NATIONAL HEALTH POLICY FORUM

Forum Session
Meeting Announcement

Friday, May 9, 2008
9:00–9:30am — Breakfast
9:30–11:30am — Session

Policies for an Aging America: Looking Beyond the Averages

A Discussion Featuring:

Robert B. Friedland, PhD
Associate Professor
Department of Health Systems Administration
Director, Center on an Aging Society
Georgetown University

Robert H. Binstock, PhD
Professor of Aging, Health, and Society
School of Medicine
Case Western Reserve University

Fernando M. Torres-Gil, PhD
Acting Dean
School of Public Affairs
Director
Center for Policy Research on Aging
University of California, Los Angeles

William J. Scanlon, PhD
Consultant

Location

Reserve Officers Association of the United States
One Constitution Avenue, NE
Congressional Hall of Honor
Fifth Floor
(Across from the Dirksen Senate Office Building)

Registration Required

Space is limited. Please respond as soon as possible.

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THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON DC

Policies for an Aging America: Looking Beyond the Averages

OVERVIEW

That we have an aging society is well known. The growing elderly population is a recurrent and persistent theme in policy deliberations on the future of federal spending on health, long-term care, and income security programs. Many gerontologists believe that any discussion of the impact of an aging society on the federal budget must go beyond the size of the population and take into account socioeconomic characteristics of elderly people. Income, health, marital, and minority status, labor force participation as well as educational attainment, living arrangements, and functional limitations all play a role in assessing the health status of the elderly. Using a recently released document on the demography of aging, Older Americans 2008: Key Indicators of Well-Being, *this Forum session will explore the heterogeneity of the elderly population and provide background on aging demographics. This session will also include a discussion of issues from experts in the fields of economics, political science, and social policy.*

For more information — *See Federal Interagency Forum on Aging Related Statistics,* Older Americans 2008: Key Indicators of Well-Being *(Washington, DC: Government Printing Office, March 2008); available at www.agingstats.gov/agingstatsdotnet/Main_Site/Data/Data_2008.aspx.*

SESSION

The aging of America and the pending retirement of 76 million baby boomers has drawn the attention of policymakers for many years. In the past, Congress gradually increased the age of normal retirement to age 67, eliminated mandatory retirement, and varied Medicare Part B premiums with beneficiary income. Policymakers continue to be concerned about slowing the growth in expenditures of the largest entitlement programs: Social Security, Medicare, and Medicaid. Many argue that more should be done to control increasing health care costs and to care more efficiently for people with chronic illnesses, whose costs are disproportionately borne by public programs. The growing costs of long-term care for the frailest members of society, currently supported primarily by individuals' own income and by Medicaid, represent another challenge.

With the increasing amount of the federal budget devoted to entitlement programs, some argue that public sector support should be modified so that individuals assume more responsibility for their retirement, health, and long-term care costs (for example, through increased savings and purchase of long-term care insurance). Others argue that any policy changes

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Washington DC 20037

202/872-1390
202/862-9837 [fax]
nhpf@gwu.edu [e-mail]
www.nhpf.org [web]

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Director

Sally Coberly
Deputy Director

Monique Martineau
Publications Director

Forum Session Manager
Carol V. O'Shaughnessy
Principal Policy Analyst

must not compromise the nature of the implied social contract the public sector has made with all older people, and that a viable safety net should be preserved for vulnerable older people with low income and poor health. Whether and how the next Congress and the next administration will address these issues remains to be seen.

Overall, today's elderly population enjoys better health and financial security, and is working longer, than previous generations. But some groups of the elderly have not shared in these improvements. For example, poverty rates are still high among some groups of older people. People with lower income have poorer health and pay a higher share of their income on health care costs than those with higher income.

Many socioeconomic characteristics—not simply age alone—play a role in determining a person's need for services and support. Any discussion of possible policy changes to income, health, and long-term care programs might consider the interrelationships of age with multiple socioeconomic factors, including income and wealth, poverty, health and minority status, as well as functional abilities, living arrangements, educational attainment, and personal health care spending.

A new report prepared by the Federal Interagency Forum on Aging-Related Statistics, *Older Americans 2008: Key Indicators of Well-Being*, describes the elderly population from multiple socioeconomic perspectives. The report presents data from over a dozen national data sources to construct broad indicators of the status of the elderly population. Highlights of the report are presented below, along with selected data from other sources.

Income and wealth — Social Security provides the largest share of income for older people overall, followed by earnings and pensions. The share of income from earnings has been increasing since the mid-1980s, after declining for more than two decades. (Increased earnings share may be due, in part, to the dramatic increase in labor force participation among women.) However, wide differences in proportionate shares of types of income exist. People with the lowest overall income rely heavily on Social Security as their primary source of income, whereas those with the highest income tend to have significantly more income from earnings, private pensions, and assets.

Poverty rates among the elderly have declined significantly over the last four decades. Almost 30 percent lived in poverty in 1966; by 2006, about 9 percent lived in poverty. (The 2006 poverty threshold for an elderly person was an annual income of $9,669 or less).[1] Despite these improvements in the overall picture, poverty remains high among certain groups of elderly, including minority populations, especially those living alone, and people 75 and older. For example, in 2006, the poverty rate for elderly women living alone (19 percent) was double the 9 percent figure for the total elderly population; for Hispanic women more than double (21 percent); and for black women three times higher (27 percent).

Retirement trends — Proportionately older men and women are delaying retirement in comparison to recent decades. In 2006, over one-third of men age 65 through 69 were working, a level not seen since 1973. Continuing a trend over the last several decades, more than 40 percent of women age 62 through 64, and about one-quarter of women age 65 through 69, were in the labor force in 2006. Researchers attribute a portion of the increasing labor force participation among older people to the effects of various public policies, including the elimination of mandatory retirement, liberalization of the Social Security earnings test, and gradual increases in delayed retirement credits under Social Security.[2] Continued good health of many older people as well as fears about the national economy may play a part in decisions to work beyond age 65.

Spending on health care — Average annual health care costs for Medicare enrollees—both out-of-pocket and those covered by insurance—rose by 50 percent from 1992 to 2004 (after adjusting for inflation). High rates of chronic illness among the elderly account, in part, for higher spending. Rising health care costs do not affect all elderly groups equally. Average annual health care costs were higher for Medicare enrollees with lower total income than those with higher income. While Medicaid covers health care services for those with very limited income and assets, many low-income individuals may be ineligible for Medicaid and face large out-of-pocket expenses.

The burden of paying for health care is not distributed evenly among all elderly, as measured by out-of-pocket spending for costs not covered by insurance.[3] In 2004, 12 percent of total elderly household income was spent for out-of-pocket health care expenses. But out-of-pocket spending was higher for those with lower income. Among the poor or near-poor,[4] 29 percent of household income was spent out-of-pocket, compared with only 8 percent for those with higher income. Moreover, from 1977 to 2004, out-of-pocket spending increased more steeply for the poor and near-poor than for those with higher incomes.

Paying for long-term care — The risk of needing long-term care services increases with age. One study estimated that 69 percent of people turning age 65 in 2005 would need, on average, three years of long-term care assistance before they died; the other 31 percent would not need any care. Most older people who need long-term care services receive help from family and other informal caregivers in their own homes and may not incur large out-of-pocket expenses. However, for a small proportion of people, paying for long-term care can be a significant burden. About 6 percent of people can be expected to incur expenditures of $100,000 or more; and about 12 percent will likely have expenditures from $25,000 to $100,000.[5]

Of all national spending for long-term care in 2005 (almost $207 billion), out-of-pocket spending by consumers was the second largest payment source after Medicaid.[6] (Medicare plays almost no role in paying for long-term care; its coverage of skilled nursing facility (SNF) care and home

health services focuses on skilled or rehabilitative services, not supportive care of extended duration.) In 2006, the average annual cost for nursing home care was almost $69,000; for assisted living facility care, the cost was almost $36,000.[7] Paying for long-term care services may exhaust the resources of older people who do not have long-term care insurance and may lead to Medicaid eligibility.

Functional limitations and living arrangements — The likelihood of having a chronic condition with some functional limitation increases with age. Older people who have functional limitations most often live in their own homes with the assistance of informal caregivers, rather than in nursing homes or special housing arrangements that provide services. The likelihood of residing in a nursing home has decreased substantially in recent years as other forms of residential care and services, such as assisted living facilities, have become more common.

KEY QUESTIONS

- Which states and communities have the highest concentrations of elderly?
- How have the sources and distribution of income among the elderly population changed over time? What impact has increased labor force participation had on income of the elderly?
- What are the interrelationships among various socioeconomic factors in determining the well-being of the elderly? What factors might policymakers take into account when considering adjustments to major public programs for the elderly? What are the most important factors to consider in determining risks to those who are most vulnerable?
- What are the policy implications resulting from a more ethnically diverse older population? What actions might be taken to address the wide disparities in income and health care status that exist among elderly minority communities?
- What are the effects of rising health care costs on the budgets of elderly individuals? Which groups of elderly are least able to cope with rising costs?
- What actions might be necessary to help people prepare for the high risk of needing long-term care? What implications does the lack of insurance for long-term care expenses have on the ability of the elderly to obtain needed care?
- What effect might the low level of health literacy among older adults have on health care use among the elderly? How does low health literacy affect providers and family caregivers who assist older family members in declining health?

SPEAKERS

Robert B. Friedland, PhD, is an associate professor in the Department of Health Systems Administration and director of the Center on an Aging Society at Georgetown University. The Center is a nonpartisan public policy institute that examines the issues that affect younger and older families and, in particular, the impact of changing demographics on employment, income, health, and long-term care. His book, *Facing the Costs of Long-Term Care*, was awarded the 1992 Elizur Wright Award by the American Risk and Insurance Association. Dr. Friedland has held positions as chief economist for Maryland's Medicaid program; senior research associate at the Employee Benefit Research Institute (EBRI); director of the AARP Public Policy Institute; research director, National Academy of Social Insurance (NASI); and economist on the staff of the U.S. Bipartisan Commission on Comprehensive Health Care, better known as the Pepper Commission. Dr. Friedland teaches health care economics, statistics, and research methods at Georgetown University.

Robert H. Binstock, PhD, is professor of aging, health, and society at Case Western Reserve University. His primary appointment is in the Department of Epidemiology and Biostatistics, in the School of Medicine. He holds secondary appointments as professor in the departments of Bioethics, Medicine, Political Science, Sociology, and in the School of Nursing. A former president of the Gerontological Society of America, Dr. Binstock has served as chairman and member of a number of advisory panels to the federal government, state and local governments, and foundations. He is also a former chair of the Gerontological Health Section of the American Public Health Association. He has frequently testified before Congress. Dr. Binstock has published about 300 articles, books, monographs, book chapters, and reviews. His latest book is *Aging Nation: The Economics and Politics of Growing Older in America* (Johns Hopkins University Press, 2008), co-authored with James H. Schulz. He received his AB and PhD degrees in political science from Harvard University.

Fernando M. Torres-Gil, PhD, is acting dean of the University of California, Los Angeles, School of Public Affairs, where he also serves as associate dean of Academic Affairs. He holds appointments as professor of social welfare and public policy and is the director of the Center for Policy Research on Aging. He is also adjunct professor of gerontology at the University of Southern California. Dr. Torres-Gil is an expert in the fields of health and long-term care, the politics of aging, social policy, ethnicity and disability. He is the author of six books and more than 80 articles and book chapters, including *The New Aging: Politics and Change in America.* Dr. Torres-Gil served as assistant secretary for aging in the U.S. Department of Health and Human Services, staff director of the Select Committee on Aging of the U.S. House of Representatives, and special assistant to Secretary of Health and Human Services. He completed his undergraduate work at San Jose State University, and received his MSW and PhD degrees in social policy, planning and research from the Heller Graduate School at Brandeis University.

William J. Scanlon, PhD, is a health policy consultant to the National Health Policy Forum and to HealthPolicy R&D, and he is also a commissioner of the Medicare Payment Advisory Commission and the National Committee on Vital and Health Statistics. He served as a member of the National Long-Term Care Quality Commission and the Advisory Committee to the 2005 White House Conference on Aging. Until April 2004, he was managing director of health care issues at the U.S. General Accounting Office (GAO, now known as the Government Accountability Office). Before joining GAO in 1993, he was co-director of the Center for Health Policy Studies and an associate professor in the Department of Family Medicine at Georgetown University. Dr. Scanlon has also been a principal research associate in health policy at The Urban Institute. His research at Georgetown and The Urban Institute focused on the Medicare and Medicaid programs, especially provider payment policies and the provision and financing of long-term care services. He has been engaged in health services research since 1975. Dr. Scanlon received a PhD degree in economics from the University of Wisconsin at Madison.

ENDNOTES

1. U.S. Census Bureau, "Poverty Thresholds, 2006," updated January 29, 2008; available at www.census.gov/hhes/www/poverty/threshld/thresh06.html.

2. J. F. Quinn, "Has the Early Retirement Trend Reversed?" Boston College Working Papers in Economics, Working Paper 42, May 1999, available at http://fmwww.bc.edu/EC-P/WP424.pdf, as quoted in Federal Interagency Forum on Aging Related Statistics, *Older Americans 2008: Key Indicators of Well-Being* (Washington, DC: Government Printing Office, March 2008); available at www.agingstats.gov/agingstatsdotnet/Main_Site/Data/Data_2008.aspx.

3. Out-of-pocket spending amounts exclude health insurance premiums. Including health care premium expenses would increase out-of-pocket spending estimates.

4. Defined in this context as income below 125 percent of the Census Bureau poverty threshold.

5. Peter Kemper, Harriet L. Komisar, and Lisa Alecxih, "Long-Term Care Over an Uncertain Future; What Can Current Retirees Expect?" *Inquiry*, 42, no. 4 (Winter 2005-2006): pp. 335–350.

6. "National Spending for Long-Term Care. Fact Sheet," Georgetown University, Long-Term Care Financing Project, January 2007; available at http://ltc.georgetown.edu/pdfs/whopays2006.pdf.

7. "The MetLife Market Survey of Nursing Home & Assisted Living Costs," MetlLife Mature Market Institute and LifePlans, Inc., October 2007; available at www.metlife.com/WPSAssets/849508519011937585O2V1F2007NH.AL.pdf. Amount cited for nursing homes is for a semi-private room.