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Health Insurance Redefined: Managing the Global Ageing Challenge

What does the world's rapidly ageing population mean for human health and those who fund it?

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Executive Summary

The world is on the brink of a demographic shift that presents both significant challenges and unprecedented opportunities for health insurers. As global birth rates decline and life expectancies rise, we are witnessing an era where the elderly population is increasing at an extraordinary rate.

Paradoxically, apart from avoiding death for a little longer, there is little for us to look forward to. At least half of the extra years we can expect to live will be in poor health, and our care is only going to become more expensive as co-morbidities increase. Projections indicate that by 2034, healthcare costs for individuals over 65 could rise by 16% in high-income countries, while costs for those over 85 could increase by as much as 44%. Furthermore, low birth rates mean there will be fewer working-age individuals to support us—both financially and emotionally—or to take care of us. Unfilled healthcare jobs are already impacting service delivery around the world, and this is set to worsen.

This shift brings with it a myriad of implications for health insurers who must now navigate the complexities of higher healthcare costs, escalating chronic disease and a shrinking workforce.

This paper examines the demographic shifts in four exemplar countries—France, Japan, Australia, and Nigeria—using 2022 UN population projections to outline the changes over the next two, five and ten years. It demonstrates that the financial and healthcare impacts of ageing populations will become increasingly difficult to ignore globally within the next decade. Even in low- and low-middle-income countries such as Nigeria, which is projected to become the world's second most populous country by 2100, the risks and costs of ageing populations are already evident, mirroring those of higher-income nations.

Using McKinsey's Three Horizons model, this paper explores the main challenges and possible strategies for health insurers. Across the ten-year horizon, the key challenges for health insurers include escalating healthcare costs, a shrinking workforce and an increasing number of single-person households. Promising strategies to address these challenges involve:

- Scaling digitisation, automation and AI to reduce healthcare costs and improve service delivery
- Collaborating with health systems and employers to promote preventative healthcare and extend work opportunities for older employees
- Rethinking medical training programmes to increase workforce mobility from countries with growing populations
- Partnering with the public sector to create 'lifespan-proof housing' to support healthier, happier lives for the oldest population segments

A consistent theme throughout is the necessity of collaboration between insurers, private sector entities and the public sector. Given the complexity of health systems and the challenges posed by an ageing global population, a systems-thinking approach is essential for achieving cost-effective and meaningful progress. By taking a collaborative, inventive approach, health insurers can mitigate the risks associated with ageing populations and harness the opportunities presented by this demographic shift to create a more sustainable and effective healthcare system for the future. The financial impact of these changes is already being felt, making proactive planning and strategic action crucial for the future of global healthcare.

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Introduction

Throughout most of human history, the global population remained relatively small. However, the past few centuries have witnessed a dramatic population increase. In 1800, the world's population was approximately one billion. Today, it's over eight billion.

Following this era of rapid population growth, experts now predict that the global population will reach its peak before the end of this century, hitting 10.29 billion in 2081. Yet, significant demographic shifts are already occurring, impacting both health and healthcare needs globally. Fewer children are being born—the world passed 'peak child' in 2017 when the number of children in the world stopped increasing—and fertility rates are dropping sharply. At the same time, people are living longer, although the rate of increase is slowing. In 1950, the average life expectancy was 47 years; today it's 74, and by 2050, it's expected to be 77 years. However, there are still considerable reserves in longevity to be tapped; as demographics expert Professor Jean-Marie Robine suggests, wealthy countries must prepare for the rise of the super-centenarian.

The Paradox of an Ageing Population

Aanuoluwapo Soyoye of Nigerian insurer AXA Mansard encapsulates the urgency of the situation: "This is not a new or surprising problem. We have been debating the ageing population in Nigeria for some years now to determine how we can put them on health cover." This sentiment resonates globally, as countries across all income levels grapple with the paradox of an ageing populace.

Recent analyses published by The Lancet and others indicate a dramatic decline in global fertility rates, suggesting that the United Nations' 2022 population projections might have been overly optimistic. The number of older individuals relative to those of working age is increasing faster than previously anticipated, which underscores the need for health insurers to act swiftly and strategically.

For health insurers, the ageing population translates into increased costs and more complex care requirements. If the health cost burden for those over 65 were to increase by 16% in the next decade as we postulate using France's data below, how would these costs be managed? This scenario, while illustrative, highlights the pressing need for insurers to rethink their plans for an older population.

In this paper, France, Japan, Australia, and Nigeria serve as exemplar countries, each presenting unique challenges and opportunities. France and Japan are already experiencing significant increases in their elderly populations, while Australia benefits from a growing workforce due to migration. Nigeria, on the other hand, faces a different set of challenges, with a rapidly growing population, though one that is still set to include a substantial elderly demographic. It is our expectation that funds in most countries can align to the experience of at least one of our exemplars.

The need for innovative solutions is clear. Faced with increased healthcare costs, fewer workers—in healthcare and elsewhere—and a reducing population of younger, healthy customers, insurers must consider scaling up digitisation, automation and AI to reduce healthcare costs and improve service delivery. Collaborations with both public sector providers to improve overall population health and employers to promote preventative healthcare and provide appealing work opportunities for older adults can help keep populations healthier for longer. Additionally, rethinking medical training programmes to increase workforce mobility and developing 'life-span proof' housing in collaboration with the public sector can provide long-term benefits.

In this white paper we explore the multifaceted challenges and promising strategies for health insurers to manage the risks associated with ageing populations. By adopting a collaborative, systems-thinking

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approach, health insurers can not only mitigate risks but also harness the opportunities presented by this demographic shift to create a more sustainable and effective healthcare system for the future.

The Hidden Cost Explosion

The healthcare burden of populations worldwide is growing rapidly, particularly among older groups. This trend is driven by a combination of increasing life expectancy and the rise in chronic, non-communicable diseases. According to the World Health Organisation, the global population aged 60 years and older will more than double from 900 million in 2015 to about two billion by 2050. However, the issue is not only the increasing number of older individuals but also the fact that the years spent in good health are not keeping pace with longer lifespans. This shift results in a higher prevalence of chronic conditions such as cardiovascular diseases, diabetes and respiratory diseases, which require ongoing management and significantly increase healthcare costs. The Lancet agrees; the journal published a report back in 2018 that concluded by 2030, 40% of older adults in high-income countries will have at least four chronic conditions.

The economic impact of this increasing burden is substantial. In the United States alone, healthcare spending on adults aged 65 and over is projected to grow from $1.4 trillion in 2015 to $2.5 trillion by 2030. Similarly, the European Commission reports that healthcare expenditure in the EU will rise significantly due to ageing populations, with costs related to long-term care expected to double by 2060. In France, over the next decade, healthcare costs for those over 65 are projected to rise by 16%, while costs for those over 85 are expected to increase by as much as 44%.

Private health insurers have every reason to be worried about how they will fund healthcare as their customers continue to age. Health systems, particularly in low- and middle-income countries, struggle with limited financial and human resources, further strained by the increasing need for chronic disease management and elderly care. Addressing these challenges requires a multifaceted approach, including enhancing preventative care, optimising resource allocation and investing in healthcare infrastructure to manage the growing healthcare burden effectively.

Strategic Funding and Long-Term Planning

A significant barrier to focusing on the risks posed by ageing populations is the need for long-term planning and investment, which often clashes with short-term business goals. For insurers in markets where the barriers to switch are low, there is little incentive to invest in ageing-related issues since there is no guarantee that members who benefit from such investments will remain with the same insurer. Plus, health insurers alone cannot effect long-term changes in complex national health systems; substantial resources and investments must come from public budgets.

Despite these challenges, taking a population health approach is not new to private insurers. More compellingly, the financial risks associated with ageing populations are already impacting private health insurers and will become even more pronounced over the next decade, regardless of membership turnover rates. This inevitability underscores the urgent need for insurers to adopt long-term strategies to manage the growing healthcare demands of an ageing population effectively. The extent to which this is in partnership with the public system will differ from country to country, however it is likely to feature in some way for most insurers.

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Time to Act

The projected increase in healthcare costs for the elderly is an issue that requires immediate attention. Health insurers must consider innovative funding strategies, emphasise preventative healthcare and engage in long-term planning. By collaborating with public sector entities and adapting to the demographic shifts, insurers can ensure sustainable healthcare systems for all populations. The financial impact of these demographic changes is already being felt and will only intensify, making proactive planning and strategic action crucial for the future of effective and efficient global healthcare.

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A Forecast of Population Ageing in Four Exemplar Countries

"In South Korea, researchers have been aware of the topic of ageing populations for some time, but for the rest of society it has been like the elephant in the room, and no one has wanted to see it until recently." Guillaume Mirabaud, CEO, AXA Korea

In this section, we will examine population ageing in four countries with distinct ageing profiles, using data from the United Nations World Population Prospects (2022). The data is based on the UN's medium fertility scenario, which also considers the effects of migration on individual countries. It is important to note that the UN provides projections for low, medium, and high fertility scenarios, offering a comprehensive view of potential demographic changes.

This analysis will provide insights into how population ageing will impact different regions, highlighting the unique challenges and opportunities each country faces as their populations grow older.

Regarding the selection of data for this paper: We will use the UN data rather than the more recent data published by The Lancet in 2024, as the UN data set is far more granular. This granularity allows for the creation of forecasts that align better with the business planning timelines of most private health insurers, providing 2, 5, and 10-year projections. It is worth noting, however, that The Lancet's 2024 forecasts consider factors such as changing educational attainment for women and access to contraception, resulting in far lower fertility rates in some rapidly growing countries. Consequently, The Lancet presents an even less optimistic view than the UN forecasts.

The forecast data for each selected country will be utilised to identify key concerns for health insurers and other health system stakeholders across the three horizons of the McKinsey model: short-term (0-2 years), medium-term (2-5 years), and long-term (5-10 years). These countries serve as exemplars for other nations with similar ageing and economic profiles, providing a global perspective on the issue.

The countries chosen for this analysis are:

- **France**: Representative of the UK, US and most Western European countries.
- **Japan**: Comparable to South Korea, Singapore and Hong Kong.
- **Australia**: Similar to New Zealand, notable for its working-age population reinforced by migration.
- **Nigeria**: Reflective of South Africa, Zimbabwe and other low- and middle-income countries.

In our analysis, we will examine population changes as a ratio of working-age individuals (25-64) to those aged over 65 and separately to those aged over 80. This approach deviates from the conventional three-age group model (young, working-age and elderly), reflecting the method taken in Professor Jean-Marie Robine's work on human longevity. As Professor Robine points out, the traditional model overlooks the significant shifts between younger retirees and the 'oldest old' (those aged over 80).

This distinction is crucial for health insurers because the healthcare costs for the over-80 age group are expected to rise dramatically compared to those for the over-65 age group. A 2000 study indicated that in the US, slightly less than two-thirds of total lifetime health costs occur after 65, while about one-third are incurred after 80. This represents a substantial increase in healthcare costs for the oldest segment of the

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population, underscoring its importance in risk modelling and cost forecasting. Relying on the three-age group model risks underestimating the true financial impact of ageing populations, potentially leading to inadequate preparation time.

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France (similar to UK, US & Western Europe)

	2024	2026 (2 YR)	2029 (5 YR)	2034 (10YR)	2100
TOTAL POPULATION	64,881,828	65,121,250	65,445,012	65,894,940	60,851,680
25-64	31,814,054	31,752,076	31,544,288	31,245,102	25,880,123
65+	14,496,042	14,995,334	15,752,340	16,890,274	20,831,849
80+	4,146,701	4,339,220	5,005,699	5,965,724	10,513,511
NO OF 25-64 YEAR OLDS PER PERSON AGED 65+	2.19	2.12	2.00	1.85	1.24
NO OF 25-64 YEAR OLDS PER PERSON AGED 80+	7.67	7.32	6.30	5.24	2.46
% OF PEOPLE AGED 80+ IN POPULATION	6.39	6.66	7.65	9.05	17.28

Source: United Nations World Population Prospects (2022)

France represents high-income countries with a stable fertility rate and a historically growing workforce throughout much of the 20th century. By the end of 2024, France's total population is projected to be 64.9 million, with a notable decline in the working-age population (ages 25-64) expected from 31.8 million in 2024 to 31.2 million by 2034. Meanwhile, the number of individuals aged 65 and older is expected to rise from 14.5 million to 16.9 million, and those aged 80 and older from 4.1 million to nearly 6 million over the same period.

This demographic shift results in a decreasing ratio of working-age individuals to older adults. In 2024, there are 2.2 working-age people for every person aged 65 and older, but this ratio will drop to 1.9 by 2034. For those aged 80 and older, the ratio declines more sharply, from 7.7 in 2024 to 5.2 in 2034. This indicates that fewer working-age individuals will be available to support a growing elderly population, increasing the financial and healthcare burden on both public and private sectors.

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Japan (similar to South Korea, Singapore and Hong Kong)

	2024	2026 (2 YR)	2029 (5 YR)	2034 (10YR)	2100
TOTAL POP	122,631,430	121,282,490	119,217,096	115,641,070	73,644,056
25-64	60,344,460	59,764,338	58,572,078	55,884,561	30,707,950
65+	37,072,890	37,029,004	37,087,598	37,512,245	28,502,080
80+	13,588,286	13,753,507	15,397,951	16,323,754	15,501,862
NO OF 25-64 YEAR OLDS PER PERSON AGED 65+	1.63	1.61	1.58	1.49	1.08
NO OF 25-64 YEAR OLDS PER PERSON AGED 80+	4.44	4.35	3.80	3.42	1.98
% OF PEOPLE AGED 80+ IN POPULATION	11.08	11.34	12.92	14.12	21.05

Source: United Nations World Population Prospects (2022)

Japan's declining birth rate has long attracted international attention, making it a case study for other high-income countries with low fertility rates such as South Korea, Hong Kong and Singapore. Over the next decade, Japan's population is projected to decrease from 122.6 million in 2024 to 115.6 million by 2034. The working-age population will shrink from 60.3 million to 55.9 million. Meanwhile, those aged 65 and older will slightly increase from 37.1 million to 37.5 million, and the population aged 80 and older will rise from 13.6 million to 16.3 million.

This shift results in fewer working-age individuals per older adult. By the end of 2024, there will be 1.6 working-age individuals for every person aged 65 and older, dropping to 1.5 by 2034. For those aged 80 and older, the ratio will fall from 4.4 to 3.4. This imbalance in support ratios is already much more severe in Japan than in France.

A key difference between Japan and other high-income countries like the US and UK is the disparity in disability-free life expectancy (DFLE). A 2021 study showed that DFLE in France and the US has stayed around 60 years since 1970, whereas in Japan it is about 70 years. This suggests Japan's elderly might impose lower healthcare costs than those in other countries.

The question arises: What can we learn from Japan about preventative healthcare and supporting the elderly? Reducing years spent in frailty could lower overall healthcare costs. Japan's approach to maintaining a higher DFLE could offer valuable strategies for other nations facing similar demographic challenges.

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Australia (similar to New Zealand)

	2024	2026 (2 YR)	2029 (5 YR)	2034 (10YR)	2100
TOTAL POP	26,699,488	27,214,034	27,962,256	29,112,898	38,089,396
25-64	14,053,892	14,246,467	14,485,196	15,032,980	17,237,195
65+	4,691,342	4,971,443	5,382,515	5,959,271	11,953,356
80+	1,213,949	1,330,081	1,549,646	1,881,488	5,665,956
NO OF 25-64 YEAR OLDS PER PERSON AGED 65+	3	2.87	2.69	2.52	1.44
NO OF 25-64 YEAR OLDS PER PERSON AGED 80+	11.58	10.71	9.35	7.99	3.04
% OF PEOPLE AGED 80+ IN POPULATION	4.55	4.89	5.54	6.46	14.88

Source: United Nations World Population Prospects (2022)

Australia is another high-income country facing a rapidly ageing population, though the shift in age profile is occurring more gradually than in Japan and France. Notably, the population of working-age individuals in Australia is forecast by the UN to continue growing until beyond 2100. Despite increasing life expectancy, migration into Australia is expected to continue to boost its working-age population.

Australia's total population is projected to grow from approximately 26.7 million in 2024 to about 29.1 million by 2034. However, this overall growth comes with notable changes in age distribution, particularly among the elderly. The number of individuals aged 65 and older is expected to rise substantially, from 4.7 million in 2024 to nearly 6 million by 2034. Even more striking is the increase in the population aged 80 and older, which is set to grow from 1.2 million to 1.9 million during the same period.

As for our other exemplar countries, the issue for Australia is the declining ratio of working-age individuals (25-64 years) to the elderly population. However, the rate of decline is shallower in Australia: by the end of 2024, there will be three working-age people for every person aged 65 and older, but this ratio will fall to 2.5 by 2034. For those aged 80 and older, the ratio will drop from 11.6 to 8.0.

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Nigeria (similar to South Africa, Zimbabwe and other low- and middle-income countries)

	2024	2026 (2 YR)	2029 (5 YR)	2034 (10YR)	2100
TOTAL POP	229,152,220	240,054,480	256,866,060	285,756,000	546,091,650
25-64	79,042,310	83,629,960	91,259,630	105,856,030	141,036,476
65+	6,870,660	7,271,420	7,937,900.	9,199,590	214,204,024
80+	747,677	799,985	859,914	988,631	10,283,629
NO OF 25-64 YEAR OLDS PER PERSON AGED 65+	11.50	11.50	11.50	11.51	0.66
NO OF 25-64 YEAR OLDS PER PERSON AGED 80+	105.72	104.54	106.13	107.07	13.71
% OF PEOPLE AGED 80+ IN POPULATION	0.33	0.33	0.33	0.35	1.89

Source: United Nations World Population Prospects (2022)

At the other end of the demographic spectrum, Nigeria is currently experiencing a population boom. Analysis from The Lancet in 2024 and the UN's projections suggest that Nigeria will not reach its peak population until after 2100, at which point it will be the world's second most populous country. Nigeria's population profile is similar to other African countries and lower- and middle-income countries in general.

Nigeria's population is projected to grow rapidly from 229 million in 2024 to about 286 million by 2034. This growth includes a substantial increase in the working-age population (ages 25-64), which is expected to rise from 79 million to nearly 106 million during this period. At the same time, the elderly population (ages 65 and older) will expand from about 6.9 million to 9.2 million, while those aged 80 and older will grow from around 748,000 to 989,000.

Despite the overall population growth, the ratio of working-age individuals to the elderly will remain relatively stable. By 2024, there will be around 11.5 working-age individuals for every person aged 65 and older, a ratio that will hold steady through 2034. For those aged 80 and older, the ratio will stay over 100 working-age individuals per elderly person, promising a relatively lower immediate economic burden from the ageing population compared to high-income countries.

However, Nigeria's population boom presents a unique opportunity for future planning. The 'window of opportunity' for a growing population is the period when the fertility rate is declining but before the older age groups start to significantly increase. This period, lasting about 35-40 years, is when the working-age population is still increasing, but the burden of health and social care is not yet rising. It is an optimal time to invest in education, social security, and infrastructure to ensure future prosperity as the population demographics evolve.

Countries including France, Japan, and Australia have already passed their window of opportunity. Many other lower-middle-income countries, such as India, the Philippines and Argentina, which supply a number of healthcare workers to wealthier nations, are approaching the end of their window. Conversely, Nigeria, Zimbabwe and low-income countries in Africa still have most of their window of opportunity ahead of them, presenting opportunities for them to plan and invest strategically for the future.

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Horizon 1 (12-24 months, or up to 2026)

Early effects of ageing are already apparent; new care models that focus on health span are being developed

Based on our forecasts, three of our four exemplar countries are already facing the national challenges of an ageing population. In France, Australia, and Japan, the number of people aged over 80 is already significant, ranging from 4.5% to 11% of the population. By 2026, at the end of Horizon 1, these percentages are expected to increase to 4.9% in Australia (from 4.6% in 2024), 11.3% in Japan (from 11.1%), and 6.7% in France (from 6.4%). In contrast, Nigeria's population aged over 80 is only 0.3% in 2024 and remains stable over the next five years.

In wealthier countries, this translates into rapidly increasing healthcare costs for elderly populations when longer lifespans do not necessarily mean more years of good health. Projections for other wealthy countries show similar trends; for example, in the UK, the number of people aged over 85 is expected to nearly double, from 1.4 million to 2.7 million, by 2040. An Age UK report from 2019 indicated that 15% of people aged 65-69 have difficulty with at least one daily activity, which rises to around 33% for those over 85. By 2040, the number of disabled older people in Britain is expected to rise by 67% to 5.9 million.

The trend is clear: as the number of people paying into health systems declines, the cost of providing care for the elderly is doubling or tripling. Even in the next two years private health funds will see an increase in the 'oldest old' among their members, leading to higher claims. This is particularly risky for community-rated markets which will undoubtedly prompt discussions about sustainability. For risk-rated markets to keep pace, rapidly increasing premiums for ageing members will be necessary which is likely to be unpalatable even for loyal customers.

In light of projections that Nigeria will become the world's second most populous country by 2100, it might appear, along with other similar low- and middle-income countries, to be less susceptible to the challenges associated with ageing populations. However, ageing is already a growing problem for health funds in South Africa. Masimba Mareverwa of local specialists Insights Actuaries explains that medical cost inflation in the region is about double the national inflation rate, driven largely by an ageing insured population. In South Africa, with only 15% of the population having health insurance, the insured population has a significantly older age profile than the national average. This older insured population means premiums are already rapidly increasing for everyone. Younger people either cannot afford health insurance or have little incentive to join, leading to a vicious cycle where the lack of young contributors further drives up premiums.

Similar challenges are seen in Botswana, Zimbabwe and Malawi. Conversely, in some west African countries such as Ghana, private health insurers do not face the same ageing problem because insurance policies are risk-rated, and the elderly population is simply not insured, masking the challenge of providing healthcare for the elderly.

To cope with this crisis, private health insurers are responding with innovative products. South Africa's Unity Health offers primary healthcare products not subject to the same regulations as medical schemes, making them cheaper and more attractive to younger people. This shift could change the profile of the insured population and impact South African health systems for the better.

Mareverwa explains the actuarial and social challenge: “It’s not really about your total population age; it’s about the age and disease profile underpinning your premiums this year compared to the next.” In Japan, longevity is already factored into premiums due to the aged population. In Africa, the insured population's age profile has yet to shift, though movement can be seen.

Finally, the number of available healthcare workers is just one more factor to consider. As we well know, the world is experiencing a global shortage of health workers. Although the impact of worker shortages on

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healthcare costs is beyond this paper's scope, it is a significant risk factor contributing to the global healthcare landscape. Worker shortages will be discussed more fully under Horizon 2.

The potential for solutions within Horizon 1

"We need what we call Medicine 3.0, which involves more lifestyle related treatments that increase our health span, not just the life span." Mirande Groener, Senior Business Development Advisor, Achmea

The problems associated with ageing populations have been anticipated for some time, but there have been few incentives for health systems to undertake the long-term planning needed to address these issues. A crucial starting point is to increase the number of healthy years of life, enabling elderly populations to live better for longer. The challenge lies in improving health outcomes, which typically requires greater investment amidst limited budgets and a constrained healthcare workforce. For private insurers and health systems, quick wins can be achieved through virtual care, automation and AI to reduce monitoring and care costs per patient while serving a larger number of patients without compromising care. Streamlining existing service models and scaling up successful pilots offer significant opportunities.

Zilveren Kruis, the Dutch health fund owned by Achmea, is actively focusing on improving health span. As Mirande Groener explains, "Pharmaceuticals can extend lifespan, especially towards the end of life. However, they don't address health span, the number of years we live in good health. We need what we call Medicine 3.0, which involves more lifestyle-related treatments to increase our health span, not just lifespan." Zilveren Kruis offers solutions such as a vitality platform and tools such as a Healthy Living Test to calculate someone's 'true age' compared to their passport age, offering suggestions to reduce the true age. Programmes such as 'Losing Weight with Conditions' encourage healthier lifestyles, with employer-funded incentives based on participation and outcomes.

While most physical treatments require visits to a health centre, e-health tools can provide around 50% of care at home for diagnosis, monitoring and nursing. This allows healthcare workers to support more patients, reducing care costs per patient. Proactive, scalable monitoring can support individuals before health crises occur. Remote diagnostics and monitoring gather comprehensive data, enabling AI to improve decision rules within triage and treatment paths, thereby automating more of the healthcare pathway and freeing up capacity to support more patients.

AXA Mansard is also increasing access to at-home care and telemedicine for its Nigerian members. Like wealthier countries, Nigeria faces increased pressure from lifestyle-related illnesses. Telemedicine, accelerated during the COVID-19 pandemic, is an obvious choice. However, a lack of trust in these new approaches leads to low adoption. Many prefer visiting clinics, expecting a return to in-person care as pandemic restrictions ease. Addressing this may require education, behavioural change and national policy beyond an individual insurer's remit.

Within the short-term horizon, digitisation, automation and AI are already being used in many regions to improve health outcomes in specific applications and sub-populations. Greater adoption and standardised usage of these technologies are crucial to providing the right level of healthcare to a growing elderly population while keeping costs manageable. Effective deployment of virtual healthcare requires investment to avoid pitfalls and achieve desired outcomes. iFHP has detailed these issues in its white paper, 'The Opportunity for Artificial Intelligence in Health Insurance'.

Realising the full potential of at-home care necessitates changes to traditional healthcare roles. Clinical teams will increasingly work with patients at home, and patients will gain more capability to manage their

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own health and monitoring. This shift involves moving from crisis response to proactive health management and from curative to lifestyle-related treatments, requiring a purposeful movement towards value-based care. Such systemic changes require collaboration across traditional healthcare silos. Private health insurers will need to adjust their roles to create more cost-effective outcomes. Achieving innovation beyond the next few years and addressing the scale of the ageing problem demands collaboration with health systems, governments, and insurers.

Section Summary

- The burden of healthcare costs for the elderly is rapidly increasing as life expectancy increases while healthy life expectancy has stayed relatively stable.
- Ageing populations pose significant challenges for healthcare systems, requiring long-term planning and investment in preventative care.
- Digitisation, automation and AI are already being used to improve health outcomes and extend health span rather than just lifespan, but greater standardisation and investment are needed. Challenges such as low adoption rates and lack of trust, need to be addressed, as well as data sharing and privacy concerns.
- Collaboration between stakeholders from across healthcare systems is essential to maximise the potential of at-home care and value-based care models.
- Explore ways to increase preventative management of health, and value-based care to cost-effectively address the risks and requirements of insuring ageing populations.
- Insurers should use sophisticated data analytical and modelling to gather data for credible short- to medium-term forecasts on health care costs for their populations. Sharing data on costs and risks will be valuable for getting other stakeholders round the table for longer-term planning and collaboration.

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Horizon 2 (2-5 years, or up to 2029)

Shortages in healthcare workers start to impact care delivery; AI is promising but robots aren't yet taking up the slack. Prevention is key

"In high-income countries with ageing populations we don't have the labour force to provide sufficient health care workers to meet the increasing needs of our oldest age groups." Professor Jean-Marie Robine, Emeritus Research Professor at INSERM

As we look further into the future, the pressures on healthcare systems due to ageing will intensify. Forecasts indicate significant growth in the number of the oldest old in most countries. For example, in France, the percentage of people over 80 is projected to increase from 6.4% in 2024 to 7.7% in 2029, an increase of nearly 1 million people. This trend will further strain health resources, already stretched by the needs of the elderly, while the global shortage of healthcare workers continues to grow.

According to the WHO, the world will suffer a shortfall of ten million healthcare workers by 2030, with the greatest shortages in low- and lower-middle-income countries. However, attracting and retaining healthcare workers will also affect rich countries: analysis conducted in 2023 suggested staff shortages in the UK's NHS could reach 570,000 by 2036. In countries where the pool of working-age people is decreasing fastest, these shortages will be felt most keenly as the healthcare sector must work harder to attract and retain staff from a shrinking pool of workers. And even the supply of healthcare workers from countries such as Indonesia, the Philippines and Argentina is not limitless. These countries are nearing their peak populations and will soon face their own ageing population challenges.

Japan, at the leading edge of population longevity, is projected to have over 12% of its population aged 80 or older by 2029. To address this, Japan is turning to novel technologies such as robotics for elderly care, investing hundreds of millions of dollars on research and development in this field alone. However, adoption rates remain low, and the current technology has yet to substantially reduce the workload for carers.

On the other hand, developments in automation and AI are delivering promising results. Virtual care, AI and automation can reduce monitoring and care costs per patient while serving more people without compromising quality. As we adopt these technologies more widely, they can help manage the growing demands on healthcare systems.

The potential for solutions within Horizon 2

"It's actually quite odd to expect an individual's productivity will drop off a cliff as soon as they reach 67, but that's what our current models and expectations of retirement do." Jeroen Kemperman, Senior Manager Strategy, Zilveren Kruis

Looking towards Horizon 2, the challenges of ageing populations will intensify, and innovative solutions are thin on the ground. However, conversations with iFHP members reveal promising areas that may yet yield real results. For example, preventative healthcare is now being seen by some as a key investment for reducing lifestyle-related illnesses among ageing populations and increasing health span.

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As life expectancy increases, other trends will start to emerge. More people will choose to work post-retirement, improving physical and mental well-being. There will be other benefits: employers in high-income countries facing skilled employee shortages would benefit from retaining older employees. An employer wellness scheme for older workers could help them to stay in the workforce longer, benefiting health systems and insurers.

Prevention is crucial for insurers to mitigate mid-term ageing-related health risks. Using employee data to model health risks and incorporating affordable genomic testing can identify individuals at risk of chronic illnesses, allowing for early intervention. Insurers such as Vitality use wearables to encourage activity, collect health data and offer personalised treatments. These advancements benefit individuals, employers and insurers and should be integrated into corporate medical schemes. Effective deployment requires collaboration with regulatory bodies and governments due to data and privacy requirements.

By now, Nigeria's working-age population is growing rapidly, with the number of people aged over 65 expected to increase by 25% to over 9 million by 2100. Similar to high-income countries, Nigerian insurers and health stakeholders recognise the risks of insufficient healthcare for older populations. As working-age populations grow, now is the time to invest in healthcare and infrastructure for the ageing population.

AXA Mansard plans to introduce health insurance for retirees, responding to employer demands for extended coverage. This new product will provide peace of mind for retirees and their families, attracting talented employees in a country with limited public healthcare. AXA Mansard identified four potential sponsors for private health coverage for those aged 65-80: employers, working-age children, the individuals themselves and corporate entities as part of their CSR agenda.

However, insurers alone cannot create the necessary scale of change. Motivating people to work beyond retirement involves social, economic and ethical challenges. Collaborating with employers is a viable strategy for mitigating ageing population risks. This strategy is placed within Horizon 2 as systemic changes require government support and investment, and detailed action plans are needed.

Section Summary

- Insurers must anticipate and plan for a global shortfall of 10 million healthcare workers by 2030. Robotics and automation may provide opportunities, even though current adoption rates are low. Creative thinking around how humans (both staff and patients) interact with the emerging technology will be crucial.
- Advise corporate clients on creating age-appropriate workplaces to retain ageing workers and mitigate employment challenges, while also mitigating the risks of failing health after retirement.
- Particularly for low-middle income countries, explore employer-sponsored health insurance options for retirees, addressing gaps in publicly funded healthcare and attracting talented employees.
- Collaborate on ways to leverage employee data for health risk modelling and forecasting, incorporating genomic testing and wearable technology for personalised treatments.
- Build on opportunities created in Horizon 1 by working with stakeholders to design large-scale shifts in healthcare delivery, emphasising collaboration between payers, employers, regulatory bodies and governments.

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Horizon 3 (5-10 years or up to 2034)

Loneliness is widespread, distribution of wealth is slowing; new housing models show promise but innovative ways to train healthcare workers are required

"I think we're still tinkering at the edges, we can do a lot more but the issue is that the focus of most businesses is short term and this applies to health insurers too. It will take time for this to shift to seriously long-term planning in order to address the long-term health costs burden." Ben Ooi, Actuarial Director, Bupa APAC

Over the next decade, one consequence of ageing populations will be the rise of single-person households. In the Netherlands, the number of single households has grown 375% since 1960, with around 3 million single-person households today in a population of about 17 million. Similar patterns are expected in other wealthy countries. As people live longer, the number of single-person households will continue to increase.

Elderly individuals living alone are more likely to suffer from loneliness and isolation, which negatively impacts health, especially as they become frail and less mobile. They face increased risks from falls and longer waits for help, leading to more severe complications. Managing their own health and daily needs also becomes more challenging without support.

Additionally, wealth is increasingly concentrated among the oldest sections of the population. Inheritance timelines have changed, with many children reaching their sixties before inheriting family assets. This shift means younger generations establish their own homes long before receiving inheritances. While these assets might fund care, there may not be enough workers to provide it.

Managing the risks of ageing populations may follow a path similar to value-based care, first introduced nearly two decades ago but only implemented successfully in limited ways. Discussions at iFHP's 2023 CEO Forum suggest that while value-based care for older adults is a valuable strategy, it is challenging to evaluate outcomes due to the specialised care and multiple co-morbidities involved. Systemic change is needed to shift the focus from the cost of treatments to long-term health outcomes.

A system-based approach is essential for making sustainable shifts in healthcare, as insurers cannot tackle complex issues such as funding healthcare for ageing populations alone. These challenges intersect with government policy, economics, behaviour change and technology adoption.

Overall, an ageing population increases pressures on healthcare systems and families. More single-person households and fewer care staff strain hospital capacity, as frail patients cannot be discharged without adequate care, or relatives must step in to provide it. Addressing these challenges requires yet more new models and collaboration beyond insurers and healthcare systems.

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The potential for solutions within Horizon 3

"When we create prevention-based interventions to manage the costs, how do we know they are working? ... we risk attracting already healthier people, which may then skew our outcomes. So it's an interesting challenge to truly demonstrate a return on investment." Gareth Kantor, Clinical Consultant, Insight Health Solutions

Global population change projections from sources such as the UN, The Lancet and the Wittgenstein Centre for Demography & Global Human Capital highlight the challenges ageing populations pose. However, for accurate forecasting at a country or market level, sophisticated data models and granular data capture are essential. While big data technology advances rapidly, infrastructure for data interoperability and privacy discussions lag behind, necessitating better long-term planning and new data infrastructure.

Insurers play a key role in managing healthcare costs, particularly through preventative care, which keeps members healthier and reduces lifestyle-related illnesses. However, tracking returns on preventative healthcare is challenging. Gareth Kantor of Insight Health Solutions points out the need for tailored interventions based on population pyramids and defining outcomes that include resource utilisation and individual health. Short-term wins should include earlier cancer diagnoses and better diabetes and heart disease management, while longer-term rewards come from healthier lifestyles. Within a 10-year horizon, insurers can expect to start seeing significant returns on investment from these approaches.

Insurers' ability to manage costs effectively is limited by factors beyond their control, including government policy and regulatory environments. Therefore, collaboration with other health system stakeholders remains crucial to achieve meaningful change.

In ten years' time, the need for effective strategies to make up for the massive shortfall in global healthcare workers will be becoming critical. This could involve creating more medical training centres in countries where the population window of opportunity is still open, boosted by offering incentives to trainees to address global health worker shortages. Improved working conditions will also be essential for retaining new workers.

Achmea's project to create 450,000 lifespan-proof houses for elderly plan members demonstrates another innovative approach. This involves significant investment in community living arrangements that offer care when needed, reducing informal care hours and benefiting both individuals living alone and those in nursing homes.

These strategies are bold and innovative and demonstrate the level of thinking required to address the challenges posed by ageing populations. They also emphasise the need for collaboration, innovation and long-term planning to address the challenges effectively.

Section Summary

- A shift from short-term to long-term strategic planning is needed and health insurers must overcome the challenge of myopic focus to develop sustainable solutions.
- Value-based care highlights that healthcare for older age groups, with complex health needs, requires effective outcome evaluation. Robust evaluation methods are essential for measuring the cost and impact of interventions.
- Anticipate the increase in single-person households among the elderly and start discussions with other stakeholders on strategies to address the vulnerabilities of this demographic.
- Explore collaborative partnerships beyond traditional insurance and healthcare sectors to address costs, risks, and the systemic challenges that give rise to them, effectively.

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- Proactively promote healthy lifestyles and early intervention strategies to reduce long-term healthcare burdens, while finding ways to evaluate their impact.
- Explore opportunities for global shifts in medical training and improve working conditions to attract and retain healthcare professionals.

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Concluding Remarks

The world's ageing population is driving up healthcare demand, straining both public and private funds, and exacerbating the healthcare worker shortage. As people live longer, many spend these additional years in poor health with multiple chronic conditions. This challenge is global, affecting even countries like Nigeria, which are still experiencing a population boom.

For high-income countries, the healthcare burden for those over 65 could be about 16% higher by 2034, based on UN World Population Projections and healthcare cost studies. Health insurers and other system stakeholders must plan and act now to mitigate these risks. Private insurers, facing financial impacts earlier due to their membership demographics, need to raise awareness and foster collaboration in the broader health system—requiring meaningful engagement with governments—for broader solutions.

The Three Horizons model outlines strategic priorities over different time frames: Horizon 1 (1-2 years), Horizon 2 (2-5 years), and Horizon 3 (5-10 years). In the short term (Horizon 1), the focus should be on improving operational effectiveness. Scaling and standardising emerging technologies such as automation and AI can reduce healthcare costs and improve outcomes, thereby managing the growing elderly population's needs.

In the medium term (Horizon 2), preventative healthcare can yield significant benefits. By collaborating with employers, insurers can offer education and early interventions, keeping people healthier and employed longer. Genomic testing, affordable screening and remote monitoring enhances preventative care and data collection, targeting initiatives more effectively.

Long-term strategies (Horizon 3) must address the healthcare worker shortage and improve longer term living conditions for older people. Increasing workforce mobility from lower-income countries and supporting healthcare workers with technology can help retain staff. Collaboration between private and public sectors to create optimal living environments for the elderly can promote independence, happiness and healthier longevity.

Private health insurers alone cannot overhaul health systems. Initiating Horizon 2 and 3 changes now, based on successful existing initiatives, requires deep collaboration with stakeholders. Shifting from short-term planning to a long-term vision, including strategies for ageing populations, requires buy-in across health and government systems for a sustainable future for the elderly.

By focusing on these strategies, it is possible to manage healthcare costs and improve outcomes for ageing populations, ensuring a healthier future for all.

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