

# Population Aging and Fiscal Sustainability – The Intersection of Retirement Income Adequacy and Health Care Costs Associated with Disability

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**Paper Abstract:** Canada, like many countries, is facing population aging amid growing public concerns about the fiscal sustainability of publicly funded programs, especially pensions and health care. There are also continuing concerns about inter-generational fairness. One high profile example, in both the recent Ontario election and the current Federal election campaign, is a deep conflict over the future adequacy of retirement incomes. Much less prominent but equally important is the relationship between retirement incomes and the affordability of various forms of long term care (LTC) – both home care (medical and social services provided in one's home) and nursing homes (i.e. care in an institutional settings).

In Canada, LTC is not systematically covered under publicly funded health insurance. It therefore imposes significant burdens on informal care givers as well as out of pocket costs. With population aging, LTC needs and costs are likely to grow more rapidly than GDP. Depending on how these needs are met, there could be major implications for income inequality.

In this paper, we first describe the features of the major old age-sensitive publicly funded programs, those in health and social care, and retirement pensions. We then describe several promising reform options. These include expansion of publicly funded retirement pensions, along the lines of the current Canadian debates, and various options for financing growing needs for LTC. These options are assessed in terms of their adequacy in relation to projected needs, their fiscal impacts, and their effects on income inequality and intergenerational equity.