

## Aging Populations in Latin America, Healthcare and Pension Systems Challenges: Opportunities for Health Economics and Outcomes Research (HEOR)

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**The Latin American elderly population might experience the largest increase compared with any other region worldwide before 2100, challenging not only the fiscal sustainability of public pensions but also healthcare systems in the region.**

The Latin American population is aging fast, following the worldwide demographic transformation driven by life expectancy rise and fertility decrease, 2 processes of enormous economic and social impact.<sup>1</sup> Population aging is challenging not only for the fiscal sustainability of public pension but also for healthcare systems in the region.<sup>2</sup>

### UNDERESTIMATION OF OUR STATISTICAL SYSTEMS

One of the main challenges for Latin America is to have accurate statistical systems to allocate resources properly and adjust policies to the needs of this growing age group. According to a study conducted in Colombia, in 2014, the Individual Registries of Health Services Provision (RIPS in Spanish) reported a greater population of people aged 80 years old or more than the projections made by the National Administrative Department of Statistics (DANE in Spanish) for that same age group.<sup>3</sup> One possibility is that DANE projections underestimated the growth of this population group.<sup>3</sup> Therefore, more acute statistical systems are needed not only in Colombia but also in the entire region.

### CHALLENGES FOR PENSION SYSTEMS

Latin American spending on pensions remains relatively low: less than 4% of gross domestic product (GDP) on average compared to around 8.7% in high-income countries during 2015.<sup>2</sup> Nevertheless, public pension expenditure in the region is expected to increase progressively during the next few years. It is projected that between 2020 and 2100, the increase in the dependent population in Latin America will be unprecedented. As a result, Latin America will be the worldwide region with the highest share of elderly population (32%) by 2100.<sup>1,4</sup>

Most of Latin American countries have unfunded defined-benefit pension systems, also known as pay-as-you-go (PAYG) pension systems, where workers pay for the pensions of current pensioners and government contributes with certain percentage of pension benefits.<sup>1</sup> PAYG systems are expected to experience higher increases in their pension expenditure as the population ages. Therefore, a higher demand may result in financing gaps if the workers' contributions are insufficient and then long-term reforms may be needed. Countries with funded defined-contribution systems (where pension benefits depend on the

contributions and financial returns are based on individual contributions) may experience lower increases in public pension expenditures.<sup>1</sup> However, lower increases in public pension spending may be associated with low levels of coverage for older population.<sup>1</sup>

According to the 2030 agenda for sustainable development published by the United Nations Development Program, aging and older populations can be part of a sustainable development.<sup>5</sup> In order to achieve this, countries must make proper decisions based on policies that promote and include older people and their agency as a solution to upcoming development challenges. For pension systems in Latin America, raising retirement ages and contribution rates, especially in countries where those are relatively low, may help to build temporary buffers to afford future increases in pension expenditures associated with aging.<sup>1</sup>

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### COSTLIER HEALTHCARE SYSTEMS

An older population increases the demands for the health system.<sup>6</sup> Not only is the number of people who contact the health system greater but also the number of annual contacts, hospitalizations, and the average length of stay at the hospital are higher.<sup>3</sup> Currently, the average of public health expenditures in Latin America is 4.4% of GDP. Given this starting point, in the absence of healthcare system reform, Latin America is projected to experience the largest increase in health expenditures compared with any region worldwide over the next 80 years.<sup>2</sup> To address this demographic change and manage health spending growth, while providing adequate and opportune health services to population, Latin American health policies will have to embark on efforts and efficiency-enhancing reforms not only to increase coverage and sustain it over time but also to reduce inequities and facilitate access to health systems—especially in elderly populations with vulnerabilities.

### RESEARCH OPPORTUNITIES IN LATIN AMERICA REGION

A population's health cannot be understood without an understanding of their healthcare system and their country's economic situation. Having this on account, longitudinal health and retirement studies (HRS) have been established recently to provide a reliable resource for data on the health and economic circumstances associated with aging at individual and population levels.<sup>7</sup> These studies aim to create nationally representative sample sizes of between 10,000 and 20,000 people, not only to increase the understanding of aging but also to provide scientific data for policy changes and to develop public policies.<sup>2,7</sup> However, in the Latin America region, most studies are not

structured or designed to measure these elements and their interactions. Many countries around the world already have recognized the relevance of multidisciplinary, longitudinal HRS-type surveys.<sup>2</sup> Mexico was the first country in Latin America to adopt these (in 2002). HRS are also now underway in Brazil and Costa Rica but so far no other Latin American countries have incorporated these surveys, so they remain an opportunity for future research.<sup>2</sup>

During the next few years, policy makers and academia may advocate for improvement in statistical systems and conduct not only population-based studies but also health economics studies to provide the needed evidence to gradually reform pension and healthcare systems in Latin America. These measures can help to lessen the impact of aging on health systems while preserving adequate access to healthcare services and pension benefits. •

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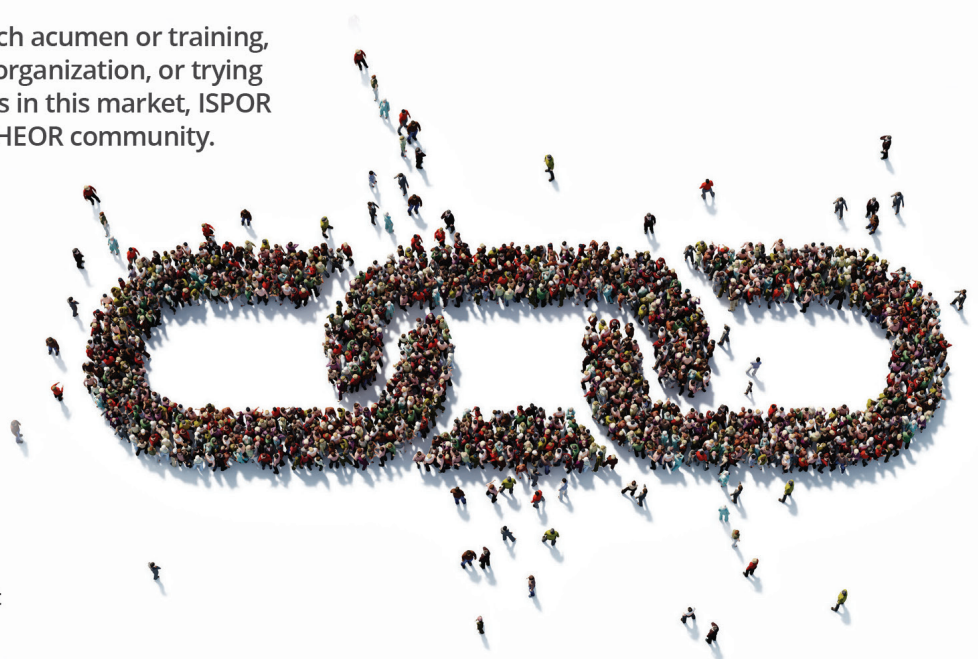
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