Modelling Ageing Populations to 2030 (MAP2030)

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The Long-Term Care Finance team are conducting a study Modelling Needs and Resources of Older People to 2030 (MAP2030) in collaboration with researchers at the University of East Anglia, University of Leicester, London School of Hygiene and Tropical Medicine, London School of Economics and Pensions Policy Institute. This study is funded by the Research Councils under their New Dynamics of Ageing programme. Through modelling the needs and resources of older people to 2030, the study aims to produce analysis to inform public debate and the development of future long-term care and pension policy up to 2030.

The project uses simulation models to project the numbers, family circumstances, income, pensions, savings, disability and care needs (formal and informal) of older people. Special attention is given to the inter-relationships between care needs and economic resources in later life, and to the affordability, and distribution of costs and benefits. For the first time, long-term care and pensions policy reform options are analysed together.

The research team recently analysed the effect of changes in life expectancy on public expenditure on long-term care. They had prepared projections of public expenditure to 2032 using the PSSRU cell-based financing model and the University of East Anglia Caresim microsimulation model.

The analysis considered three demographic projections: the ONS principal 2006-based population projection; the ONS high life expectancy 2006-based projection; and a very high life expectancy projection produced by Professor Mike Murphy of LSE as part of the MAP2030 study. The high life expectancy projections show numbers of older people rising by 71% and very high life expectancy projections show them rising by 77% between 2006 and 2032, as compared to 66% under the principal projection.

Public expenditure on long-term care for older people (including disability benefits used to fund care) is projected to rise under the principal projection from around 0.95% of GDP (£12bn) in 2007 to around 2.9% of GDP (£32bn) in 2032. It is expected to rise, as illustrated in the chart, to 3.05% of GDP in 2032 under the high life expectancy projection and 3.25% of GDP in 2032 under the very high life expectancy projection.

It is important to note that these findings are projections on the basis of a set of assumptions and not forecasts. They assume, for example, that disability rates remain constant, patterns of care remain unchanged, the funding system is unchanged and unit costs of care rise by 2% per year in real terms.

Figure 1 Projected public expenditure on long-term care for older people under different life expectancy variants, per cent of GDP

Expenditure as a percentage of GDP

Projections illustrated: principal projection (bottom); high life expectancy (middle); very high life expectancy (top)