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AUSTRALIA

Economics of Aged Care: Introduction

Flavio Menezes

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The University of Queensland



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Prof. Flavio Menezes
Head of The School of Economics



Research-intensive

World class

Comprehensive

International recognition



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AUSTRALIA

University of Queensland

Founded in 1910

Go8 member

U21 member

3 campuses

37 500 students

117 nationalities



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Economics at UQ

One of top Departments of Economics in Australia

Three ARC Professorial Fellows and one ARC
Federation Fellow

Research published in top international journals

Large range of undergraduate economics courses

A range of post-graduate degrees in economics
(including a Master of Health Economics)

An active PhD program

[For more information see: www.uq.edu.au/economics](http://www.uq.edu.au/economics)



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Program

- Introduction:
 - Professor Flavio Menezes
 - Financing Aged Care:
 - Mr. Henry Ergas
 - Modeling the Aged Care Sector:
 - Mr. Steven Hamilton
 - The Future of Aged Care Regulation:
 - The Hon. Santo Santoro
 - Q&A
 - Lunch
-



Population projections

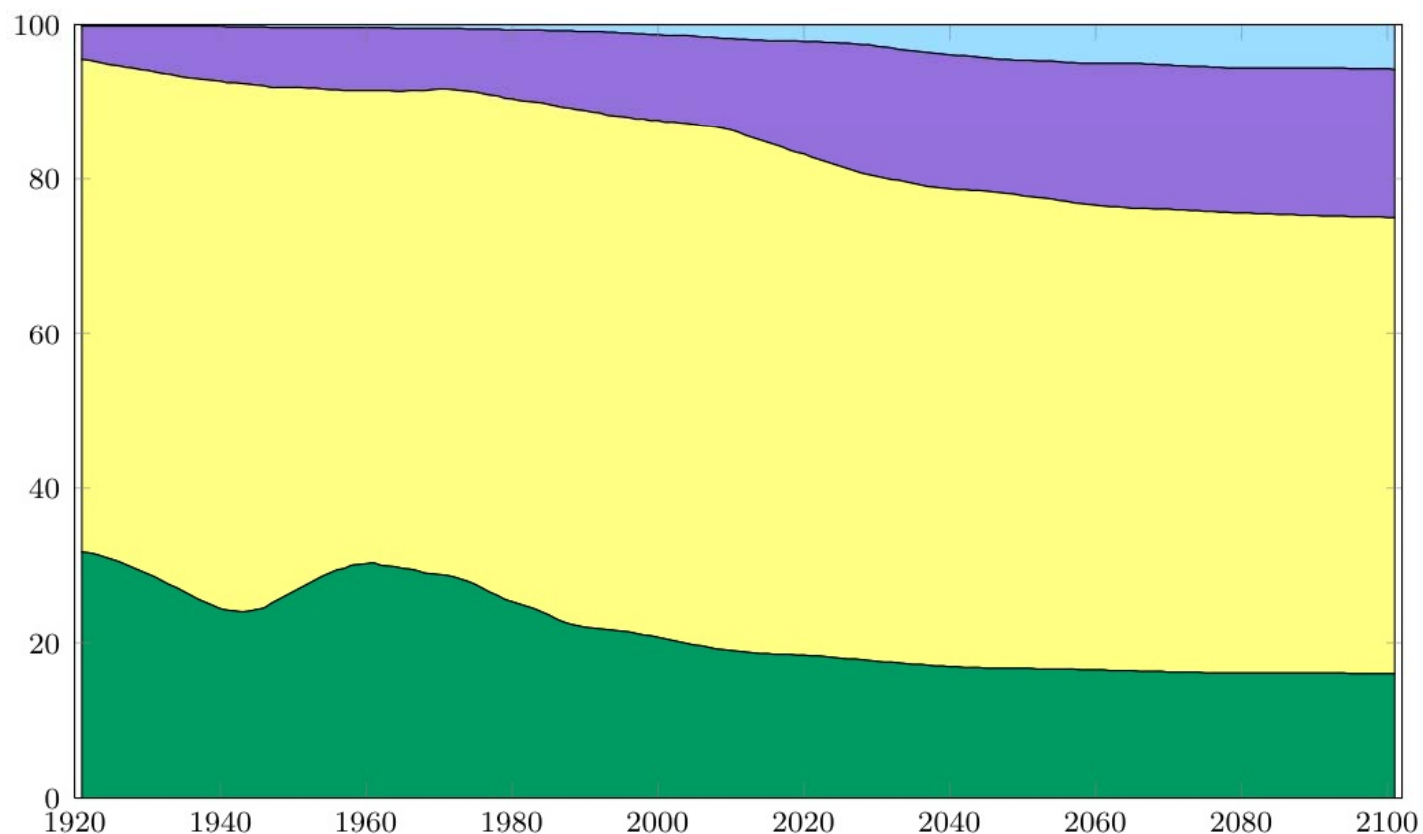


Figure 2.1: Proportion of the Australian population in different age groups, 1921 to 2101 (per cent)

Data sourced from Australian Bureau of Statistics (2008a) & Australian Bureau of Statistics (2006)

■ – 0-14 years, ■ – 15-64 years, ■ – 64-84 years, ■ – 85+ years



Life expectancy

	2007	2017	2027	2037	2047
Life expectancy at birth					
Men	79.1	81.4	83.2	84.6	86.0
Women	83.8	85.6	87.2	88.5	89.8
Life Expectancy at age 60					
Men	22.6	24.2	25.5	26.6	27.7
Women	26.1	27.4	28.6	28.6	30.8

Source: ABS and Treasury



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Implications of an ageing population

- A large share of the population will be older than 65
 - We expect to live longer than ever before
 - This has many implications:
 - Labour force participation
 - Productivity
 - Taxation
 - Health care costs
-



Implications for health care costs

- An older population who lives longer will impact directly on:
 - Medicare (e.g., more visits to GPs); hospital costs (e.g., longer, more intense care); pharmaceuticals (e.g., PBS and hospitals); aged care (e.g., number of places, high care vs. low care).
- How do we cope with increased costs in an environment where it will be increasingly more costly to raise public funds?
- We need to look at both competition and re-regulation as alternatives.



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We need to think system-wide

- It took us over a decade to improve the design of the electricity market.
 - Current design involves a combination of competition and regulation, and a myriad of institutions, including new markets.
 - A great deal of resources was put into developing the market design and we currently enjoy reasonably low electricity prices.
 - In contrast, developments in aged care (but also more broadly in health policy) seem to be piecemeal and discontinuous.



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Today's program

- Financing Aged Care:
 - Mr. Henry Ergas (20 minutes)
 - Modeling the Aged Care Sector:
 - Mr. Steven Hamilton (20 minutes)
 - The Future of Aged Care Regulation:
 - The Hon. Santo Santoro (20 minutes)
 - Q&A
 - Lunch (around 12:45pm)
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