

Health and retirement security research

Summary of findings

October 2016

Health and retirement security research project: key findings

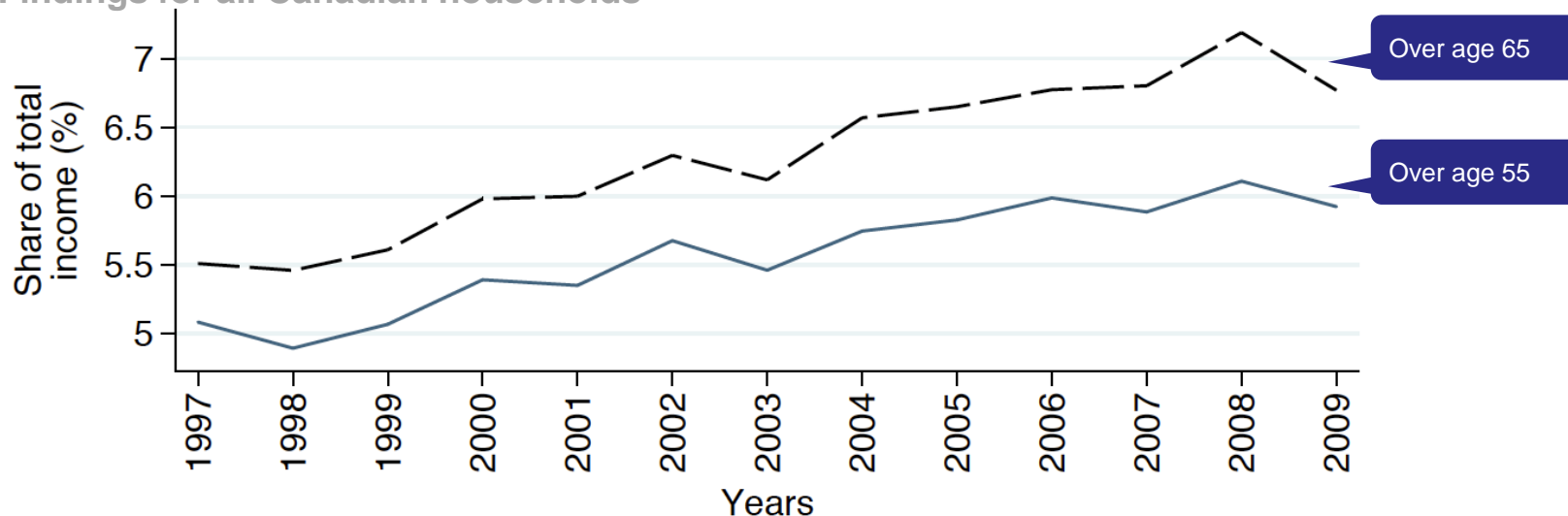
- Studies and analysis of Canadians' retirement readiness neglect an increasingly important area of need and cost for retirees: out-of-pocket health care costs, including the cost of home care and long-term care
- Out-of-pocket health care costs tend to rise with age, especially among high consumers of health-care services
- Including home care and long-term care costs in the analysis dramatically worsens the picture of Canadians' retirement readiness and future retirement security among certain groups, particularly women and people age 85 or older. The percentage of women projected to have inadequate income nearly doubles once health-related costs are factored in (increasing from 11% to 17% for 70-year-olds and from 25% to 44% for 85-year-olds). Based on these calculations, **nearly 100,000 more women are expected to have inadequate retirement income than previously projected, and over 65,000 are expected to have negative retirement income.**
- The findings have important implications for policy makers and stakeholders in both the retirement and health-care systems. Building on the recent CPP enhancement, **stakeholders and policy makers should examine further means to strengthen retirement security for all Canadians, including focusing on women and devising more efficient strategies for financing out-of-pocket costs associated with home care and long-term care.**

Health costs as a share of seniors' spending have been rising

Rise for overall population has been gradual but steady

Health-related spending as a percentage of income has risen steadily since the late 1990s

Findings for all Canadian households



- Population-level figures show a relatively modest rise, but these figures mask potentially large costs for particular kinds of households or individuals
- Survey data excludes people in institutions (e.g., hospitals, long-term care homes) so likely underestimates spending, especially among older Canadians
- The rise in out-of-pocket costs is especially acute for certain groups (e.g., singles, people with existing high health care spending) and comprises a much higher proportion of income for a larger proportion of people in low-income groups

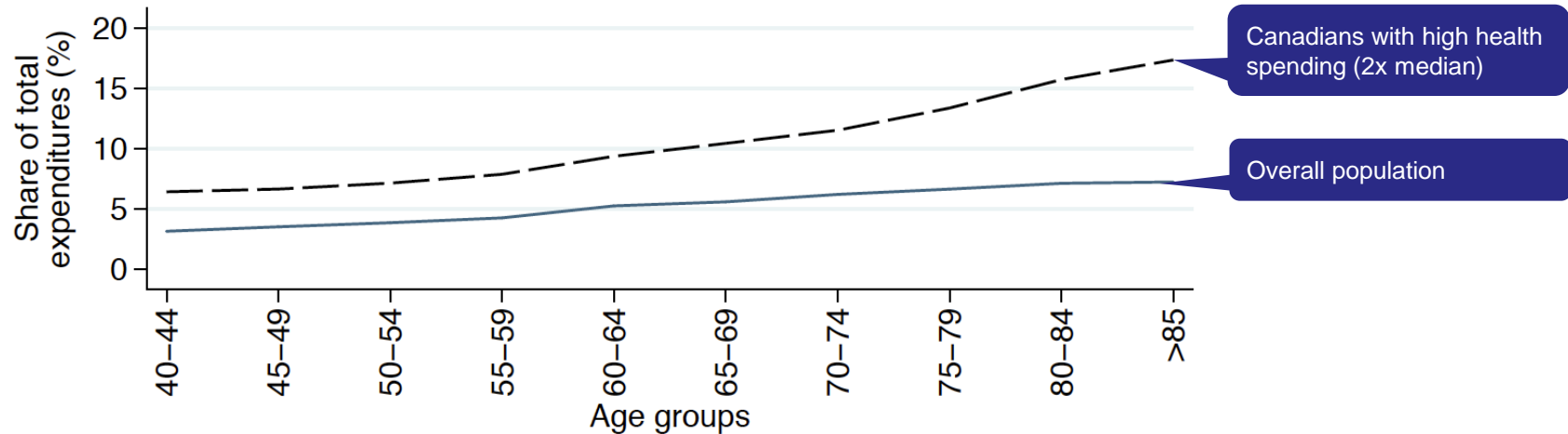
Largest categories of out-of-pocket health spending

- + Insurance
- + Dental
- + Prescription drugs
- + Home care
- + Long-term care

Out-of-pocket health costs tend to rise with age

Effect is particularly dramatic for singles and people with high health spending

Health spending as a share of total expenditures rises with age
Rise is considerably faster for those with 2x median health spending

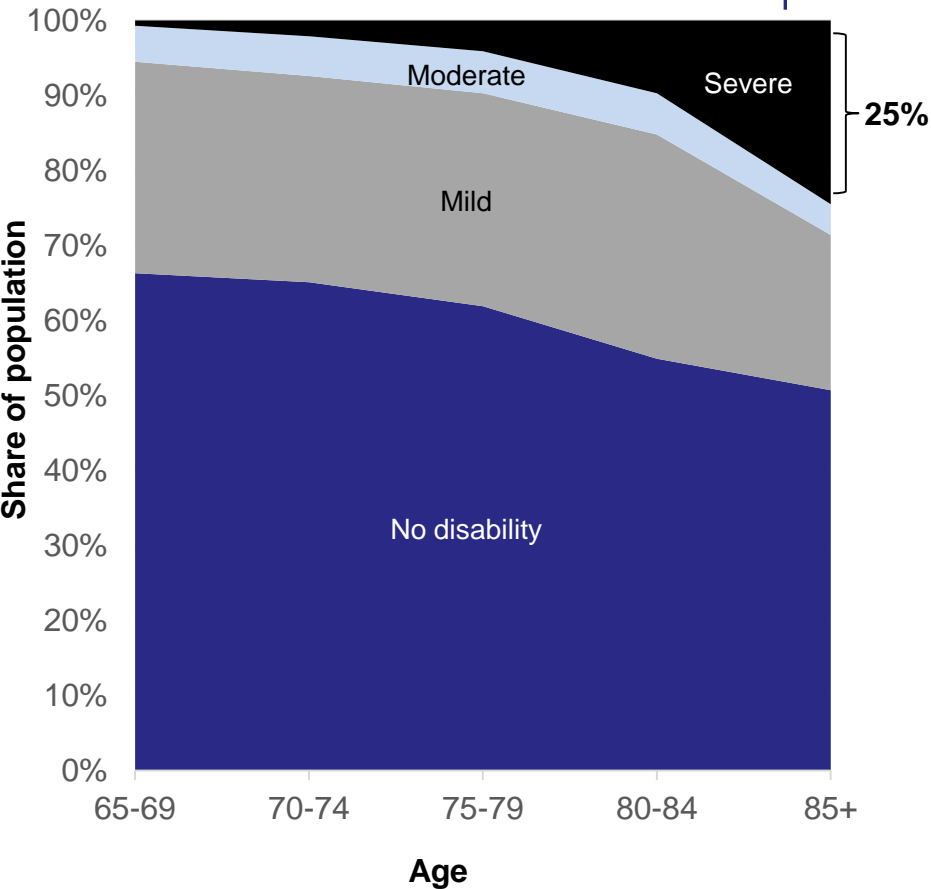


- Increase in health-related spending with age is especially steep for single households with high health spending (rising from ~9% of spending at age 40-44 to nearly 20% of spending at age 80 and above)
- After age 65, spending on health expenditures remains higher than any other expenditure
- Survey data excludes people in institutions (e.g., hospitals, long-term care homes) so likely underestimates rise in spending, since costs related to institutionalization tend to occur in the later stages of life

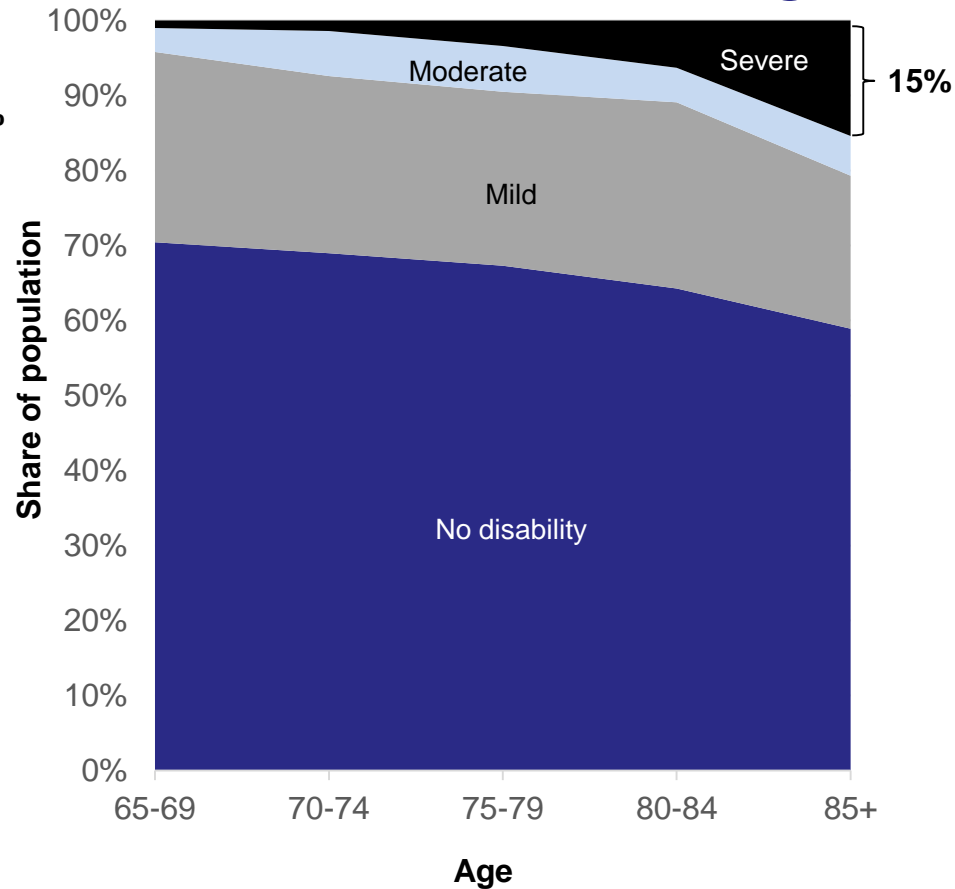
Incidence of severe disability rises sharply after age 80, particularly among women

One quarter of women over 85 years old are severely disabled

Incidence of disability among seniors Women



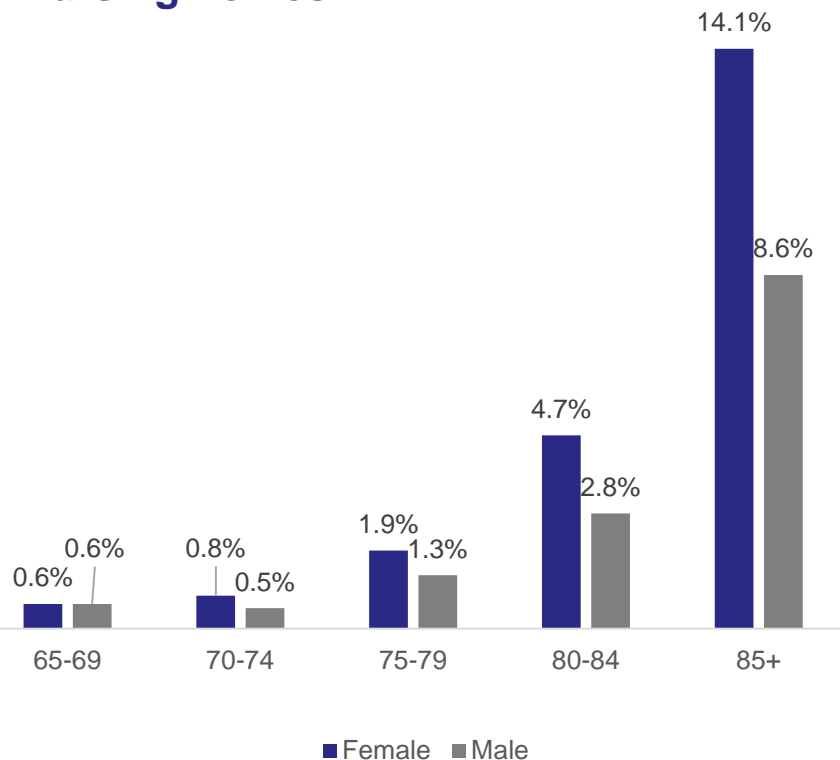
Incidence of disability among seniors Men



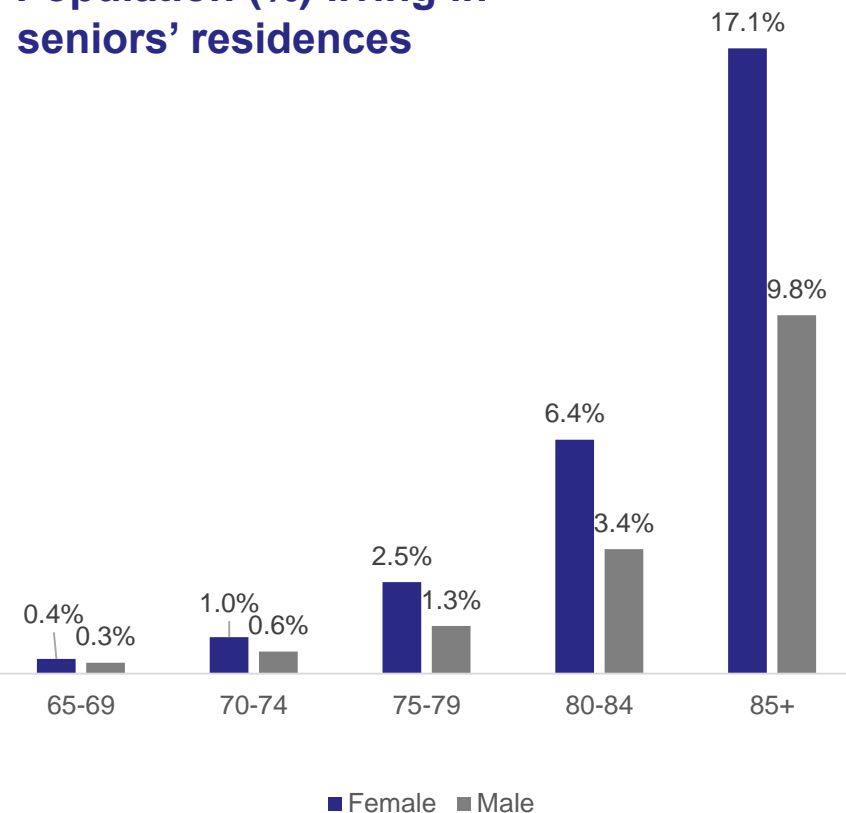
Incidence of use of long-term care and seniors' homes by age

Rises sharply after age 80

Population (%) living in nursing homes

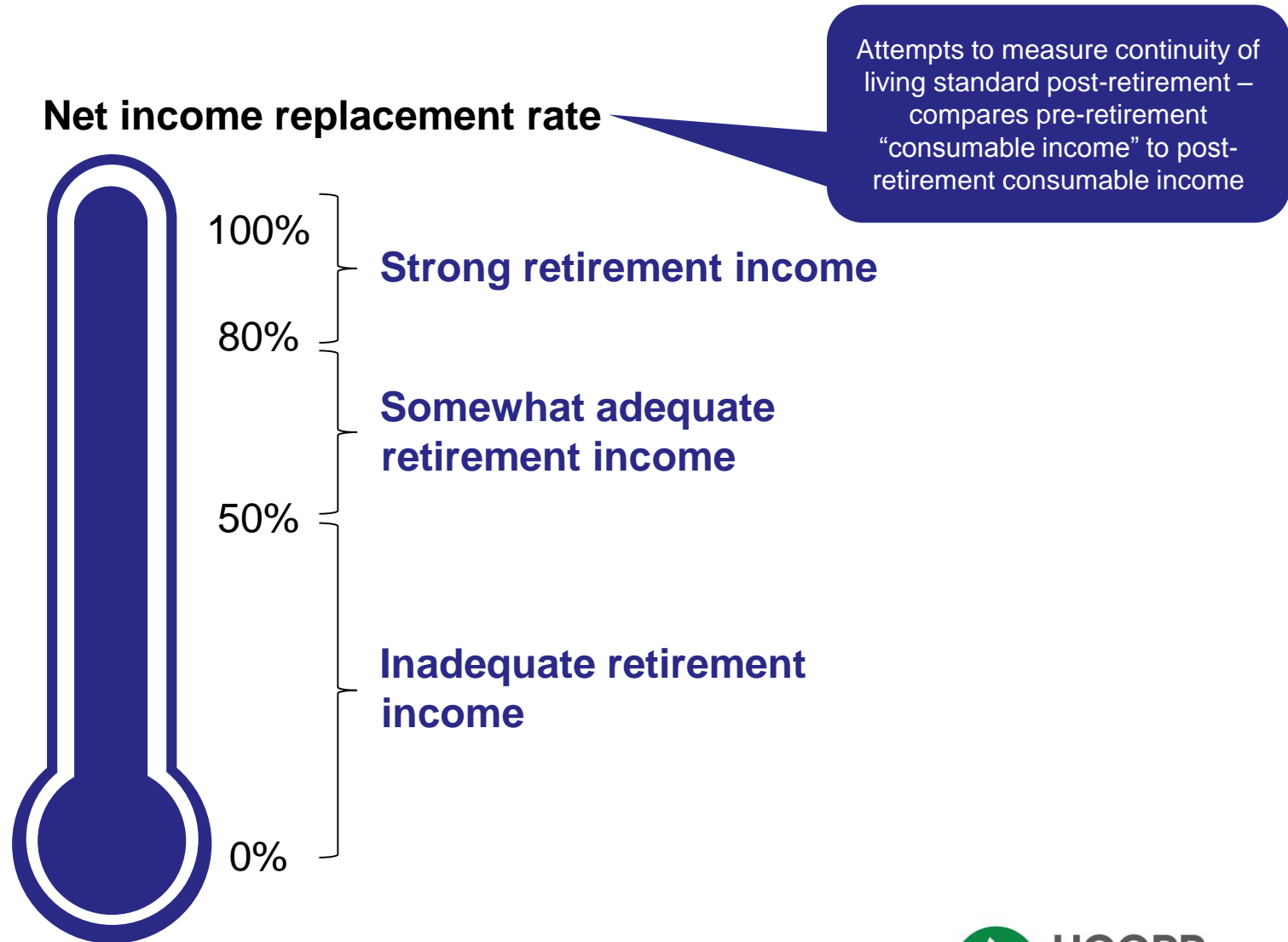


Population (%) living in seniors' residences



Women over 80 are nearly twice as likely to live in a nursing home or seniors' residence than men over 80

Definition of retirement income adequacy for the purposes of this study

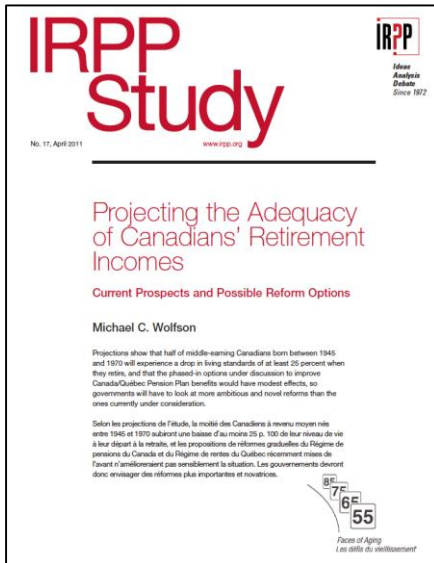


Previous Wolfson analysis showed that many Canadians approaching retirement will see a substantial drop in living standard

Analysis did not factor in costs of long-term care

2011 study for the Institute for Research on Public Policy

Dr. Michael Wolfson
Statistician, former Assistant Chief
Statistician of Canada (U of Ottawa)



- Sophisticated simulation model based on Statistics Canada's LifePaths model
- Compares pre- and post-retirement incomes net of all taxes and transfers, and major forms of saving and dis-saving (e.g., home equity draw-down)

50%

of middle-earning (\$35-80k) Canadians born between 1945 and 1970 will experience a drop in living standards of at least 25 percent when they retire

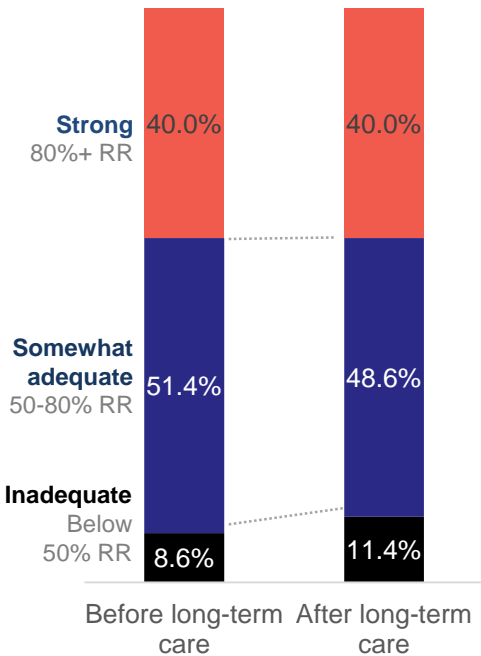
Analysis did not factor in cost of long-term care and other major health-related costs

Including LTC costs has a modest effect on income adequacy of 70 year olds, and substantially worsens that of 85 year olds

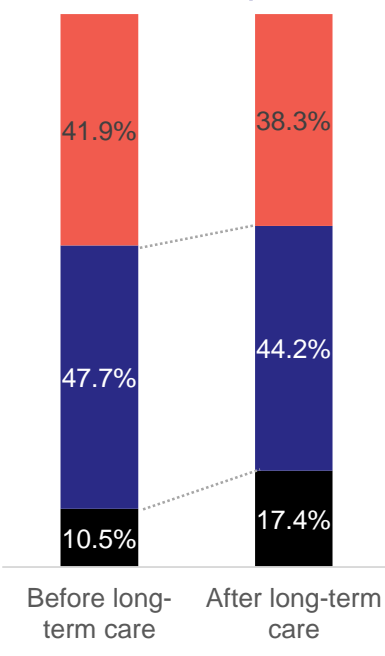
Number of 85-year-old women with inadequate retirement income nearly doubles

Age 70

Men 

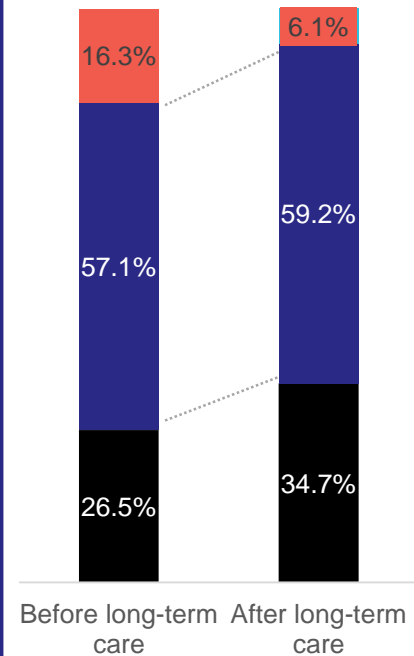


Women 

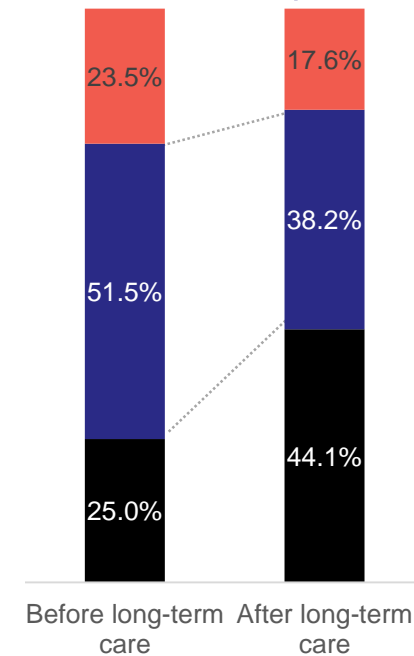


Age 85

Men 



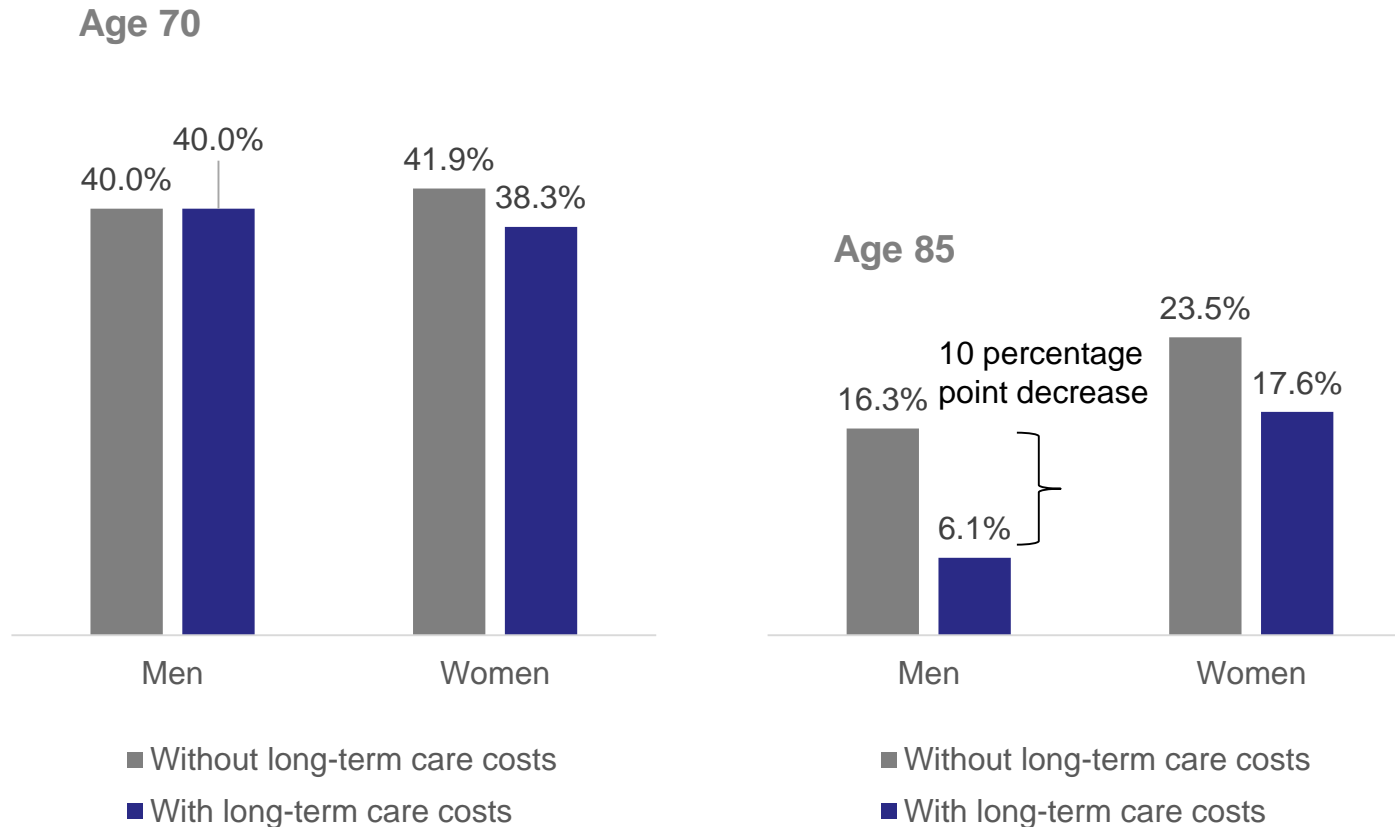
Women 



Including long-term care costs has little effect on number of people with adequate retirement income at 70, but a large effect at age 85

Over 10 percentage point decrease in 85-year-old men

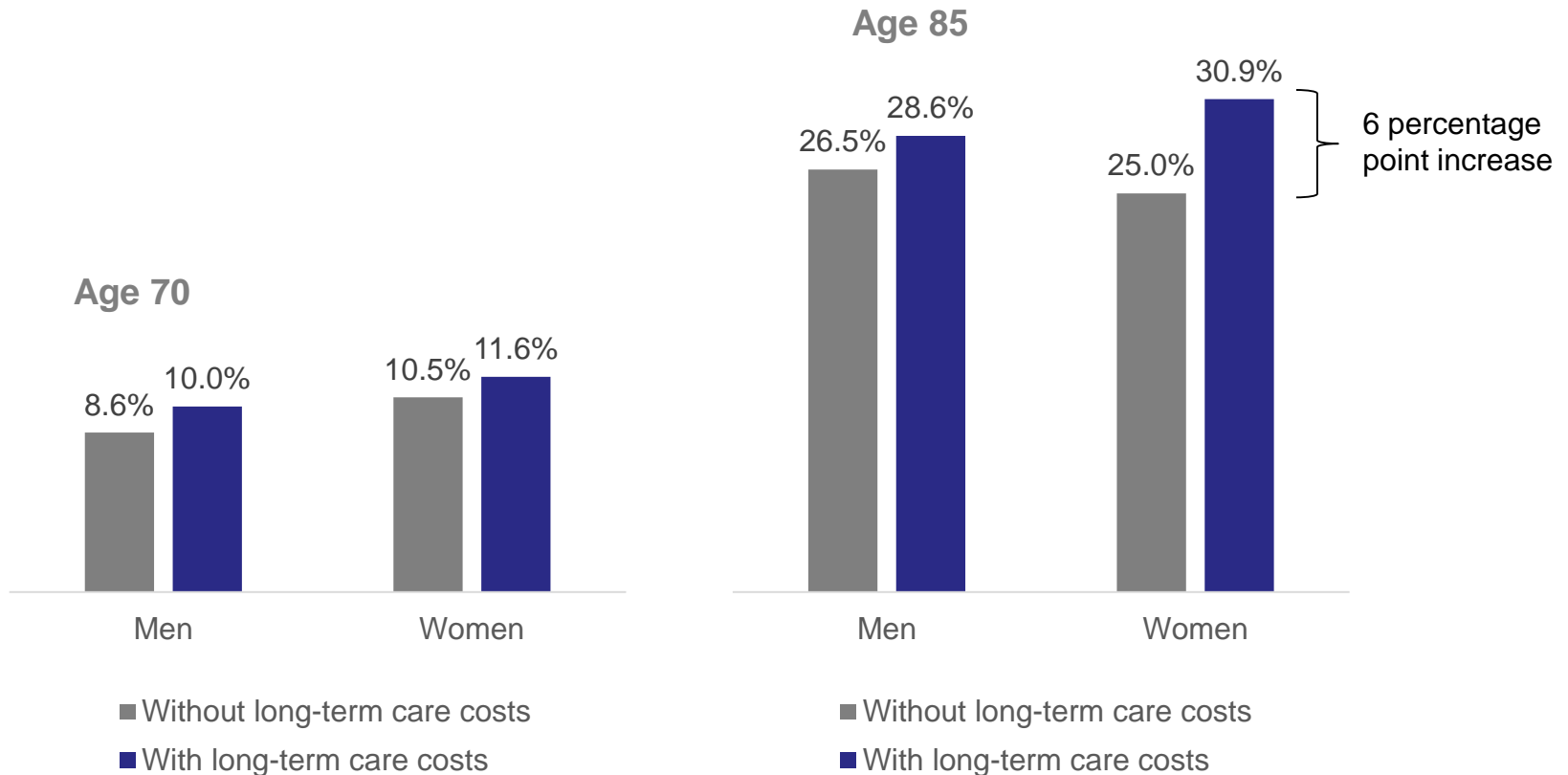
Percentage of people with net income replacement rates above 80%
Before and after long-term care costs



Proportion with inadequate retirement income increases once health costs are factored in

Increase is most dramatic for older women

Percentage of people with net income replacement rates between 0% and 50%
Before and after long-term care costs

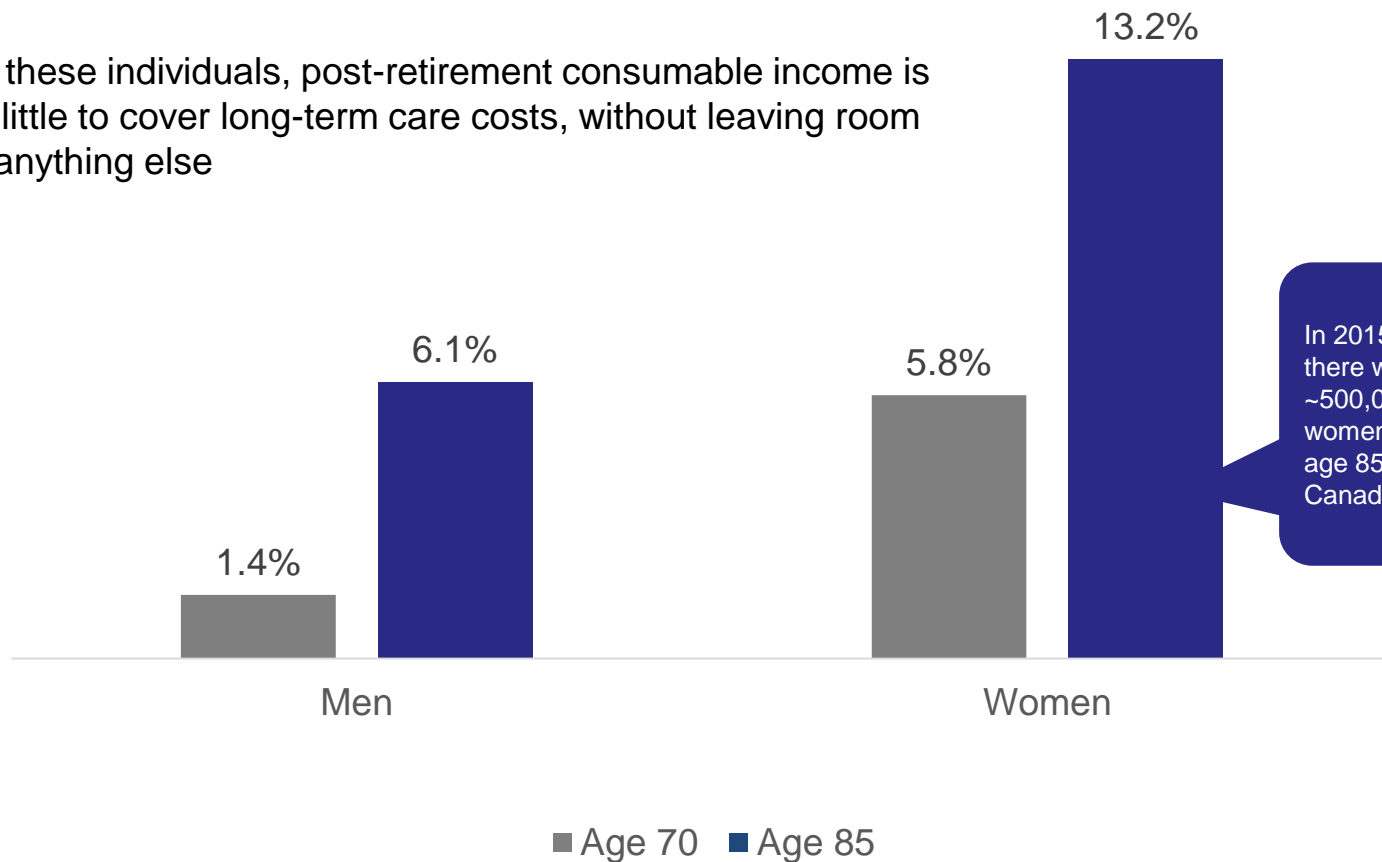


Once health care costs are factored in, a significant group with negative replacement rates emerges

Long-term care expected to consume all income for this group

Percentage of people with *negative* net income replacement rates after factoring in long-term care costs

For these individuals, post-retirement consumable income is too little to cover long-term care costs, without leaving room for anything else



In 2015, there were ~500,000 women over age 85 in Canada