Looking Beyond Averages, Aggregates, and Stereotypes

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

Year | Number (in millions)
--- | ---
1980 | 25.7
1990 | 31.2
2000 | 35.0
2010 | 39.7
2020 | 53.7
2030 | 70.3

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
States with at Least 18 Percent of the Population Aged 65 and Older, 2025

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:
  - 1/3rd food; 1/3rd shelter; 1/3rd 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

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Uninsured Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 yrs +</td>
<td>1.5</td>
</tr>
<tr>
<td>45-64 yrs</td>
<td>14.2</td>
</tr>
<tr>
<td>35-44 yrs</td>
<td>18.8</td>
</tr>
<tr>
<td>25-34 yrs</td>
<td>26.9</td>
</tr>
<tr>
<td>18-24 yrs</td>
<td>29.3</td>
</tr>
<tr>
<td>Under 18 yrs</td>
<td>11.7</td>
</tr>
</tbody>
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Without Medicare, Who Would Lack Health Insurance Coverage, by Age Groups?

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Under 18 yrs</td>
<td>11.7%</td>
</tr>
<tr>
<td>18-24 yrs</td>
<td>29.3%</td>
</tr>
<tr>
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</tr>
<tr>
<td>45-64 yrs</td>
<td>14.2%</td>
</tr>
<tr>
<td>65 yrs +</td>
<td>80%</td>
</tr>
</tbody>
</table>

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