NEIGHBOURHOODS OF THE FUTURE

FINANCE

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Unlocking the potential of the silver economy

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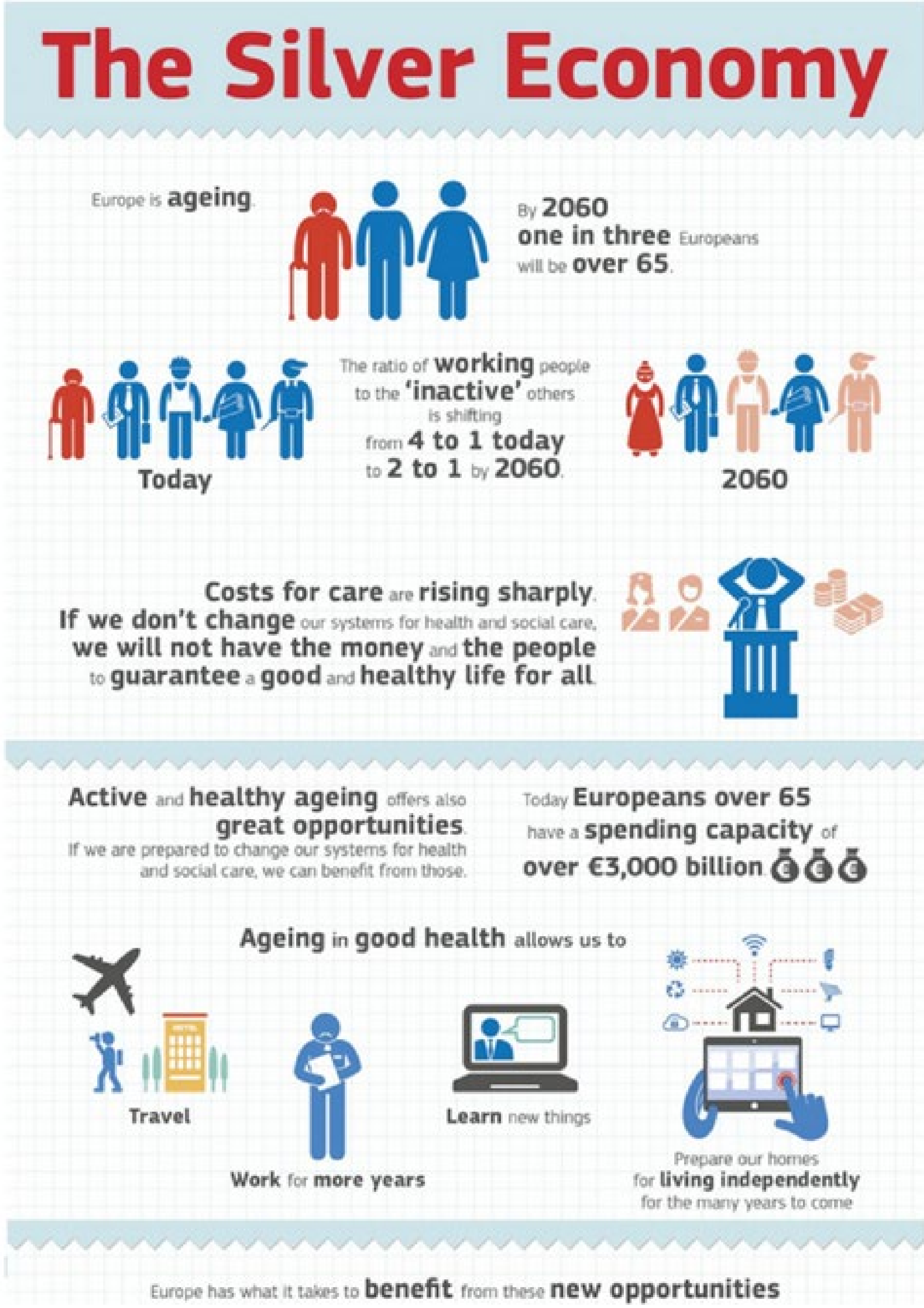
There is growing policy interest across Europe in capitalising on the ageing society. It is widely seen as an opportunity to create new jobs and economic growth, while improving our ability to live healthy, independent lives for longer. However, it is recognised that the changing needs of older citizens as customers must be explored, so that businesses can develop suitable products and services.

A recent report explored the market size and opportunity areas of the 'Silver Economy'[1] in the EU member states, as part of a broader agenda of the EU to 'Growing the Silver Economy'[2]. The report found that in 2015, the 24m people in the UK aged 50+ (over a third of the UK population) consumed close to £400bn products and services.

By 2025, this demographic will climb to close to 40% of the population and will consume an estimated £565bn products and services. This consumption is dominated by private expenditure and according to Eurostat figures, transport, recreation, food and beverages, and housing make up half of all spending. The economic impact of this direct consumption is also significant (about a quarter of UK's GDP) and sustained over 9m jobs across the UK.

The opportunity provided by the Silver Economy across the EU digital single market is even larger. In 2015, over 50s had a combined spending power of €3.7tr. This is expected to grow to an estimated €5.7tr in 2025. Older citizens represent critical consumer groups in multiple markets and better coordination across broader policy areas is needed. Amongst others, the report made the important policy recommendation to continue to support innovation of products and services targeted at independent living in age-friendly neighbourhoods and cities, to enable all citizens to live healthy lives for longer.

This aim is also the focus of the UK's Industrial Strategy Ageing Society Grand Challenge. This is to ensure that people can enjoy at least five extra healthy, independent life years by 2035, whilst narrowing the gap between the experience of the richest and poorest.



Source: European Commission: Growing the Silver Economy in Europe

AAL technologies and anage-friendly environment

Europe's Active and Assisted Living (AAL) programme is investing in numerous innovative products and services that use information and communication technology to maintain or improve our quality of life as we age. These innovations encompass a full spectrum of areas, from leisure and mobility, to health and care, and the home and work environments.[3]

The AAL programme, co-financed by the European Commission and individual countries, has funded projects that work towards creating market-ready products and services for older people, their families and carers. Each project consists of SMEs, research bodies and end-user organisations. These projects also aim to strengthen industrial opportunities in the field of healthy ageing technology and innovation.

The AAL programme has recently published[4] its first 'AAL Market and Investment Report', to serve as a guide to policy makers, investors, entrepreneurs and other businesses interested in understanding the AAL market. It presents an overview of trends and developments, as well as a selection of emerging products, addressing both the consumer and regulated markets.

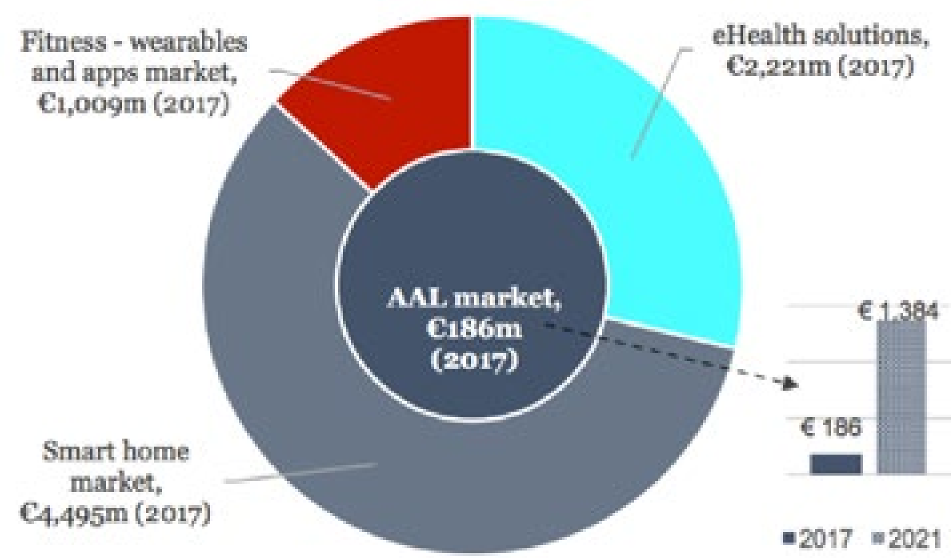
The AAL market exists at the intersection of the smart home, eHealth and wearable technology market. A range of recent technological developments have expanded the opportunities to integrate these technologies and age-friendly environments:

- Sensor technology, such as wearable or ambient sensors, are included in a wide range of AAL solutions. Sensor technology has become more readily available and affordable, which is positively influencing the affordability of AAL solutions.
- Reasoning technology is used to aggregate, process and analyse data. This includes machine learning models that are applied to telecare solutions and decision support systems.
- Acting technology, and the development of smart actuators, are responsible for moving or controlling a mechanism or system. They have been integrated in various solutions, such as companion robots.
- Interacting technology facilitates human-machine interactions (interface technology) and leverages the accessibility and usefulness of the solution to the end-user.
- Communicating technology enables different components of a system to exchange information.

The market research portal, Statista, is tracking market and consumer data relating to smart homes,[5] and published a report in 2017 that estimated the size of the AAL segment within the broader EU smart homes market. They are predicting rapid growth in European and global demand for smart home technologies (especially relating to control, security and smart appliances) in the next five years, driven by younger private consumers.

The AAL segment is a small component of total smart home demand, defined as products and services for networked emergency alarms, accident detection, activity monitoring (by means of sensors) and comparable connected products that are aimed to support independent living for the older people. The EU AAL market is also projected to grow strongly, from €186m in 2017, to €1.4bn in 2021. This is driven by the proliferation of easy-to-use, affordable devices that offer immediate improvements in convenience, and a sense of personal safety and well-being.

Figure 1 The EU AAL market embedded in the broader smart homes, wearables and eHealth markets



Source: Statista 2017

Adopting the change in smart technology

Behavioural research suggests older people may be slower to adopt major new technologies and new housing formats. Partly because we tend to move home less as we get older, and because of a general wariness about the value of such technologies. It seems likely that it will be the more discreet and attractive items that are embraced first and that the implementation of more extensive and fully-integrated smart-home solutions will be adopted more gradually by older citizens.

The change agents may well be younger family members and friends, who embrace these solutions more quickly and excitedly and then reveal their power in familiar and unpressurised environments. Therefore, the emphasis is firmly on the application of inclusive and universal design principles, so that we can continue to use products and services as we grow older.

There is also increasing interest in policy circles, which may well trigger a push for new standards and specifications in social housing, as well as a greater push by the health and care services to developing frameworks – and infrastructure – to promote personalised health and care.

The AAL Market and Investment Report fits well with the views expressed by the IMechE in its report, 'Healthy Homes: Accommodating an Ageing Population' (January 2018)[6]. It too anticipates some growth in demand for smart homes amongst older people and advocates the dual benefit of healthier and more independent living, along with a reduction in the cost of living. The IMechE estimates that the move to smart homes could save individuals and the government (by lessening the burden on the care system) billions of pounds each year. The increasing demand for new or upgraded smart homes also promises to provide a boost to the businesses that deliver these services and components, as well as injecting a little extra dynamism into

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the housing market, freeing up larger, family homes.

AAL is being adopted to different degrees and with different models in mind, dependent on the national health and care system. For example, in the UK, Germany and France, the telecare market is largely driven by the public sector, demonstrating that the public procurement approaches can influence the overall market penetration of AAL solutions in many countries.

While public sector can kick-start the procurement of new services, it may reduce the end-user's incentive to purchase AAL services themselves. It is likely that insurers and health authorities would invest more in the future, recognising the need to encourage longer independent living. The demonstration of economic and efficiency gains will further increase interest from this consumer group. Statista's AAL projections for 2021 suggest that Europe's larger economies will dominate future AAL markets: Germany – 31% (€58m); UK – 21% (€40m); France – 13% (€24m); and Italy, 6% (€11m).

Figure 2 The global AAL market

Source: Statista 2017

The change agents may well be younger family members and friends, who embrace these solutions more quickly and excitedly and then reveal their power in familiar and unpressurised environments.

The EU market already represents a fifth of the global AAL market, and by 2021, the EU market is expected to grow to over a quarter of the global market. The country with the largest market share remains the US, accounting for 60% of the total in 2017 and an estimated 40% of total in 2021. The penetration of AAL technologies in the US is already substantially higher than in the EU. In comparison to the US market, the EU market is heterogeneous and fragmented. EU countries have different health systems, policy systems and legal rules, and a wider range of consumer expectation and cultural differences. This means that expanding quickly may be more challenging in the EU, with businesses needing to work across borders and evolve business models that are able to cope with the many different private and institutional markets.

Our homes and neighbourhoods in 20 years' time

The economic opportunities offered by the ageing population is incontestable, and together with the social imperative to create a cohesive society that provides equal access for all its citizens, innovate products, services and home environments need to be developed. This will allow older people to live active, healthy and happy lives for longer.

To start the process, designers and engineers of the future will need to adopt principles where the needs, abilities and desires of older people are considered equally to those of younger generations. This will provide a blueprint for living environments that are adaptive and intergenerational, where connected technology will be embedded in objects that provide intuitive, safe and enjoyable links to daily social, physical, and cognitive activities.

Financing of these new neighbourhoods will pay off, both for public (health and care) procurers and private investors. However, a shift in attitude and behaviour will be required, so that segmentation of the consumer of the future will no longer be age categories alone.

1 The Silver Economy. Technopolis Group & Oxford Economics (2018) Available at: https://publications.europa.eu/en/publication-detail/-/publication/a9efa929-3ec7-11e8-b5fe-01aa75ed71a1/language-en

2 Growing the Silver Economy in Europe. Available at: https://ec.europa.eu/digital-single-market/en/news/growing-silver-economy-europe

3 Ambient Assisted Living Association funded projects are available at: http://www.aal-europe.eu/projects-main/

4 AAL Market and Investment Report. Technopolis Group (2018) Available at: https://aal.challenges.org/2018/06/21/aal-market-and-investments-report/

5 The Smart Home global market. Statista (2017) Available at: http://www.statista.com/outlook/279/100/smart-home/worldwide

6 Healthy Homes: Accommodating an Ageing Population. IMechE (2018) Available at: http://www.imeche.org/policy-and-press/reports/detail/healthy-homes-accommodating-an-ageing-population

Photo credit: Image courtesy of Technopolis Group

The final chimes of carriage clock retirement

Steven Ellis
CEO, Legal & General Home Finance

This white paper challenges leading stakeholders to reimagine our neighbourhoods of the future and asks us to spell out what should we be doing now to make this vision a reality. I'd like to home in on a "stop" and a "start" for my sector of the economy; financial services. So, first the 'stop': stop thinking that retirement is a discrete event that looks and feels the same to everyone. And the 'start'? Start designing solutions that meet the wide-ranging needs of people post sixty, rather than products that fit in neat silos.

Let me explain.

Firstly, let's dispel this notion that retirement is 20 years and a carriage clock. "It" (and we will come on to what to call it a little later) has many phases; spells of employment, both voluntary and paid, child and other caring duties, adapting homes to maintain personal independence, funding children's home purchases and a myriad of other scenarios which reflect the ever-changing set of personal circumstances people face during their lives. These things don't stop just because we've reached a set number of years old. That's the picture for many today. And that's before we talk about the so-called "Generation X".

This group are the generation that follows the baby boomers. They will be heading into their sixties and seventies by 2030 and carriage-clock retirement is not their style: this is the MTV generation after all. Generation Xers have always found their own way: flexibility in retirement, it seems, will be king.

Across Legal & General, our teams are working hard to design new propositions that will allow Gen Xers to build their own retirement strategies to meet the demands of a demographic group that will shortly account for 1 in 4 of the population (Office for National Statistics).

And this ageing population isn't 'other people'. It's every one of us, from teenagers to centenarians. It's the legacy of the twentieth century's drive to improve the lives (and life expectancies) of everyone. In its 70 years, the National Health Service has transformed health and wellbeing in the UK – and it's been an unparalleled success. Very soon the UK will have a retired community of more than twenty million people. In a few more years, the number of over 80s will double to six million.

It's a curious feature of our society that we still have rather staid expectations of what retirement is.

A new definition for retirement?

It's a curious feature of our society that we will still have rather staid expectations of what retirement is. Indeed, the fact that we still have one word to describe a period which might last 40 years is, frankly, incredible. People over 65 are no more one homogenous group than 'children' or 'adults' and I would not be surprised to see the word retirement falling out of use altogether within a few decades.

Legal & General's oldest customer is 109 years old and 'retired' in the 1950s. Not everyone makes it past the century mark, but it is not unusual for our customers to experience a 40-year retirement. Research shows that our customers don't want 40 years of their life to be about one thing. I know I won't. For many people, this period will be longer than their career lifetime.

The end of a default retirement age has also boosted employment among the over 65s – there are now more than a million people over this age in work – in 1992 the number was less than half a million.

We asked our customers about their life goals earlier this year and the majority (72%) said they still have goals in life that they would like to achieve. Aspirations among over 55s ranged from 'get a six-pack' to 'start dating again'. Others included holidays, travel and helping the family. Indeed, our research showed a strong desire among the over 65s to help grandchildren onto the housing ladder.

UK seniors are also passionate about volunteering. Age UK reports that nearly 4.9 million people aged 65 and over in England take part in volunteering or civic engagement.

Overcoming the stigma around social care

Then there's the elephant in the room – social care in older age. Research by the Institute for Fiscal Studies showed that 26% of over 65s receive some sort of assistance with daily living – this may not be formal care, but it illustrates the scale of the challenge. Over an eight-year span, 50% of older adults reported receiving care at some point. We have worked with the think tank, Demos, to understand the scale of the contribution that informal care makes and found that the equivalent of £139bn of care is being provided informally – this is nearly the same as the total NHS budget.

85%

of the UK's housing wealth is owned by the over 55s.

42%

growth of lifetime mortgage value in 2017.

If rates hold at 2010 levels, by 2030 the number of UK people aged over 65 with a limiting, long-standing illness could rise by 44%, from 4.2 million to 6 million (evidence to the Work and Pensions Select Committee).The Secretary of State for Health and Social Care recently announced a £240m boost for adult social care – more evidence that the system is under pressure as winter approaches. The government is due to publish a green paper before Christmas which should outline a longer-term policy for social care.

When you add all of that up, you come to two inescapable conclusions: Retirement isn't going to be short. Furthermore, it isn't going to be cheap. So where will the money come from?

Let's talk housing equity

The over 55 age group own 85% of the UK's housing wealth. That's staggering when you think about it. But the means to access this wealth from what, for many people, will be their best performing asset have been inflexible.

But over the last five years or so, a lot has changed. The latest iteration of equity release products, lifetime mortgages, are more flexible than ever. Consumers can borrow a lump sum against their house as a first charge mortgage. They can borrow a series of lump sums or even take a regular income. They can repay the loan, often without charge, in lump sums, or as a regular payment.

In return for this consumer flexibility, the lifetime mortgage market has flourished. In the last five years over 60,000 people chose a lifetime mortgage with Legal & General. The value of lifetime mortgages has doubled in value, with 42% growth in 2017 alone. By 2021, the market could be £10bn with more than 75,000 new customers a year releasing (on average) £110,000.

So why chose lifetime mortgages as opposed to say, downsizing? Many of us say "our home is our pension" but we don't always intend to see that statement through by selling up. Our research overwhelming demonstrates that when push comes to shove, the UK's older adults want to stay in their family home.

Is that a bad thing?

The rise of silver spenders and the bank of mum and dad

Our Silver Spenders research shows that for every £1 of lifetime mortgage borrowing, the economy benefits by £3 – across the country that's a boost to gross UK output of £7bn last year alone. Our bank of Mum and Dad (BoMad) research suggests that some of the released equity is helping sons and daughters to buy homes. We estimate that BoMad is the equivalent of a £5.7bn mortgage lender[1].

Mortgages are about more than economics – they can enable significant improvements in the quality of a person or family's life. Through improvements and/or modifications to homes which are not age-friendly, older adults are able to maintain their independence by living in their own homes for longer.

By way of example, the London Rebuilding Society (a social enterprise working with Legal & General) asked my team to help a client of theirs who lives in Leyton, East London[2]. His house was run down; there was no upstairs running water or electricity and there was a hole in the roof. Our team worked with the Society team and their client to develop a solution. This involved a lifetime mortgage to release equity in the home. The team was able to refurbish the house to the Decent Homes Standard and our customer is now enjoying living in a safe and warm home.

The role of legal & general

Legal & General began life in a coffee shop in 1830s London, after a conversation among a group of six lawyers. Our first policy holder was Mr Thomas Smith, who was assured for the sum of £1,000. We are still committed to supporting the development of 'inclusive capitalism' in the UK, because we have both a social and economic purpose. Long-term thinking is in our DNA and it is clear to my team that 2030 is not that far away.

We will be playing our part and creating financial solutions that help people enjoy their best retirement and play their role in the neighbourhoods of the future.

1 https://www.legalandgeneral.com/retirement/retirement-news/2018/the-generosity-of-the-bank-of-mum-and-dad.html

2 http://www.impactinvestmentnetwork.com/membernews/london-rebuilding-society-completes-east-london-home-refurbishment-2/

Photo credit: Images courtesy of Legal & General Group PLC

How to spot, build and pitch solutions for an ageing society

Nick Howe
Regional Enterprise Manager, London, NatWest

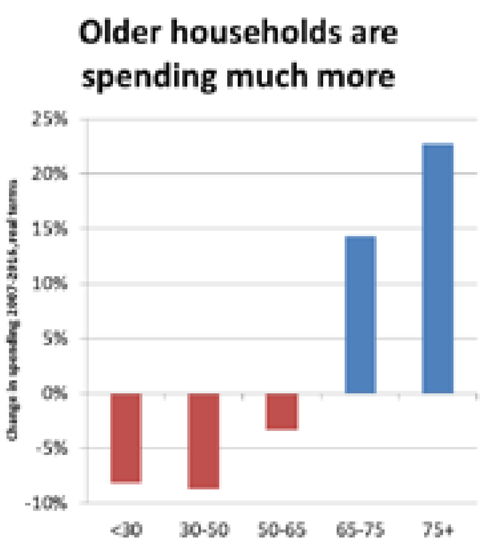
The trends caused by our evolving population are being felt by us all.

- 70% of UK wealth is held by 50+ year olds.
- The fastest growing segment of smartphone sales is to those over 60.
- Between 2007-2016, only the segments of households aged between 65-75 and over 75 have seen increases in spending.

The progress around Neighbourhoods of the Future has been viewed as slow by many. There are limited projects taking place, but learnings are not always easy to find to help inform a different project in another area.

This is due to the need to bring together a multitude of different skills, sectors and decision-makers to start to provide solutions.

At such an early stage, the benefits achieved might not necessarily impact the area that the budget or resource is coming from. A programme commissioned by the NHS might achieve savings in a council's social care budget. Conversely, proactive investment in projects to tackle social isolation could alleviative the strain on the NHS.



To ensure the grand sum of progress across Neighbourhoods of the Future, wide-ranging collaboration is a necessity. Channel 4's 'Old People's Home for 4 Year Olds' captures this beautifully, with young children benefitting from the precious time and attention of the home's residents. The children develop key communication skills, whilst the residents themselves enjoy greater interaction, exercise and sense of purpose.

Tackling the big questions

NatWest have been a collaborator in the Agile Ageing Alliance for the past four years. Some of the questions we have been investigating are:

- Are the right financial products available for people in their later lives?
- Are there further innovations that can be made to build companionship, given we have 4.9 million active mobile bank app users?
- Should our specialist sector teams, such as public sector, healthcare, third sector, technology, construction and property come together more formally to influence and learn from collaboration within this developing sector?

Our involvement is due to two main reasons. Firstly, this is a societal problem that will affect us all and so it is the right thing for us to consider what part we should play. Secondly, there exists a huge potential business opportunity. One that, if done right, could provide a chance for the UK to lead the world when it comes to thought leadership, prototypes, products, services and business models.

> **This is a societal problem that will affect us all and so it is the right thing for us to consider what part we should play.**

This would allow exports to countries all over the world, who also will need to adapt to these issues.

Pitching the products

There has been a growing trend to divide ourselves into generational groups. This has highlighted discontent between those said to have gained and those said to have lost out. Nevertheless, dividing products and services across sectors and generations not only restricts advances relevant to the ageing society, but also reduces the chances of success of commercial products and services.

No-one likes to think of themselves as growing old or needing help. Therefore, the products or services most likely to see commercial success will be those that market themselves as having a great solution to the problems faced at any age. Smartphone sale growth is a great example where simple solutions are taken up by those over the age of 60. Yet these products are designed for all ages.

Pushing the debate forward

As we see a growing awareness of the challenges of our ageing societies, there are some encouraging early stage collaboration and small-scale projects taking shape. However, on a larger scale, we haven't yet managed to turn these problems into physical products, services and business models that consumers will validate by parting with their money.

To those with an interest in creating change and opportunities, we are currently viewed as a vitamin. That is, most can see there may be a long-term benefit to participation, and that someone will profit from doing so, but most think it is something for other people to worry about. Despite the marketing and publicity we may see, they will very likely decide to invest their time and budget in something else. Therefore, to progress this debate, we need to position ourselves to stakeholders as a medicine. That is, something that consumers and business leaders not only desire but that they need to see the tangible benefits for themselves. To achieve this, traction is required.

Road-testing the future

Traction can only be achieved once the public have seen and contributed to the vision of a Neighbourhood of the Future. It is just as crucial for them to see how different elements start to knit together. This is why we need demonstrators, which will comprise of physical neighbourhoods to be built around the UK. These will start to bring to life our Neighbourhoods of the Future. They will allow people with all levels of interest, be it the public, planners, schools, health groups, investors, landlords, tech entrepreneurs, or healthcare providers, to experience the proposed innovations for themselves.

Only then will they see why a community might want to part with their hard-earned money to participate. Achieving this will not only mean improved health benefits and reduced isolation and loneliness, but will also help to deliver successful sales for businesses, generate employment opportunities and contribute to greater community cohesion. This improves the quality of life for all.

Photo credit: Image courtesy of National Westminster Bank Plc.

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Money makes the world go round... right?

Martin Clark
Director of Impact Innovation, Allia

The way we pay for and fund the things society really needs is changing fast. As government pulls back and the banks operate under tighter controls, a range of alternatives is beginning to emerge. There is a growing social investment movement which links ethical investors with targeted impact-creating activities. Alongside these dedicated social investment products, we are seeing more use of crowdfunding, peer to peer lending, and even blockchain applications entering the market.

Those of us who want to secure provision for our ageing selves and see a change in housing should be asking: how can we make sure all these funding approaches are engaged with the challenge of funding whatever will have the greatest impact?

At Allia, we envision a world with a range of suitable social funding solutions to support development of new types of communities, in which age-friendly housing and retirement villages play a key part. Funding these developments is generally more challenging than traditional housing schemes, but that does not mean it is impossible. For example, we've recently raised £35M as a retail charity bond listed on the London Stock Exchange for 'Belong', the specialist dementia village charity. This will help fund two further villages to add to the seven that they already operate. These are state of the art 24-hour care communities with brilliant design. They boast features which help people to retain choice and independence in as many areas of their lives as possible when their needs change. The latest village opened in Newcastle-under-Lyme in April 2018 with space for 530 people. It left a lasting positive impression on those members of our team who visited it.

Money, health and ageing

And now we hear that pension funds are handing back excess cash to investors because life expectancy is unexpectedly declining in the UK. What a terrible indictment of our society, that healthy life is diminishing while potentially useful funds are spent on things that, by implication, are not doing us good. This health crisis should spur us to find creative ways to use some of these funds to tackle the problem.

Allia is committed to facilitating some of the proven alternative finance solutions to meet the demand within the AAA/NOTF project and complementary initiatives inspired by it. Having now issued over £300 million in social investment bonds, we are confident this approach can develop into a credible asset class that catalyses a range of exciting projects in wider fields.

Another recent successful Retail Bond achieved £33M for Greensleeves Care, the charitable operator of care homes for older adults. We would love to see hundreds of innovative senior housing developments spring up, and to provide either the core funding or the balance of other funding if required.

Some believe that social impact bonds (SIBs) have potential, and there have been experiments in the fields of reoffending, family intervention and obesity among others. It may be that the principle of using private investment to pay for targeted interventions, where a public sector commissioner pays only for positive outcomes, could be applied to healthy ageing. (So, they are more accurately described as 'contracts for outcomes' rather than what the financial sector would understand as 'bonds'). The challenge is showing that there is clear attribution between the intervention and the outcome.

Six activities that need funding

Whatever the specific financial solutions, what sort of transformational activities should we be trying to support?

1	First and foremost, we need more age-friendly housing, from small clusters of units to whole neighbourhoods – as described by the Agile Ageing Alliance in this publication.
2	We need to retrofit the most effective innovations into existing housing stock – which is by far the larger challenge in terms of scale – so that people can live happily and safely there for longer.
3	We must face the challenge of financial and other support for downsizing or 'rightsizing' for those with a housing asset. This ensures that no one is ripped off or at financial risk when they transition, and that there is funding for their future care.
4	At the same time, we want to be developing the pipeline of upcoming innovations which will be embedded in the housing of the future. These need to be better and cheaper, and work seamlessly and intuitively with people's everyday lives, so that they are available to all and not the preserve of the rich or those whose health conditions merit higher state support. The AgeTech Accelerator in which Allia is involved is one of the ways this can be done. It offers business support services alongside living lab testing of promising innovations, in a collaboration between UK, French, Belgian and Dutch partners.
5	Let's not forget to support the social capital organisations that we need as part of the new communities. These communities cannot be perceived as, nor should they ever become, mechanised holding pens for older people. They should be among the most joyous and meaningful places to live in the country.
6	Finally, we need to keep the pressure on government. For example, under what circumstances would HM Treasury be willing to invest low cost or zero interest finance to enable substantial home adaptations? The loans would be repayable over a long term and secured on the property so that they are recovered in the event of a sale on downsizing or death. Could social investment help to pump-prime this approach or offset some of the cost of capital? The cost benefit case would include reduced NHS costs, as well as improvements to housing stock, and the creation of a higher proportion of age-friendly housing units. We already know that poor housing costs the NHS around £1.4bn per year; more work needs to be done on how some of that could be used effectively on preventative measures.

We must face the challenge of financial and other support for downsizing or 'rightsizing' for those with a housing asset.

£46bn

invested capital by private investors in 2017 (Financial Times)

£63bn

total amount invested into UK funds

£1,234bn

of total funds are under management (The Investment Association)

A new way of thinking and investing

Those who work in finance suggest there is an almost limitless supply of capital for the right projects. According to the Financial Times (12 Feb 2018), private investors invested a record-breaking £46bn into funds during 2017. With institutional investment included, the total amount invested into UK funds in 2017 reached £63bn. And in total there is a staggering £1,234bn under management (The Investment Association, Aug 2018).

We need to grow the amount of dedicated social investment within and alongside this industry, as even on the broadest definition of 'ethical funds', they only represent around 1.3% of the total. Socially motivated investors of all kinds should be demanding more uses of their money that are good for our ageing society. And the social investors can themselves become the initiator of projects. People and businesses with financial reserves and connections to or awareness of those with land should be able to come to the AAA Neighbourhoods of the Future consortium and put forward a project which can come under the bigger umbrella.

So, let us put our money – to the extent we control and influence where it is held – at the disposal of the kind of future housing and communities that will make all our lives longer, more fulfilling and more independent. If this also reduces the financial burden on the public sector in caring for us now and in the future, that is an added benefit which opens up the potential to partner government on a serious strategic level. Together, imagine the progress we could make.

Six disruptive business models to power our neighbourhoods of the future

Stephen Johnston
Co-Founder, Aging2.0

Over the past few years, there has been a dramatic increase in the number of start-ups focused on 'healthy ageing'. Since 2012, when I co-founded Aging2.0[i], we have hosted over 500 start-up pitch events across 65 chapters[ii] in 20 countries and are now tracking over 3000 companies globally. Most tend to focus on their breakthrough technologies, while others their novel user experience. Very few propose radically new business models. This is one of the reasons I believe we are seeing few small companies get to scale.

The majority of companies today use some version of B2B or B2B2C (i.e. business-to-business, or business-to-business-to-consumer.), and most equate ageing with health. That is a shame, since ageing – and building the neighbourhoods of the future – is about living richly in multiple dimensions. Here are six alternative approaches that could help disrupt the status quo:

1. Direct to consumer

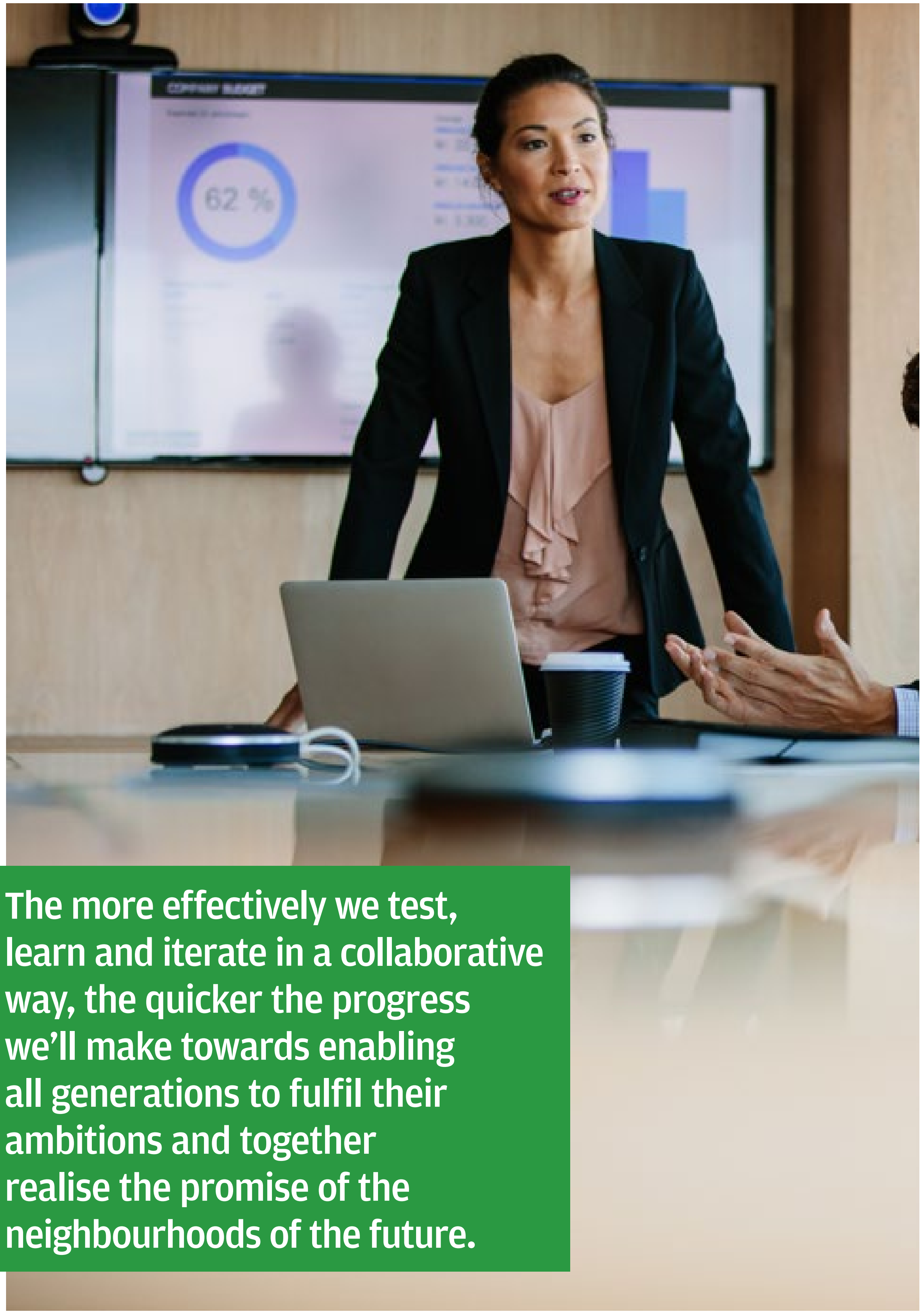
This is the simplest idea, yet it is surprisingly radical to those steeped in 'Ageing 1.0' (a siloed, low-tech, 'dependency' view of ageing). This is about unleashing the 70% of household wealth locked up in the 50+ population. It's about expanding Europe's €3 trillion 'silver economy' by creating attractive products that people desire, not just require. BestBuy's recent $800m acquisition of GreatCall[iii] is validating, but more is needed. The key elements of success are distribution, design, branding, and an ability to curate products and educate consumers. iPads and Oxo products are two worthy examples – succeeding via superior quality matched with person-centred, ageless design. The dementia products portal Unforgettable.org is a taking a market-building approach, offering community and curation to spark commerce.

2. Personal budgets

While consumer marketplaces sound attractive, especially to red-blooded, free-market libertarians, in reality many who would benefit can't afford to pay. Money spent by governments or insurance companies can 'prime the pump'. The Australians have been pioneering personal budgets[iv] for years, and there are fledgling examples elsewhere (including in the UK.). Unfortunately, bureaucrats picking winners is not always a recipe for success; a fixed shortlist of 'safe' products can protect incumbents from innovators. Looking forward, giving people money to spend on curated portals (such as Unforgettable) could help, together with a more commercial, experimental mindset by those who have already large numbers of consumers, such as AgeUK[v].

3. Capitated payments

What if some older persons are not best placed to be the empowered, sovereign consumer? They may not be interested in comparing vital sign monitors and prefer Krispy Kreme to kale salad. Enter capitated payments – a monthly lump sum paid to an organisation to do everything necessary to take care of older adults. This ties health and social together neatly. It solves the enduring problem of no-one being in charge of keeping older people happy, healthy and independent.



The more effectively we test, learn and iterate in a collaborative way, the quicker the progress we'll make towards enabling all generations to fulfil their ambitions and together realise the promise of the neighbourhoods of the future.

Early trial versions of this have emerged in the US as 'health maintenance organizations', but these ended up being seen as cost-cutters, rather than advocates for their customers' happiness and quality of life. An updated version, the Program for All Inclusive Care for the Elderly (PACE) was created by Onlok[vi] in San Francisco and has proven effective at improving quality of life, while reducing care costs. For-profit companies with talented entrepreneurial teams, such as Welbe[vii] and Edenbridge Health[viii], are now offering similar products across the United States.

4. Pay for success models

While the capitated model provides an all-important holistic solution, there is a danger that this approach can lead to stasis. The revenues paid to the provider are fixed; it is usually a set monthly amount equivalent to similar or less than a nursing home; in California this is around $3-5k per month. Pay-for-success instead offers to pay on mutually agreed-upon metrics of success. These include social impact "bonds"[ix] (which are actually closer in risk and behaviour to a capped equity investment). While most SIBs have been related to prison reform, education or the environment[x], some are focused on healthy ageing, such as the Meals on Wheels project in Maryland[xi], or the Connections program in Worcester (though this is decidedly low-tech).

5. Universal long-term care insurance

While SIBs are intellectually attractive, they have political downsides – strapped local governments paying Goldman Sachs doesn't look good – and don't create a new original source of funding. A long-term care insurance fund would. In the 1990s, Japan's ageing population was precipitating a national crisis. As workers retired and got sick, budgets ballooned, growth stalled, and family caregivers were burning out. Hospitals become de facto nursing homes, with average length of stays for older adults of 50 days[xii]. Compulsory long-term care insurance for people over 40, introduced in 2000, provides discounted care based on five acuity levels, and seems to have, so far, averted further system breakdown. A similar model could help the UK system, and could be combined with some of the more market-oriented efforts, such as personal budgets, to create a unique approach tailored to the UK's needs.

6. Funding via health data

The final model taps into the power of data, the buzzword du jour. The world's most valuable, reusable asset has powered trillions of dollars of market value to Silicon Valley companies and won't be relinquished lightly. A few weeks ago, the UK's House of Lords started debating this very topic[xiii], with some estimates emerging that pharma companies could pay up to £10-15bn per year for the data. This is one of the most complex and charged topics, with its importance only matched by the confusion surrounding it. An expert, independent team should be convened to advise the nation – conducting an 'audit' of what's at stake and developing principles (such as giving people the right to own and manage their own data) that are then implemented in pro-growth ways.

We're still in the early stages of exploring which business models will work in different contexts – differing populations, use cases and technologies will play a part in constructing systems that successfully deliver change. There won't be one particular dominant solution, instead there will be a variety of models, some in parallel, and there needs to be significant real-world experimentation and feedback about 'what works'. Ideally, we will be having a shared conversation across industries and vital lessons won't be held hostage within corporate strategy departments. The more effectively we test, learn and iterate in a collaborative way, the quicker the progress we'll make towards enabling all generations to fulfil their ambitions and together realise the promise of the neighbourhoods of the future.

Photo credit: Image courtesy of Aging2.0