

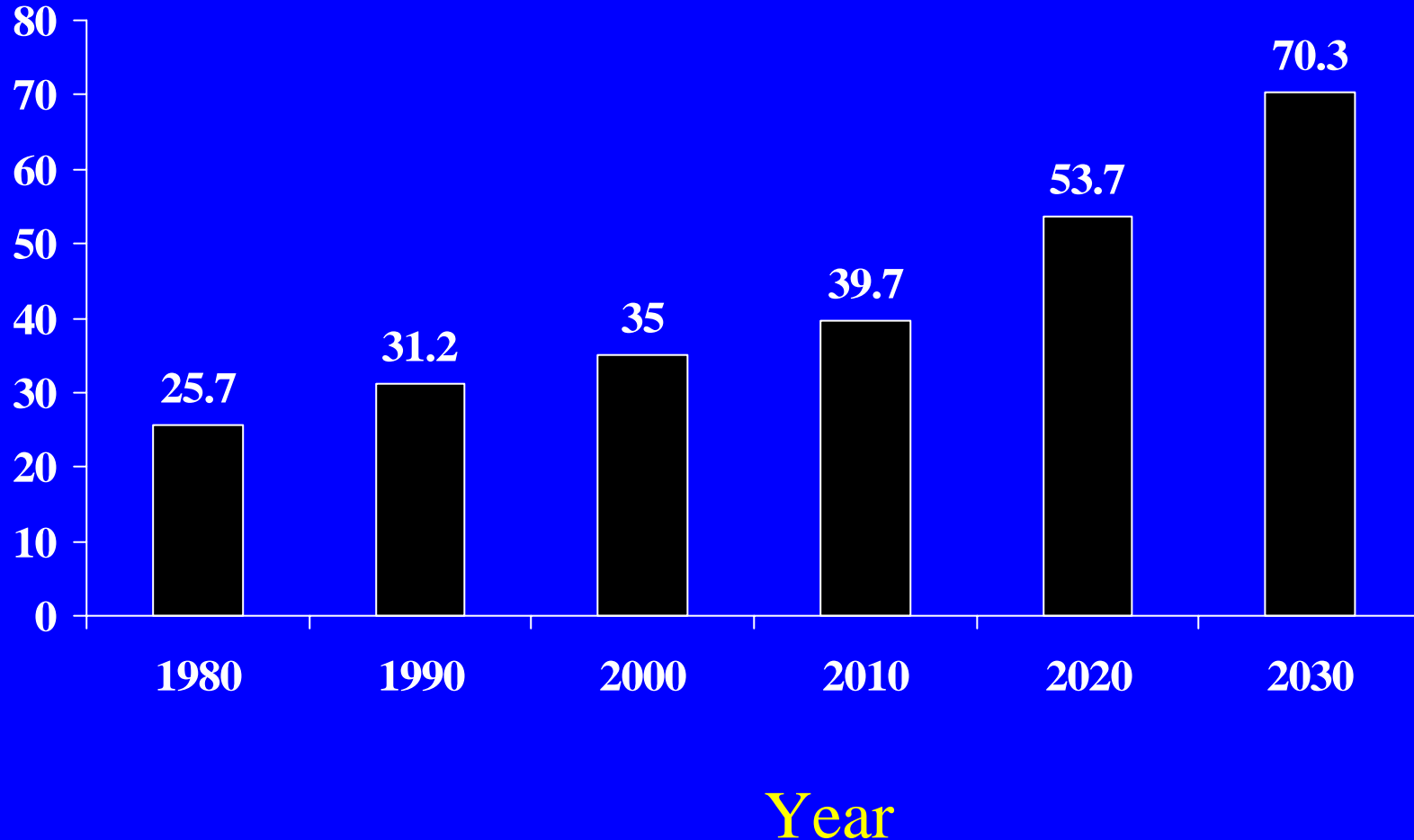
# Looking Beyond Averages, Aggregates, and Stereotypes

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by

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# Number of U.S. Persons Aged 65+, 1980-2030 (in millions)



Source: U.S. Administration on Aging

## States with at Least 18 Percent of the Population Aged 65 and Older, 2000



Source: Center for Retirement Research, Boston College, 2004



# 2008 Key Indicators: Poverty Among Elderly is 9.4%

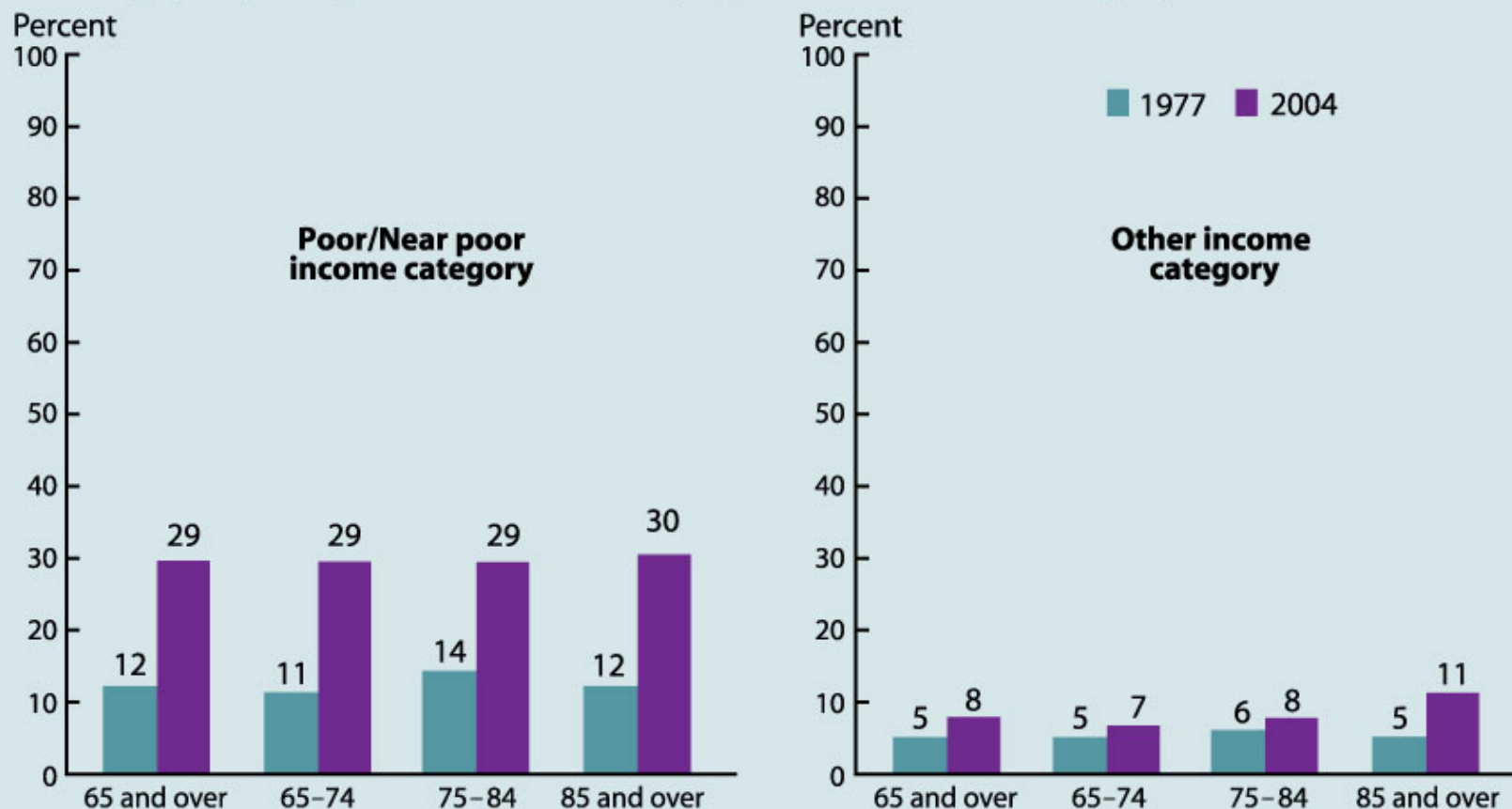
- This sounds good compared to other groups
- But what does the poverty line mean in terms of standard of living?

# Poverty Line for Elderly Couple in 2007: \$14,237

- Poverty line assumes budget allocates:
  - 1/3<sup>rd</sup> food; 1/3<sup>rd</sup> shelter; 1/3<sup>rd</sup> everything else
- Food = \$45.63 per week, per person
- Shelter = \$396 per month
- Everything Else = \$396 per month
- Healthcare out-of-pocket expenses alone, at poverty line, average over \$300 per month (excluding premiums for Medicare Part B, Part D, and Medigap policies)

## Indicator 33 – Out-of-Pocket Health Care Expenditures

Out-of-pocket health care expenditures as a percentage of household income, among people age 65 and over, by age and income category, 1977 and 2004



Note: Out-of-pocket health care expenditures exclude personal spending for health insurance premiums. Including expenditures for out-of-pocket premiums in the estimates of out-of-pocket spending would increase the percentage of household income spent on health care in all years. People are classified into the "poor/near poor" income category if their household income is below 125 percent of the poverty level; otherwise, people are classified into the "other" income category. For people with no out-of-pocket expenditures the ratio of out-of-pocket spending to income was set to zero. For additional details on how the ratio of out-of-pocket spending to income and the poverty level were calculated, see Table 33b in Appendix A. Reference population: These data refer to the civilian noninstitutionalized population.

Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS) and MEPS predecessor surveys.

# The \$14,237 budget is for a couple that is officially “out of poverty”

- Imagine what the budget is like for the 3.5 million older persons who are below the poverty line
- Also, consider that 36% of the elderly population is below 200% of the poverty line (13.3 million persons)
- A new National Elder Economic Security Standard Index being developed as part of project funded by Atlantic Philanthropies may give us a much better picture than poverty thresholds do

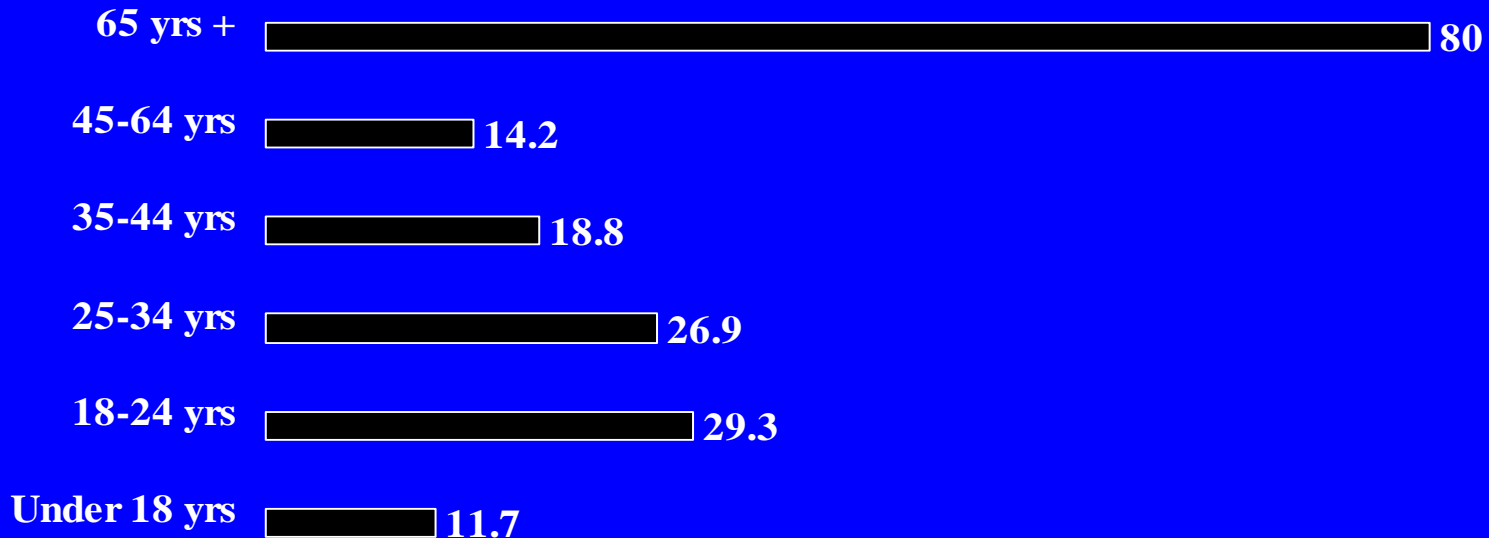
# The Impact of Medicare on Access to Care

## Percent of U.S. Persons Uninsured During the Year, by Age Groups



Source: U.S. Census Bureau, Current Population Survey, updated August, 2007.

# Without Medicare, Who Would Lack Health Insurance Coverage, by Age Groups?



Source: Binstock, based on estimates concerning Medicaid eligibility, employment-based insurance, steep premium prices, and exclusion for pre-existing conditions

# Why Are Older Persons a Special “Deserving” Group?

- Government intervention to deal with “market failure”
- Similarly, Federal Disability Insurance recipients made eligible for Medicare in 1972
- Without Medicare, a large majority of older persons would go without needed medical care, or their adult children and grandchildren would pay the costs
- Even with Medicare, there are many gaps, e.g., a \$1,024 deductible for a 1-day hospital stay, no coverage for dentists, eyeglasses, hearing aids....

# The Dilemmas of Financing Long-Term Care (LTC)

- Not covered by Medicare
- U.S. average “private-pay” annual cost of a nursing home is over \$77,000
- Lowest ave.: Shreveport, \$45K; highest ave. = NYC \$116K; highest rate is in NYC = \$178K
- No problem for the very wealthy
- Middle-class “spend down”
- Medicaid pays for 48% of LTC, but cuts in program

# Private & Public Solutions?

- Private LTC insurance; low rate of purchase
  - denial
  - costly
- Tax code reforms?
- Meantime, most of the care burden is borne by unpaid caregivers
- Other countries – e.g., Germany = Soc. Sec
- General revenues? Is this fair?

# As aging of baby boom drew near, “Merchants of Doom” emerged

- These doomsayers include politicians, policy analysts, & pundits who are selling both dire, unwarranted scenarios regarding our aging nation & radical solutions
- e.g., Social Security “will go broke”: NO – and easy to fix
- e.g., Health care costs of the elderly are a “great fiscal black hole” that will ruin the nation economically; WRONG! It’s the constant stream of new, expensive stuff
- Among the radical so-called “solutions”:
- e.g., privatization of Social Security
- e.g., old-age-based health care rationing in the Medicare program
  - Not covering new diagnostic or interventional procedures
  - Cutting-off coverage for high-cost procedures at older old ages

# Selections from the “wisdom” of the Merchants of Doom

- “Seniors suck the marrow from our bones through Social Security . . . [and] baby boomers have stuck the next generation with the bill from their ’80s parties.” *Bill Strauss and Neil Howe*
- “Medicine’s triumphant reconstruction of old age has unwittingly created a demographic, economic, and medical **avalanche**, one that could ultimately (and perhaps already) do great harm....” *Daniel Callahan*

# Underlying This: Ageist View of Older Persons' Political Behavior

- Older people as a self-interested political monolith

# Peter Peterson, Investment Banker, Former Sec. of Commerce

- “Invincible political titans”
- “Picture retiring boomers with inflated economic expectations and inadequate nest eggs, voting down school budgets, cannibalizing the nation’s infrastructure, and demanding ever-steeper hikes in payroll taxes”

# Lester Thurow, MIT Economist

- “Universal suffrage is going to meet the ultimate test in the elderly. If democratic governments cannot cut benefits that go to a **majority** of their voters, then they have no long-term future...In the years ahead, class warfare is apt to be redefined as **the young against the old**, rather than the poor against the rich.”

# Why This Fear of an Aging Electorate?

- Based on economists' classical model: elders maximizing self-interest in old-age-benefit programs
- Plus the doubling of older voters
- But assumptions about how older persons vote are wrong – up to now
- They distribute their votes like other age groups
- No sign they vote based on old-age issues, and strong evidence to the contrary
- We can discuss this later, if you're interested

Yet, radical proposals re Social Security & Medicare could engender intergenerational conflict

- E.g., Social Security privatization or large cutbacks
- Old-age-based health care rationing

# The Policies of Our Aging Society Will Ultimately Be Shaped By...

- 1. Whether there is enough national **wealth** available to redistribute to older people
- 2. Whether there is the **political will** to do so
- In other words, whether the prevailing ideology supports a politics of collectively insuring against social and economic risks in old age

# To Strengthen That Political Will & Avoid Intergenerational Conflict...

- We need to reframe our understanding of the social contract
- Older people are not hermetically sealed from their families, communities, & society
- Old-age policies need to be understood as family policies which, in many ways, is what they are
- This might moderate intergenerational tensions
- In fact, 55 successful pension reform experiences in Europe have been built on redefining policy goals in terms of widely-shared social values

## The Public Needs to Understand What Radical Policy Changes Could Mean For...

- The nature of family obligations
- The fabric of familiar social institutions that are integral to the daily life of all citizens
- And the future of older people

# What Are Some Possible Effects of Radical Changes?

- Far more elderly than today could be financially dependent on their families and local communities, or in institutions
- Because of financial necessity, we might see the return of 3- & 4-generation households
- Many adult children could be financially devastated by policy changes in Medicare and Medicaid that lead them to pay the costs of health care and long-term care for their parents
- And that could, in turn, limit their resources for their own children

# Most of Us, of All Ages, Have a Stake in Old-Age Policies

- Social Security, Medicare, and Medicaid are not “luxurious” government benefits for a group of Americans presently depicted in public rhetoric as if they were a **separate, wealthy, & selfish tribe** of “the elderly.”
- Reframing our understanding of the social contract in broader terms is a major challenge for our aging society



# AGING NATION

The Economics and Politics  
of Growing Older in America

JAMES H. SCHULZ AND  
ROBERT H. BINSTOCK

