

the effects on individuals. Decisions related to reforms will require a significant amount of modelling, which should take relatively short-term and long-term views to take into accommodate often short-term political cycles and long-term sustainability planning.

Everyone has a role to play in ensuring affordability and sustainability: There are a number of key actors—the public (individuals), the private sector and the state - who should take independent and collaborative actions:

- **The public**: Individuals need to become more receptive to the idea of planning their future financial and care needs. Many people have unrealistic opinions of the potential costs associated with their future health and long-term care costs (especially people living in the UK where health care is free at the point of use). LTC costs will have a large effect on their pensions.
- **Private sector:** Private sector companies must ensure that they are: fairly contributing to their employees' pensions; aware of the macro and micro issues associated with an ageing workforce; and taking actions to allow for shorter working weeks and flexible hours to ensure that older people, especially older women (who more commonly take on informal caring roles), can stay employed for longer.
- **State**: In addition to providing a basic state pension that ensures that decent standard of living in older age, governments should also:
    - Help people become better informed about healthy life expectancies, pension projections, and how to best use their own assets. It should be noted that 'scare tactics' have not worked in Germany, and alternatively, positive messages should be used, (for example females born today have a 50% chance of living to 100 years);
    - Produce practical tools that help individuals to keep a record of their contributions and projected benefits;
    - Encourage individuals to save for later life (or their families or future care needs) by creating 'nudges' (i.e. incentives), such as intergenerational government bonds or tax-free savings accounts.

Funding and providing health and long-term care in ageing societies

Health care and long-term care in Germany: context and challenges

15. In Germany there are health care and long-term care (LTC) systems with two distinct branches of social insurance. Social health insurance (SHI) is mandatory, and less than 1% of Germans are uninsured;[14] 85% contribute to the statutory health insurance scheme and around 10% are privately insured with supplementary and/or substitutive coverage.[15] Contributors to statutory health insurance-funded programmes are automatically members of the respective LTC-funded programme. Individuals with incomes above €49,500 have the option to opt-out of the statutory health insurance system for private coverage;[15] at which point they are required to obtain private long-term care insurance (PLTCI). Social long-term care insurance (SLTCI) was designed as a PAYG system. The LTC insurance premiums for people are based on the same risk factors as their health care insurance, while SLTCI premiums are charged at around 2% of gross income, but only up to a certain ceiling. Extra contributions are required from people who are childless (about 0.25% more).[15]
16. There are significant financial challenges to the sustainability of the health care sector and significant financial risks associated with the LTC sector. In terms of health care expenditure, the cost of the German universal coverage health system is one of the highest in Europe due, in part, to the high cost of medical progress and medical inflation. In terms of the LTC system, even though the majority of costs for LTC are covered by SLTCI, for many people the SLTCI benefits are not sufficient to cover all of their expenses, which results in many using private savings until they are expended, at

which point they turn to social assistance.[16]

17. With regard to insurance, there is also concern that:

    - SHI and SLTCI contribution rates have not increased alongside GDP increases (and the costs of services);
    - The purchasing power of SLTCI benefits has declined by about 20% since 2008; and
    - There have been only small adjustments from 2007-2012 that amount to about 1.4% per year, which hardly covers the rise in inflation.[17,18]

    Due to the issues mentioned, among others, the SLTCI fund has been in deficit for several years and it is forecast that the reserves will be expended soon.[16] Moving forward there are also criticisms that there are no automatic mechanisms in place that will guarantee future adjustments.

18. With regard to the health and long-term care workforce, there are predictions that Germany will need 500,000 LTC providers to sustain increasing levels of care. Some believe that there are already workforce shortages, and an ability to sustain a sufficiently large workforce will not be possible.

Proposed strategies for addressing the challenges in Germany

19. One of the first steps recommended is the transformation of the dual health and LTC insurance systems into integrated systems that cover the entire population (and do not allow people with incomes above €49,500 to opt out). This will ensure the end of unequal treatment between private and publicly insured people. There are also suggestions to reduce the impact of decreased number of family carers and the formal workforce shortage by:

    - Creating policies that better support family caregivers;
    - Making careers in care-giving more attractive; and
    - Increasing care-giving in the community setting by facilitating collaboration between families, neighbourhoods and professionals and investing in their collaboration via community capital.

20. With regard to the financing of the LTC system, 2013 reforms attempted to address some of the macro issues (for example falling purchasing power, decreasing size of fund) and increase the uptake of PLTCI on top of the SLTCI (that does not and will not sufficiently cover LTC costs).

    In order to avoid failure of the SLTCI, suggestions have included:

    - Changing premium contributions to be based on all income, not solely payroll;
    - Adjusting benefits annually to maintain purchasing power;
    - Ensuring that premiums do not rise above wage increases and inflation; and

    In order to encourage the uptake of additional PLTCI, reforms have included:

    - Introducing a €5 subsidy on contributions (on a minimum monthly premium of €10);
    - Ensuring a target minimum benefit, for example €600 per month, if assessed to need a care level of 3 (the maximum level in the national care needs assessment criteria);
    - Providing PLTCI without medical underwriting (and determining premium rates based on age and gender); and
    - Not allowing individuals to access the PLTCI until five years of contributions have been made.

21. There are criticisms, however, that the PLTCI subsidy will only benefit the working age middle classes, and the premiums will be too high for PLTCI to be an attractive option for most (regardless of the subsidy). The timing of access also disadvantages people who are already in need of LTC and those who will need it in the next few years. There are also suggestions that the PLTCI fund could collapse once people begin to draw on their funds in five years, because of the lack of medical underwriting which could allow scope for widespread adverse selection of high-risk individuals.

Health and long-term care in the UK: context and challenges

22. The UK is made up of four countries: England, Northern Ireland, Scotland and Wales. Each of these countries has a central government responsible for overall policy and full funding of health care and partial funding of social care (or LTC) systems via block grants to local authorities. Local authorities (specifically social services) are responsible for assessing needs, setting eligibility criteria and arranging and funding LTC services locally. New clinical commissioning groups are responsible for arranging health care services locally. While the organisation appears similar, the budgets are vastly different. In the National Health Service (NHS), there are 1.7 million people employed and an annual budget of £104 million. In LTC, the workforce is made up of one million formal employees and the budget is 10% of the NHS. One of the main causes for the difference in costs is that the wage levels are considerably lower in the LTC than the health care sector. The mostly private and not-for-profit formal LTC sector is also complemented by a very large informal 'workforce' of family carers who provide most of the care needed by service users, which also results in lower expenditure than the health sector.

23. One of the major challenges to increasing or sustaining the LTC budget is that LTC funding is unhypothecated. In the LTC sector the expenditure spent on adult social care services is increasing and the budgets are decreasing at a rapid rate. It is expected that adult social care services could expend the entire budgets of some local authorities by 2024, at the expense of all other local services (for example, rubbish collection). This has implications not only for individuals, but also for care providers contracting with local authorities that will eventually not be able to financially cope with the price differentials.

24. In the future, there will be an increased demand on the health and long-term care systems in England and Wales because by 2018 there will be over 50% more people with three or more long-term conditions compared to 2008, and over 80% more people aged 65 and over with dementia (moderate or severe cognitive impairment) by 2030 compared to 2010.[2] Furthermore, the number of disabled older people is projected to increase by 59% between 2010 and 2030 (from 1.0 to 1.6 million) in England. To keep pace with demographic pressures, the number of services will also need to rise by 63% during that same time period. This estimate will be even higher if unpaid care by children does not rise in line with demand.[19]

25. The balance of risk of care costs have been debated for many years; however, there have been few improvements in terms of decreasing risk to individuals until recently, which have still been unsatisfactory to many. It is estimated that 1 in 10 people will have LTC care needs that exceed £100,000,[4] and it is more efficient for risk averse people to purchase insurance than to save for LTC costs. However, the private LTC insurance market failed and LTC insurance is no longer available in the UK because there was a high uncertainty in the types of risk insurers were taking on. In terms of public funding, there are economic incentives against service users having family carers, which results in smaller state-funded care packages. This discourages family participation in care.

26. Lastly, the UK faces major data sharing problems due to the lack of integration between health and LTC services. This poses barriers to creating care that is 'wrapped around people' not services and budgets.

Proposed strategies for addressing the financial challenges in the UK

27. Following a reform on the financing of care, there will be a lifetime cap of £75,000 per person on the cost they would pay for personal care (starting in 2017).[20] To fund the reform, there will need to be a rise of 42% in the share of GDP spent on care between 2010 and 2030 in England alone.[19] In order to fund increases in spending, there were some controversial solutions suggested, including:

    - Introducing co-payments on all health care in order for it to be directed to LTC services;
    - Creating new eligibility criteria for benefits, or instead, ensuring that all benefits are means-tested;
    - Introducing taxes on income and assets (as in France) which would affect eligibility to LTC services; and
    - Introducing taxes on universal benefits.

    Participants agreed that these solutions would be too administratively costly and likely not politically viable. There were also suggestions that a LTC insurance scheme with autoenrolment from early in working life could be valuable in the UK context. It could resemble the new NEST (National Employment Savings Trust) pension scheme in the UK or the ElderShield long-term care scheme in Singapore.

28. In order to solve increasing demands for care and potential workforce shortages, it was suggested that the state should build on older people as assets to help in caring for the 'oldest old' in their communities as being piloted by some councils. The private sector should also create new relationships with communities that allow businesses to make contributions via corporate social responsibility contracts with local agencies for example encourage local employers to create opportunities for employees to help older people take trips to the shops. Other non-financially-focused, but 'cost saving' interventions discussed included increasing rehabilitation and re-ablement to reduce further (or future) needs and costs

29. There were also suggestions that greater integration could help with data sharing and best protect older people with complicated risk profiles. However, greater integration of health and LTC would only be helpful so long as the risk of resources shifting from long-term to acute care could be mitigated.

Cross-country comparison on health and long-term care: Germany and the UK

30. Funding for health and LTC face similar challenges in Germany and the UK. There is concern over: the future affordability of long-term care for older people, as it is highly labour-intensive; increasing numbers of people living to older age; uncertainty over the numbers of people who will need care, and the public's potentially rising expectations for services that will be difficult to meet. Public expenditure on LTC will increase in both Germany and the UK, between 2010 and 2060 representing a 130% increase for Germany and a 44% increase for the UK;[21] yet these rises have no identified source of funding (see table below).

	2010	**2060**
Germany	1.4% of GDP	3.3% of GDP
UK	2.0% of GDP	2.9% of GDP

31. There is a strong likelihood that the supply of informal care for older people by their children, the current backbone in both systems, will not keep pace with the demand for care, and the recruitment and retention of formal staff is likely to prove a continuing, if

not, growing problem.

Key topic in health and LTC discussions: prevention and early intervention

32. One of the key themes of comparative discussions surrounded the role for prevention and early interventions in increasing quality of life and decreasing costs associated with care.

33. Participants said that prevention and early intervention programmes in health and LTC services target health issues (for example tobacco use via smoking cessation programmes) and social issues (for instance loneliness via community engagement) and can result in improved 'wellness' or 'quality of life' and cost savings for health and LTC systems. Some of the most effective programmes available for older people are falls prevention clinics (primary prevention) or re-ablement services (secondary prevention helping to prevent re-occurence of illness). Many argued that good programmes involve facilitating service user co-management of illnesses, alongside treatment that takes a 'whole body' approach.

34. It was also argued, however, that many prevention programmes do not lead to cost savings because they target one particular illness, which is often later replaced by another illness or need for care that was not targeted or expected. Dementia was described as a particularly important disease to prevent because of the increasing incidence and high-costs associated with the large number of care hours required.

35. 35. The challenges associated with implementing prevention are fundamentally linked to society's ageist view on older people's contributions and the lack of engagement in discussions about older age, future care arrangements and death. It was argued that hypothecating funds for prevention and ensuring that effective interventions will ensure that prevention has its desired effect on the health and LTC systems. The problem with hypothecating funds for care is, however, that if care is targeted then other facilities that work to prevent illness, such as public swimming pools and exercise classes, may lose funding. Increasing public knowledge around prevention efforts and creating health messages to match diverse audiences could also assist in increasing the role of prevention and encouraging advanced planning.

Summary and key closing thoughts

36. The status quo is not an option: During discussions it was not always clear which strategies would work within countries. There was healthy criticism of the reforms in place across pensions and health and long-term care. Regardless of participants' criticisms there was one key message: "governments cannot do nothing" because otherwise the public systems will not be affordable or sustainable in the future.

37. Model development is important for planning for pensions and health care and LTC: Participants highlighted that politicians are often required to make value judgments about social security systems. In order to make evidence-based decisions politicians need evidence from robust models that can accurately predict needs and costs. It is very important to work together to continue to build and use rigorous and accurate evidence to plan for ageing.

38. Local level implementation requires more funding and careful planning: The conference discussed high-level policy challenges and strategies, yet did not sufficiently discuss the local level implementation implications. There have been discussions about the need to better support neighbourhoods, create new relationships between private sector and communities, and increase public awareness on advance planning. These actions, however, will be expensive to undertake and collaboration amongst many stakeholders will be required.

39. Germany and the UK could share lessons of how to approach demographic ageing even if the contexts and systems were different.

Stephanie Kumpunen
Wilton Park | July

---

[1] Eurostat. *Projected old-age dependency ratio*. [Online]. Available from: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsdde511 [Accessed 3 June 2013].

[2] House of Lords. *Ready for ageing?* London: Authority of the House of Lords. Report number: 140, 2013.

[3] Department for Work & Pensions. *The single-tier pension: a simple foundation for saving*. London: Her Majesty's Stationary Office; 2013.

[4] Fernandez JL, Forder J. Equity, efficiency, and financial risk of alternative arrangements for funding long-term care in an ageing society. *Oxford Review of Economic Policy*. 2011; 26(4): 713-733.

[5] Federal Ministry of the Interior. *Demography Report: Federal Government Report on the Demographic Situation and Future Development of Germany.* Berlin: Federal Ministry of the Interior, Federal Republic of Germany; 2011.

[6] Rössler N. *The German Pension System: An Overview.* Chicago: Mayer Brown LLP; 2009.

[7] Blaich R. *Pension Provision in Germany - The First and Second Pillars in Focus.* Berlin: AEGON Global Pensions; 2010.

[8] Börsch-Supan A, Coppola M, Reid-Held A. Riester Pensions in Germany: design, dynamics, targeting success and crowding-in. In: Hinz R, Holzmann R, Tuesta D, Takayama N. (eds.) *Matching contributions for pensions: a review of international experience.* Washington: The World Bank; 2013. p. 81-102.

[9] European Commission. *Your social security rights in Germany*. Brussels: Employment, Social Affairs and Inclusion; 2012.

[10] UK Government. *Benefits and Credits: the Basic State Pension*. [Online]. Available from: https://www.gov.uk/state-pension/overview [Accessed 5 June 2013].

[11] Adams N, Carr J, Collins J, Johnson G, Matejic P. (eds.) Household below average incomes: an analysis of the income distribution 1994/95 – 2010/11. London: Department for Work and Pensions; 2012.

[12] UK Government. *Changes to the State Pension*. [Online]. Available from: https://www.gov.uk/changes-state-pension [Accessed 5 June 2013].

[14] Busse R, Stock S. *The German Health Care System.* New York: The Commonwealth Fund; 2010.

[15] Green D, Irvine E, Clarke E, Bidgood E. *Healthcare Systems: Germany.* London: CIVITAS; 2013.

[16] Zuchandke A, Reddemann S, Krummaker S. Financing long-term care in Germany. In Costa-i-Font J, Courbage C. (eds.) *Financing long-term care in Europe: institutions, markets and models.* Basingstoke: Palgrave Macmillan; 2012. p. 214-235.

[17] Rothgang H, Müller R, Unger R, Weiß C, Wolter A. *Schriftenreihe zur gesundheitsanalyse: BARMER GEK Pflegereport 2012*. Sieburg: BARMER GEK; 2012.

[18] Götze R, Rothgang H. *Fiscal and Social Policy: Financing Long-Term Care in Germany*. [Online] 2012. Available from: http://ssrn.com/abstract=2191995 [Accessed 6 July 2013].

[19] Wittenburg R, Hu B, Hancock R, Morciano M, Comas-Herrera A, Malley J, King D. *Projections of demand for and costs of social care for older people in England, 2010 to 2030, under current and alternative funding systems: report to the commission on funding of care and support*. London: Personal Social Services Research Unit. Report number: 2811, 2011.

[20] UK Government. *Landmark reform to help elderly with care costs.* [Online]. Available from: https://www.gov.uk/government/news/landmark-reform-to-help-elderly-with-care-costs [Accessed 10 June 2013].

[21] Lipszyc B, Sail E, Xavier A. *Long-term care: need, use and expenditure in the EU-27*. Brussels: Directorate-General for Economic and Financial Affairs; 2012.