Population Aging and NHI Expenditures in Taiwan

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Abstract

The effects of ageing on health care spending are uncertain. Some argue that health care expenditures increase substantially with age primarily because mortality rates increase with age, and expenditures increase with closeness to death. The main reason why healthcare costs increase with age is that older people are closer to death than younger people. The pattern of health expenditure by age is considerably influenced by the concentration of expenditure in the final years of life. The greater expenditure on the elderly is a consequence of the heavy weight of so-called death costs. In addition, increases in longevity may be expected to lead to postponement of these costs of the final years of life, and declines in age-specific mortality may be expected to lead to declines in age-specific costs because declining mortality reduces the proportion of those near death. If we overlook this aspect, we envisage a misleading scenario of health expenditure increase.

Incorporating the concept of time to death, this paper reexamines the relationship of population aging and healthcare expenditure in Taiwan. Results indicate that different death age groups have similar average expenditures patterns against time to death, but expenditures are higher for younger people than for older people. These imply that increases in

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longevity delay the high costs associated with the final stage of life. Projections failing to take time to death into account might result in upward biased simulations, while total expenditures will still be raised by the absolute number of elderly people.

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