Editorial

Christophe Courbage

The Geneva Association, 53 route de Malagnou, Geneva CH-1208, Switzerland
E-mail: christophe_courbage@genevaassociation.org

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Better understanding the role of demographics, new technologies and insurance in the management of health risk in society is the core of The Geneva Association's research programme on Health and Ageing. This special issue of *The Geneva Papers* on health, the fourth in our bi-annual series, contributes to this understanding by addressing two main issues: the development of private health insurance in managing health care risks and the impact of an ageing population on health care expenditure and health care systems.

This volume starts with three articles looking at the market for private health insurance from three different angles. The first paper discusses the presence of adverse selection in the Australian health insurance market; the second deals with insurance switching behaviour of retirees in France; and the third addresses the issue of *ex ante* moral hazard in the U.S. health insurance system.

The paper of *Thomas Buchmueller* examines the issue of adverse selection in the context of the market for private health insurance in Australia, before and after the implementation of a major policy reform in 2000. The policy, known as Lifetime Health Cover, created a financial incentive for consumers to enter the insurance market at earlier ages. The results show that implementation of Lifetime Health Cover induced a greater number of younger consumers into the market, resulting in lower average premiums.

The paper of *Carine Franc, Marc Perronnin and Aurélie Pierre* studies the switching behaviour of French enrollees in supplementary health insurance markets in the early post-retirement period. The authors use the nature of the contract prior to retirement (compulsory membership group contract, voluntary membership group contract or individual contract) as a proxy of the premium effect. Their results suggest that the propensity to switch is significantly higher for those who were enrolled with group contracts before retirement.

The paper of *Anderson Stanciole* looks at the issue of *ex ante* moral hazard within the U.S. health insurance system. He shows that health insurance has significant incentive effects on lifestyle choice but finds mixed results on *ex ante* moral hazard. The presence of health insurance increases the propensity to heavy smoking, sedentarism and obesity on the one hand, but decreases the propensity to heavy drinking on the other hand.

The following set of papers is concerned with long-term care and long-term care insurance, using France, Spain and Japan as illustrations.

The paper of *Christophe Courbage and Nolwenn Roudaut* looks at the determinants of purchasing long-term care insurance in France. They demonstrate that long-term

care insurance is strongly driven by altruistic behaviour. It would be purchased not only to preserve bequests and to financially protect families in the event of disability, but also to reduce the burden on potential informal caregivers. Finally, they highlight that experience of disability, as well as risk behaviours, have a significant impact on the demand for long-term care insurance in France.

The paper of *Montserrat Guillén* and *Jean Pinquet* analyses the rationale of long-term care insurance purchasing, from a statistical analysis of insurance data and a life cycle model. They make a short survey of the pros and cons of long-term care insurance purchase. Then they estimate the risk distributions in the occurrence and duration dimension on a Spanish portfolio and integrate these statistical results in a life cycle model of savings and insurance purchasing.

The paper of *Joan Costa-Font*, *Anna Garcia-Gonzalez* and *Montserrat Font-Vilalta* relies on the fact that attitudes towards public responsibility for financing long-term care and towards other options are expected to shape public sector coverage and market development. Their paper empirically explores for Spain the hypothesis that economic attitudes influence attitudes to long-term care financing. Their findings show that more affluent individuals are less likely to support state responsibility for long-term care in Spain.

The paper of *Olivia Mitchell*, *John Piggott* and *Satoshi Shimizutani* seeks to evaluate recent patterns in Japanese long-term care use and examines the factors associated with these patterns. They show that the use of long-term care in Japan – particularly home care – is growing rapidly, as elderly consumers find subsidised long-term care preferable to and more available than hospitalisation. At the same time, regional disparities in terms of entitlement and care use persist and are likely to grow.

The last set of papers addresses the demographic impact on health care expenditure and health systems focusing on Switzerland, Taiwan and the United Kingdom.

The paper of *Stefan Felder* and *Andreas Werblow* discusses the “red herring” hypothesis, which contends that the high health care expenditure in old age is caused by proximity to death rather than calendar age. They provide a study of the cantonal health care expenditure profiles of men and women in Switzerland, taking into account differences in the mortality rates. They do not find evidence for relevant steepening effects of age profiles for either total, or the components of, health care expenditure.

The paper of *Yung-Ming Shiu* and *Mei-Ching Chiu* shows that health care expenditure, income, population ageing, life expectancy and technological change have statistically significant and long-run economic relationship in Taiwan. Their finding supports the compression of morbidity hypothesis, suggesting that life expectancy is significantly negatively related to health care expenditure. Several implications for policymaking and future research are offered.

The last paper of this volume by *Paul Klumpes* and *Liyan Tang* examines the cost incidence of the United Kingdom’s National Health Service (NHS) through application of the concepts of fiscal imbalance and generational imbalance. It addresses historical and current trends in the demographic structure of the U.K.’s population that are likely impact the financial management and accountability practices affecting the U.K.’s universal public health care system (NHS). Their analysis implies that there is significant intergenerational inequity in the funding of the NHS, which is not recognised under accrual-based accounting principles that are now

being used to evaluate the financial accountability and performance of government entities.

All in all, these contributions, illustrated in the light of various health systems and different countries, provide a broad range of analysis. Not only are theoretical and empirical issues tackled, but also practical aspects and policy implications are dealt with. These papers provide some important messages for policy makers on how best to plan the financing and the organisation of health systems, and on the role of insurance in covering health risks.

It would not have been possible to publish this special issue of *The Geneva Papers* without the support of external referees who kindly took the time to review the papers published in this issue. They are: Gemma Abio, Mercedes Ayuso, Francesca Barigozzi, Henry Brown, Florian Buchner, David Collard, Luke Connelly, Francisco Coronado, Joan Costa-Font, Augustin de Coulon, Roland Eisen, Stefan Felder, Tetsuo Fukawa, Catarina Goulão, Karine Lamiraud, Joan Gil Trasfí, Christian Hagist, Hélène Huber, Mireia Jofre-Bonet, Renaud Legal, Brain Nolan, Jean-François Outreville, Manuel Plisson, Inas Rashad, Joan Rovira, Satoshi Shimizutani, Jürgen Wasem, Andreas Werblow, Tetsuji Yamada, Jérôme Wittwer and Peter Zweifel.

Finally, we have once again been privileged to benefit from the thoughts, skills and knowledge of experts in the field. We express our deep gratitude to all of them for their contributions. They have been unstinting in their efforts and we sincerely hope that you will enjoy reading their work.