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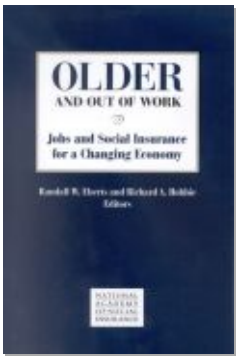
7. Health Coverage for Aging Baby Boomers



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Health Coverage for Aging Baby Boomers

Findings from the Commonwealth Fund Survey of Older Adults

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Annual growth in U.S. health care costs is outstripping yearly increases in workers' wages by a substantial margin. In 2007, employer health insurance premiums climbed by 6.1 percent, while average wages climbed by 3.7 percent (Claxton et al. 2007). Employers are responding to rising premiums by shifting more of their costs to employees in the form of greater premium contributions, higher deductibles, larger copayments, and slower wage increases (Claxton et al. 2007; Collins et al. 2004). Some employers, particularly small firms, are dropping coverage altogether.

The combination of rising out-of-pocket health care costs and sluggish wage growth threatens workers' ability to save for retirement. This is particularly true for older adults aged 50 to 64—baby boomers—whose per-capita health care expenditures are more than twice those of younger adults. In addition, the continuing erosion of retiree health coverage in companies across the country means that health costs could claim an increasingly large share of older adults' savings after retirement (Kaiser Family Foundation and HRET 2005; Fronstin 2005).

The Commonwealth Fund Survey of Older Adults finds that one out of five baby boomers aged 50 to 64 in working families has spent some

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time uninsured since his or her fiftieth birthday and that more than half of those in lower-income families reported having been uninsured for a time. This is despite the fact that more than 60 percent of this age group is living with at least one chronic health condition. In addition, older adults with low or moderate incomes or with coverage purchased in the individual market spend a large share of their income on out-of-pocket health care costs and premiums. Unstable coverage and high out-of-pocket costs can leave older adults vulnerable, resulting in neglected health care needs, accumulating medical debt, and a hampered ability to save for retirement.

The Fund's survey, conducted by International Communications Research, a firm headquartered in Media, Pennsylvania, from August 14 through November 21, 2004, consists of 25-minute telephone interviews done with a random, nationally representative sample of 2,007 adults aged 50 to 70 in the continental United States. This chapter builds on and includes some prior analyses published in a 2005 Fund report but provides a new analysis of the extent and quality of health insurance coverage of baby boomers in working households, with a special emphasis on those with low or moderate incomes (Collins et al. 2005). It focuses on the challenges facing those older adults who are younger than 65, in the workforce, and not disabled or retired, and thus able to continue to earn income and build savings. The sample includes 50- to 64-year-olds who are either working or have a spouse or partner who is working. It does not include individuals and couples in this age group who said they were not working because they were retired, disabled, or unemployed for other reasons. It also excludes those who were enrolled in Medicare because of a disability. Appendix 7A includes a complete explanation of the survey methodology.

BABY BOOMERS IN WORKING FAMILIES: HOW WELL ARE THEY PROTECTED?

The purpose of health insurance coverage is to provide affordable access to care and to protect against the potentially catastrophic costs of illness and injury. Among older adults, chronic health problems and other medical needs associated with advancing age make access to care

and protection against high costs particularly important. Poor health can erode older adults' ability to be engaged in productive work or other daily activities and thus their ability to generate earned income prior to retirement. Moreover, if adults in these vulnerable years postpone or do not receive essential care for chronic health conditions such as diabetes, arthritis, high cholesterol, or high blood pressure, they are at risk of entering the Medicare program in deteriorating health and with much more costly conditions (Baker et al. 2001; McWilliams et al. 2003, 2004).

Older Adults Have High Rates of Chronic Health Conditions

The incidence of chronic conditions increases dramatically with age, placing older adults at greater risk of incurring high medical costs than younger adults (Short, Shea, and Powell 2003). Indeed, per-capita health care expenditures among adults aged 50 to 64 are more than three times those of adults in their twenties (Collins et al. 2007).

The survey asked respondents whether a doctor had told them they had any of the following six chronic conditions: 1) hypertension or high blood pressure, 2) heart disease or heart attack, 3) cancer, 4) diabetes, 5) arthritis, or 6) high cholesterol. Sixty-two percent of 50- to 64-year-olds in working households reported they had at least one of these six conditions. High blood pressure, arthritis, and high cholesterol were the most common problems, as about 30 percent of respondents cited any one of the three (Table 7.1).

The survey also asked people to describe their health status and whether they had a disability that prevented them from fully participating in work or other daily activities, such as housework. Some 15 percent of older adults in working households described their health as either fair or poor, and 15 percent had a limiting disability (Table 7.1). Reports of fair or poor health status were substantially higher among those in low- or moderate-income working families: one-third (33 percent) of adults 50 to 64 in working households with incomes under $25,000 and nearly a quarter (23 percent) of those in households with incomes between $25,000 and $39,999 reported that their health was fair or poor, compared with 9 percent of adults 50 to 64 in households with incomes of $60,000 or more.[1] Likewise, older adults in low- or moderate-income households were far more likely to report a limiting

Table 7.1 Health Status of Adults Aged 50–64 in Working Families (%)

	Total 50–64	Household income <$25,000	$25,000–$39,999	$40,000–$59,999	$60,000+
Self-rated health status					
Excellent or very good	59	41	48	60	67
Good	26	25	29	29	23
Fair or poor	15	33	23	11	9
Disability or handicap limits daily activities	15	25	21	16	10
Current health conditions					
Hypertension/high blood pressure	32	36	31	34	29
Heart disease/heart attack	9	14	7	10	8
Cancer	3	5	4	3	3
Diabetes	10	14	12	8	8
Arthritis	29	35	30	30	28
High cholesterol	31	26	33	30	32
Any of the above conditions	62	65	62	62	62
Has health problems[a]	66	73	66	63	65
N (in millions, estimated)	35.1	4.7	5.6	6.0	14.6
Distribution	100	14	16	17	42

NOTE: Base consists of adults aged 50–64 who are employed full-time or part-time or whose spouses are employed, not on Medicare. Columns 2 and 5 in the "Self-rated health status" category sum to 99, not 100, because of rounding.

[a] Rates own health as fair or poor or has chronic health problem or condition.

SOURCE: Commonwealth Fund (2004).

disability. One-quarter (25 percent) of adults 50 to 64 with household incomes under $25,000 and one-fifth (21 percent) of those with incomes between $25,000 and $39,999 reported a disability. This was more than twice the rate of adults aged 50 to 64 with household incomes of $60,000 or more.

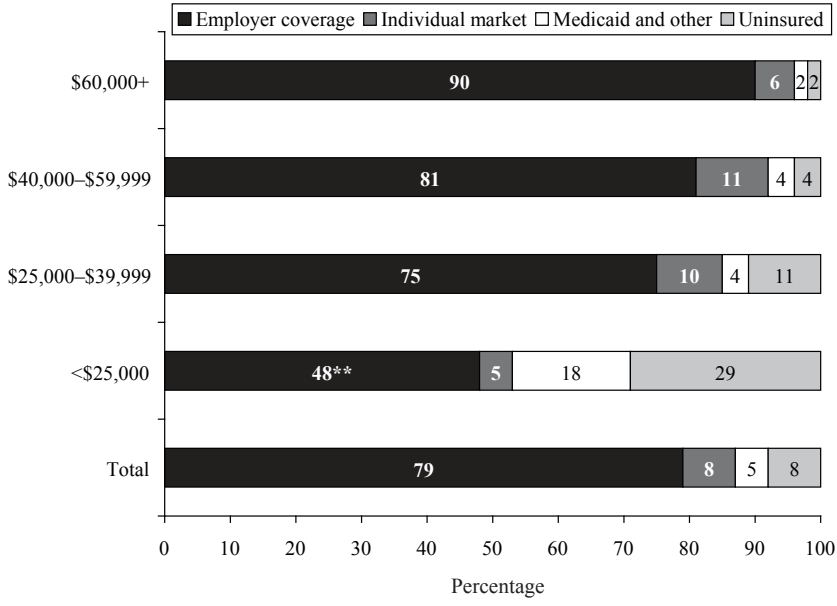
Many Working Older Adults Have Unstable Health Insurance Coverage

Employer-sponsored coverage forms the backbone of the U.S. system of health insurance: nearly 80 percent of older adults in working

families have coverage through an employer, either their own or that of a spouse (Figure 7.1; Table 7.2). But the likelihood of having employer-based coverage drops precipitously in households with low incomes. Fewer than half (48 percent) of older adults in working households with incomes under $25,000 are insured through an employer. Three-quarters (75 percent) of older adults in households with incomes between $25,000 and $39,999 have employer coverage. In contrast, nine-tenths (90 percent) of older adults in households earning $60,000 or more a year have insurance through a job.

There are few affordable options for health insurance for people outside the employer system. About 8 percent of older adults in working families have coverage they purchase on the individual market, and

Figure 7.1 Source of Insurance Coverage by Income



NOTE: The x axis shows percentage of adults aged 50–64 not on Medicare who are employed or whose spouses are employed. Income groups on y axis are based on 2003 household income. ** Difference across income is statistically significant at $p \leq 0.05$ or better.

SOURCE: Commonwealth Fund (2004).

Table 7.2 Insurance History of Adults Aged 50–64 in Working Families (%)

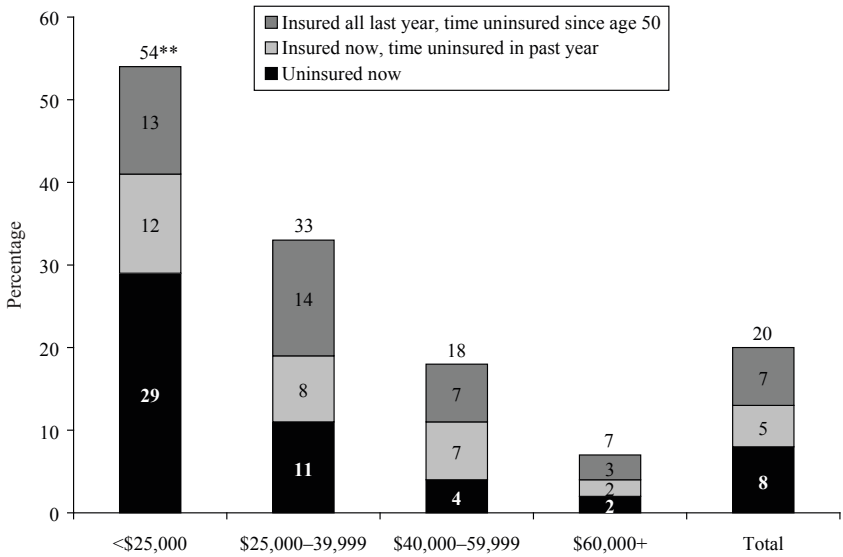
	Total 50–64	Household income <$25,000	$25,000–$39,999	$40,000–$59,999	$60,000+
Insurance type					
Employer	79	48	75	81	90
Individual	8	5	10	11	6
Medicaid and other	5	18	4	4	2
Uninsured	8	29	11	4	2
Insurance history					
Insured continuously, no gaps	79	46	67	83	93
Uninsured now	8	29	11	4	2
Insured now, time uninsured in past year	5	12	8	7	2
Insured all year, time uninsured since age 50	7	13	14	7	3
General experience with health insurance as adult					
Insured all of the time	64	35	47	57	81
Insured most of the time	23	26	37	32	17
Only insured some of the time	7	18	10	7	2
Rarely or never insured	5	21	5	4	1
N (in millions, estimated)	35.1	4.7	5.6	6.0	14.6
Distribution	100	14	16	17	42

NOTE: Base consists of adults aged 50–64 who are employed full-time or part-time or whose spouses are employed, not on Medicare. All categories sum to 100 except columns 1 and 4 in "Insurance history" and columns 1, 3, and 5 in "General experience," which sum to 99 or 101 because of rounding.
SOURCE: Commonwealth Fund (2004).

5 percent are insured through Medicaid or other publicly funded programs (Figure 7.1; Table 7.2). About 8 percent were uninsured at the time of the survey.

Many older adults also have a history of unstable coverage. In addition to the 8 percent of working adults who were uninsured at the time of the survey (roughly 3 million), 5 percent, or 2 million, had coverage at the time of the survey but had experienced a period without insurance in the past year (Table 7.2). An additional 7 percent of respondents, or 2.5 million, had been covered in the past year but had spent some

Figure 7.2 Insurance Instability among Older Adults in Working Families



NOTE: Percentage of adults aged 50–64 not on Medicare who are employed or whose spouses are employed. Income groups are based on 2003 household income. ** Difference across income is statistically significant at $p \leq 0.05$ or better.
SOURCE: Commonwealth Fund (2004).

time without coverage since turning 50. Taken together, this means that 20 percent of older adults in working families, or 7.5 million, were either uninsured at the time of the survey or had histories of unstable coverage.

Older adults in working households with low or moderate incomes report particularly high rates of unstable coverage. More than half (54 percent) of older adults in working families with incomes of less than $25,000 were uninsured when surveyed, had spent time without coverage in the past year, or were without coverage at some point since turning 50 (Figure 7.2). One-third (33 percent) of older adults earning between $25,000 and $39,999 had experienced a time without coverage. By way of contrast, only 7 percent of older adults earning more than $60,000 reported a time uninsured.

Vulnerable Adults Spend Substantially on Coverage and Health Care

Like the rest of the population, older adults spend different sums of money each year on their health care, depending on whether they have insurance coverage, what type of coverage they have, and how healthy they are. Annual out-of-pocket costs are generally affected by insurance premium costs; by the size of deductibles, copayments, and coinsurance; and by use. Premiums vary widely depending on whether coverage is through an employer or the individual market. Premiums also vary significantly across employers and by services included, such as prescription drugs. The size of deductibles—the portion of health care costs paid by individuals out-of-pocket before coverage begins—also depends on the source of coverage. Finally, nearly everyone pays a share of the cost (in the form of a copayment or coinsurance) when they receive care or purchase prescription drugs. Those without coverage may pay the full charge for prescriptions or services.

Premiums. Most insured working older adults contribute toward their health insurance premiums; only 15 percent face no premium costs. But those working older adults who must buy coverage on the individual market face the steepest costs. In most states, underwriting practices in the individual market take into account age and health status. Because their age places older adults in a higher risk category for chronic health problems and catastrophic illness, they face much higher premiums for individual coverage than do their peers who have employer coverage. More than half (55 percent) of older adults with coverage on the individual market spend $300 or more per month—$3,600 or more annually—on premiums, and more than a quarter (28 percent) spend $500 or more a month, or $6,000 or more annually (Figure 7.3; Table 7.3). In contrast, only 16 percent of older adults with employer coverage spend in excess of $3,600 a year on premiums (Collins, Davis, and Ho 2005).[2]

As a share of income, premium costs impose substantial burdens on older adults who have coverage through the individual market. Nearly three in five (58 percent) older adults with coverage on the individual market spend 5 percent or more of their income on health insurance premiums, and more than one in three (35 percent) spends 10 percent or

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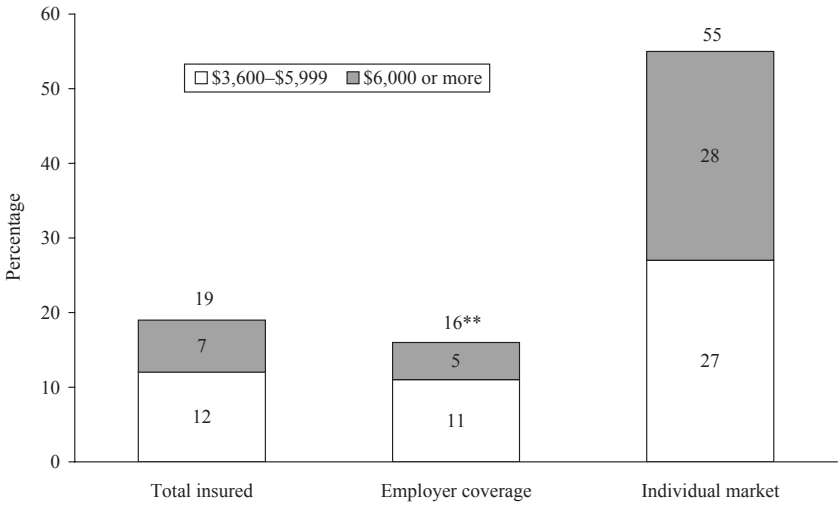
Figure 7.3 Annual Premiums among Older Adults in Working Families



NOTE: Percentage of adults aged 50–64 not on Medicare who are employed or whose spouses are employed. ** Difference across insurance coverage is statistically significant at $p \leq 0.05$ or better.
SOURCE: Commonwealth Fund (2004).

more (Table 7.3). In contrast, among older adults with employer-based coverage, just one in five (20 percent) spends 5 percent or more of his or her income on premiums, and only one in 14 (7 percent) spends 10 percent or more.

Older adults with low or moderate incomes also spend large shares of their incomes on premiums. Nearly two of five (37 percent) insured working older adults with a household income under $40,000 spend 5 percent or more of their income on premiums, and nearly one-quarter (23 percent) spend 10 percent or more. The burden on older adults in higher-income households is relatively lower: fewer than one in five older adults (19 percent) with a household income of $60,000 or more spends 5 percent or more of his or her income on premiums, and only one in 25 (4 percent) spends 10 percent or more.

Many older adults report difficulties affording their premiums, particularly those who have individual coverage or low incomes. More than three of five older adults (62 percent) with individual coverage

Table 7.3 Health Insurance Expenses of Insured Adults Aged 50–64 in Working Families (%)

	Insurance source			Household income			
Insurance premium expenses	Total insured	Employer coverage	Individual market	<$25,000	$25,000–$39,999	$40,000–$59,999	$60,000+
Monthly premium costs (respondents who are insured)							
None	15	14	3	25	15	14	13
Less than $100	27	28	16	33	31	32	24
$100–$199	21	23	7	18	22	21	20
$200–$299	11	11	14	3	7	11	14
$300–$499	12	11	27	11	13	9	13
$500 or more	7	5	28	3	7	7	9
Spend annually 5% or more of income	23	20	58	38	37	27	19
Spend annually 10% or more of income	10	7	35	23	23	9	4
Paying premium is very or somewhat difficult (respondents who pay a premium)	31	26	62	53	44	40	20
Annual deductible per person (respondents who are insured)							
No deductible	34	33	19	35	33	32	37
Less than $500	33	37	9	29	31	33	34
$500–$999	12	13	13	8	11	14	13
$1,000 or more	11	8	48	8	15	13	9
N (in millions, estimated)	32.2	27.7	2.8	3.4	5.0	5.8	14.3
Distribution	100	86	9	10	15	18	44

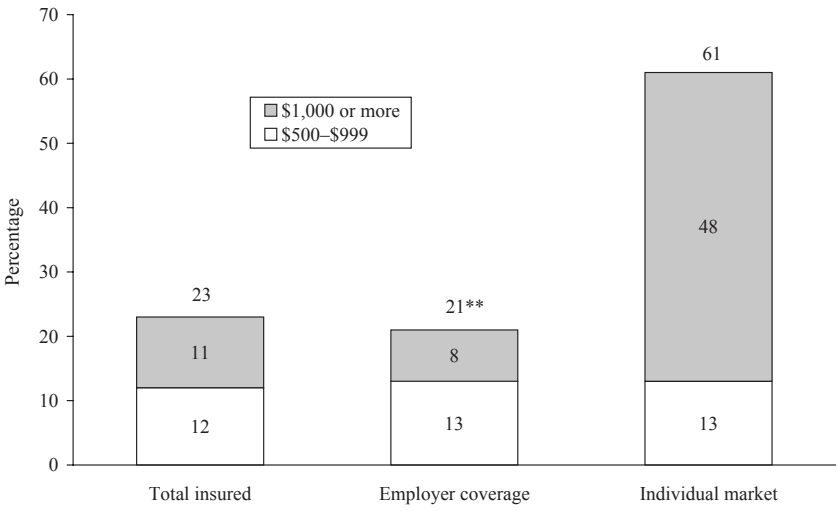
NOTE: Base consists of insured adults aged 50–64 who are employed full-time or part-time or whose spouses are employed, not on Medicare. Column numbers within the categories "Monthly premium costs" and "Annual deductible per person" do not add up to 100 because the table omits the answer "Don't know; refused," which accounted for a small percentage of responses.

SOURCE: Commonwealth Fund (2004).

said that it was very or somewhat difficult to afford their premiums, compared with about one-quarter (26 percent) of those with employer coverage. More than half of adults (53 percent) with incomes under $25,000 and more than two in five of those with incomes between $25,000 and $59,999 reported that it was difficult to afford their premiums, compared with only one in five (20 percent) of those with incomes of $60,000 or more (Table 7.3).

Deductibles. More than half (56 percent) of insured older adults have deductibles, and about 23 percent face a deductible of $500 or more annually (Table 7.3). Even though they pay far more in premiums, older adults with individual coverage face much higher deductibles than those with employer coverage. Nearly half (48 percent) of older adults with individual coverage have per-person annual deductibles of $1,000 or more (Figure 7.4). In comparison, about 8 percent of older adults with employer coverage face deductibles of $1,000 or more per year.

Figure 7.4 Annual Deductibles among Older Adults in Working Families

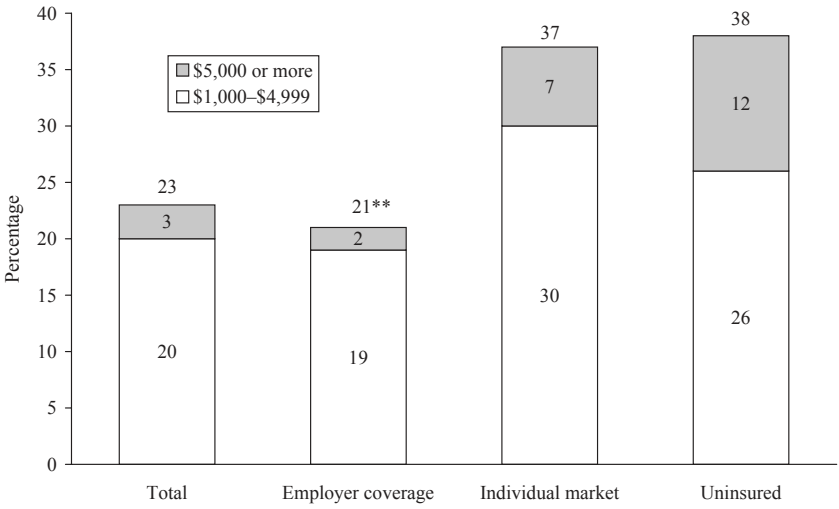


NOTE: Percentage of adults aged 50–64 not on Medicare who are employed or whose spouses are employed. ** Difference across insurance coverage is statistically significant at $p \leq 0.05$ or better.
SOURCE: Commonwealth Fund (2004).

Out-of-pocket costs. Out-of-pocket health care spending among older adults in working families with individual coverage, excluding premiums, is similar in magnitude to spending among uninsured older adults in working families. The survey found that 38 percent of uninsured older adults and 37 percent of older adults with coverage through the individual market spent $1,000 or more per year on out-of-pocket health care costs, including prescription drugs (Figure 7.5, Table 7.4). In contrast, 21 percent of older adults with employer coverage spent $1,000 or more.

Compared with those who have employer coverage, more older adults in working households who are uninsured or have individual coverage spend a large share of their income on out-of–pocket costs. One-third (34 percent) of older adults who were uninsured at the time of the survey and slightly fewer (31 percent) of those with individual coverage spent 5 percent or more of their income on out-of-pocket medical

Figure 7.5 Annual Out-of-Pocket Medical Expenses among Older Adults in Working Families



NOTE: Percentage of adults aged 50–64 not on Medicare who are employed or whose spouses are employed. Medical expenses include prescription drug purchases. ** Difference across insurance coverage is statistically significant at $p \leq 0.05$ or better.
SOURCE: Commonwealth Fund (2004).

costs (Table 7.4). In contrast, only one in nine (11 percent) of older adults with employer coverage spent this great a share of income on out-of-pocket costs.

Similarly, older adults in low- or moderate-income working households are more likely to spend a disproportionately large share of their income on out-of-pocket costs compared to those in higher-income households. About one-quarter (26 percent) of older adults in households with incomes under $25,000 spent 5 percent or more of their income on out-of-pocket costs, compared with just 4 percent of those in households with incomes of $60,000 or more (Table 7.4).

Combined costs. High premiums, high deductibles, and high out-of-pocket costs can add up to substantial expenditures for insured older adults in working families, particularly those with individual coverage or low incomes. In the survey, half (50 percent) of older adults with individual coverage spent $5,500 or more per year on insurance premiums and health care costs, compared with one in seven (15 percent) of those with employer coverage (Table 7.4). As a share of income, three-fourths (75 percent) of older adults with individual coverage spent 5 percent or more of their income on premiums and health care costs and nearly half (48 percent) spent 10 percent or more. In contrast, fewer than three in eight older adults (36 percent) with employer coverage spent 5 percent or more of their income on out-of-pocket costs and premiums, and only one in seven (14 percent) spent 10 percent or more.

Older adults in low- or moderate-income working households (including those with and without health insurance) also experience a heavy burden of out-of-pocket health care costs and premiums. At least one-half (50–55 percent) of older adults in households with incomes under $40,000 spent 5 percent or more of their income on out-of-pocket costs and premiums, and more than one-third (34–35 percent) spent 10 percent or more (Figure 7.6). Among older adults in working households with slightly higher incomes—$40,000–$59,999—more than two in five (43 percent) spent 5 percent or more of their income on out-of-pocket costs and premiums, and one in six (17 percent) spent 10 percent or more. Fewer older adults in higher-income households had large cost burdens: only two out of seven (28 percent) of those earning $60,000 or more spent 5 percent or more of their income, and only one in 16 (6 percent) spent 10 percent or more.

Table 7.4 Health Care Expenses of Adults Aged 50–64 in Working Families (%)

	Total 50–64	Insurance source			Household income			
		Employer	Individual	Uninsured	<$25,000	$25,000–$39,999	$40,000–$59,999	$60,000+
Prescription drug expenses								
Has prescription drug coverage (respondents who are insured)	93	95	74	0	89	90	95	95
Takes prescription drugs on regular basis	64	68	61	39	55	60	62	69
Annual out-of-pocket medical expenses, including prescription drugs								
Less than $100	21	19	17	28	30	26	19	17
$100–$499	38	41	26	22	39	32	40	39
$500–$999	16	17	17	11	11	13	17	17
$1,000–$4,999	20	19	30	26	16	23	21	21
$5,000 or more	3	2	7	12	4	4	2	4
Spent annually 5% or more of income[a]	15	11	31	34	26	27	23	4
Total annual out-of-pocket medical expenses[b]								
Less than $500	18	14	5	51	34	16	15	13
$500–$999	21	23	15	11	23	23	27	19
$1,000–$2,999	18	22	4	0	13	20	19	19
$3,000–$5,499	24	25	27	26	19	24	21	28
$5,500–$9,999	13	12	36	12	9	13	12	16
$10,000 or more	4	3	14	0	1	4	5	5
Spent annually 5% or more of income[a,b]	39	36	75	34	50	55	43	28
Spent annually 10% or more of income[a,b]	18	14	48	26	34	35	17	6

N (in millions, estimated)	35.1	27.7	2.8	2.8	4.7	5.6	6.0	14.6
Distribution	100	79	8	8	14	16	17	42

NOTE: Base consists of adults aged 50–64 who are employed full-time or part-time or whose spouses are employed, not on Medicare. Column numbers within the categories "Annual out-of-pocket medical expenses including prescription drugs" and "Total annual out-of-pocket medical expenses" do not add up to 100 because the table omits the answer "Don't know; refused," which accounted for a small percentage of responses.

[a] Among respondents reporting income.

[b] Includes health insurance premiums (for insured only) as well as medical expenses including prescription drugs.

SOURCE: Commonwealth Fund (2004).

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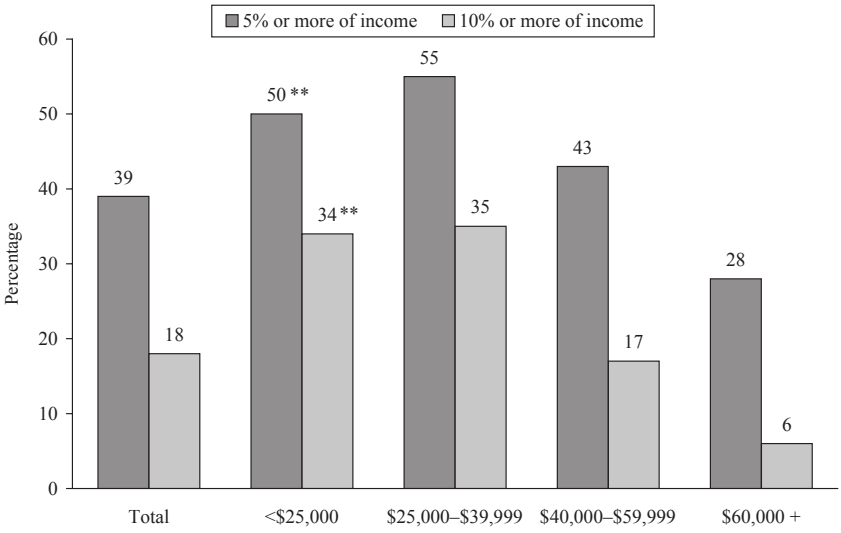
Figure 7.6 Percentage of Older Adults Who Spend 5% or More and 10% or More of Annual Income on Out-of-Pocket Medical Expenses and Premiums, by Income



NOTE: Percentage of adults aged 50–64 not on Medicare who are employed or whose spouses are employed. Income groups are based on 2003 household income. ** Difference across income is statistically significant at $p \leq 0.05$ or better.
SOURCE: Commonwealth Fund (2004).

Underinsurance. Cathy Schoen and colleagues at the Commonwealth Fund developed a measure of "underinsurance" based on high out-of-pocket costs and deductibles relative to income (Schoen et al. 2005). They defined people who were insured all year as underinsured if 1) their medical expenses (excluding premiums) amounted to 10 percent or more of their income; 2) their medical expenses (excluding premiums) totaled 5 percent or more of their income and they were in households with incomes of less than 200 percent of the poverty level; or 3) their health plan deductibles were 5 percent or more of their income. When this measure is applied to older adults insured all year in working families in the survey (Commonwealth Fund 2004), about 6 percent, or 1.8 million people, are found to be underinsured (data not shown).

Access to Care Encumbered by Insurance Status and Income Level

High out-of-pocket costs appear to interfere with older adults' access to the health care system. The survey asked respondents whether they had failed to seek medical care because of cost in the last 12 months. In particular, respondents were asked if they had failed to have a prescription filled; had skipped a medical test, treatment, or follow-up visit recommended by a doctor; had had a medical problem but chose not to go to a doctor or clinic; or had not seen a specialist when a doctor or the respondent thought it was needed.

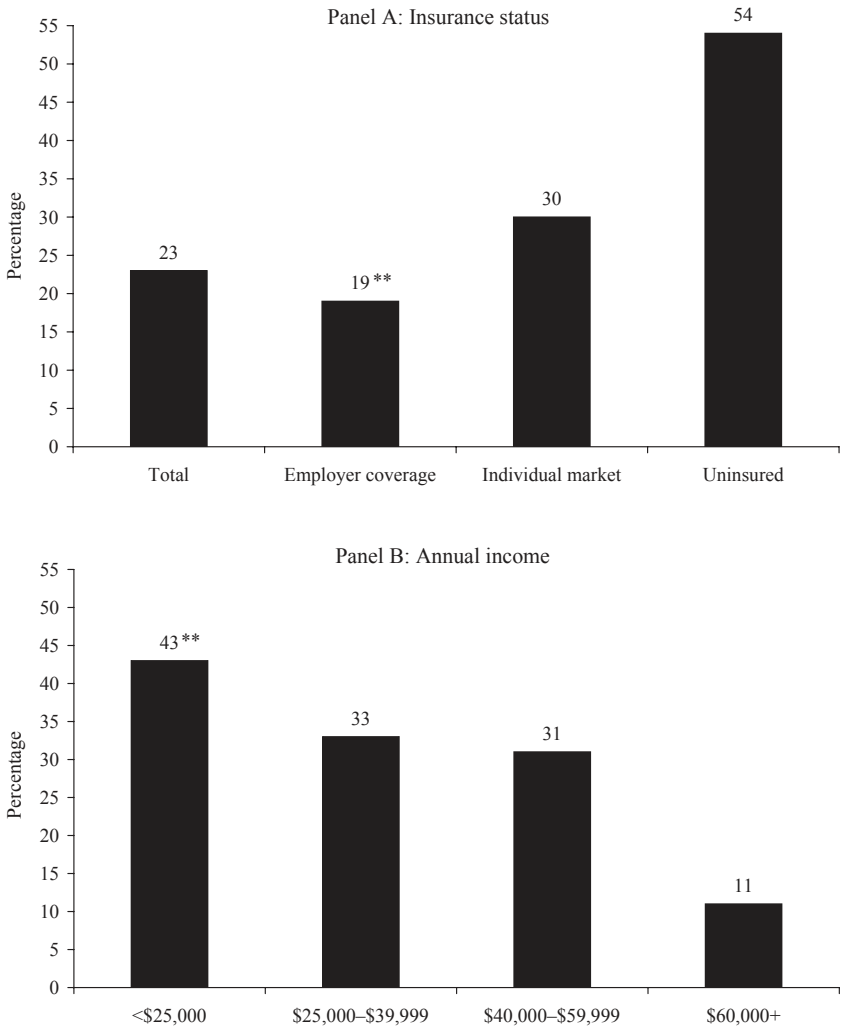
Nearly one-quarter (23 percent) of older adults in working households reported at least one cost-related access problem (Figure 7.7A). On average, those who were most exposed to the costs of health care—whether because they are uninsured or because they have individual coverage—were most likely to report not seeking care because of cost. More than half (54 percent) of uninsured older adults and nearly one-third (30 percent) of older adults with individual coverage reported at least one access problem.

Older adults in low- and moderate-income working households were also more likely to report cost-related access problems. More than two out of five (43 percent) older adults in households with incomes under $25,000 and about one in three (31–33 percent) of those in households with incomes between $25,000 and $59,999 reported that they had not received health care because of costs (Figure 7.7B). In contrast, just one in nine (11 percent) of older adults with incomes of $60,000 or more reported access problems.

Older Adults Report High Rates of Medical Bill Problems

The survey asked older adults about their ability to pay their medical bills in the past 12 months, including whether there were times when they had had difficulty paying or were unable to pay their bills, whether they had been contacted by a collection agency concerning outstanding medical bills, or whether they had had to change their lifestyle significantly in order to pay their bills. People who reported no medical bill problems in the past 12 months were asked if they were currently paying off medical debt they had incurred in the past three years.

Figure 7.7 Percentage of Older Adults Who Have at Least One of Four Cost-Related Access Problems,[a] by Insurance Status and Income



NOTE: Percentage of adults aged 50–64 not on Medicare who are employed or whose spouses are employed. Income groups are based on 2003 household income. ** Difference across insurance coverage/income is statistically significant at $p \leq 0.05$ or better.

[a] Did not fill a prescription; did not see a specialist when needed; skipped recommended medical test, treatment, or follow-up; did not see doctor when sick.

SOURCE: Commonwealth Fund (2004).

More than one-third (35 percent) of older adults in working households either had had a medical bill problem in the past 12 months or were paying off accrued medical debt (Figure 7.8A; Table 7.5). The problem was most severe among uninsured older adults: more than half (56 percent) reported difficulty paying medical bills or said they had accrued medical debt. Rates were also high among older adults with individual coverage: more than two in five (45 percent) reported struggling to pay medical bills or having medical debt.

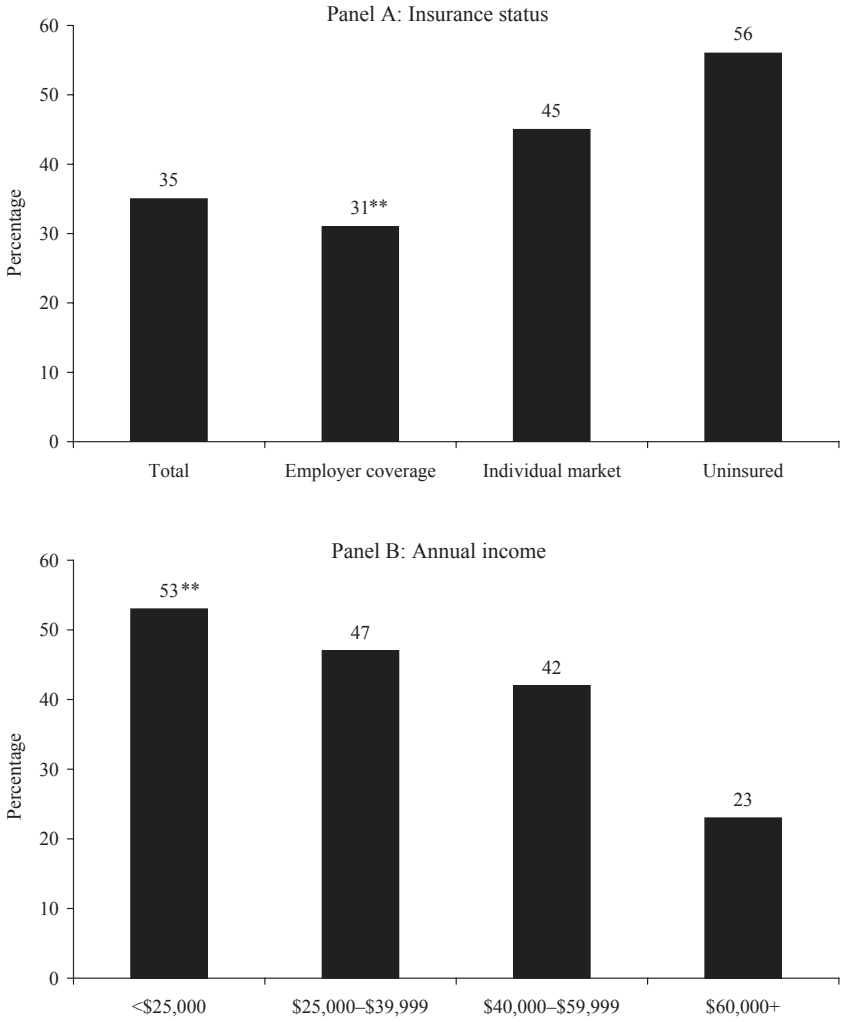
The reported rates of medical bill problems and debt in working households showed stark differences between low- or moderate-income older adults and higher-income older adults (Figure 7.8B). More than half (53 percent) of older adults in households with incomes under $25,000 and more than two of five (42–47 percent) in households with incomes between $25,000 and $59,999 reported bill problems or debt. This was about double the rate of those in households with incomes of $60,000 or more: only 23 percent of this income group reported bill problems or debt.

Older Adults Concerned They Will Not Be Able to Afford Health Care

Against a backdrop of eroding retiree health insurance coverage and rapidly rising health care costs, a majority of older adults in working families express fear they will not be able to afford health care in the future. Two-thirds (66 percent) of older adults in working households said they were very or somewhat worried they might not be able to afford needed medical care in the future (Table 7.6). Uninsured older adults and those with low or moderate incomes were the most concerned about being able to afford health care: about three-quarters of uninsured older adults (74 percent) and those with low or moderate income (72–76 percent) were very or somewhat worried.

Older adults also are concerned that they will not be able to afford the costs of insurance coverage in the future. Nearly three-quarters (74 percent) of older adults in working families said they were very or somewhat worried that health insurance would become so expensive that they would not be able to afford it (Figure 7.9A). Affordability concerns again were the highest among uninsured older adults and those with low or moderate incomes: about four out of five older adults (81

Figure 7.8 Percentage of Older Adults with Medical Bill Problems[a] or Accrued Medical Debt, by Insurance Status and Income

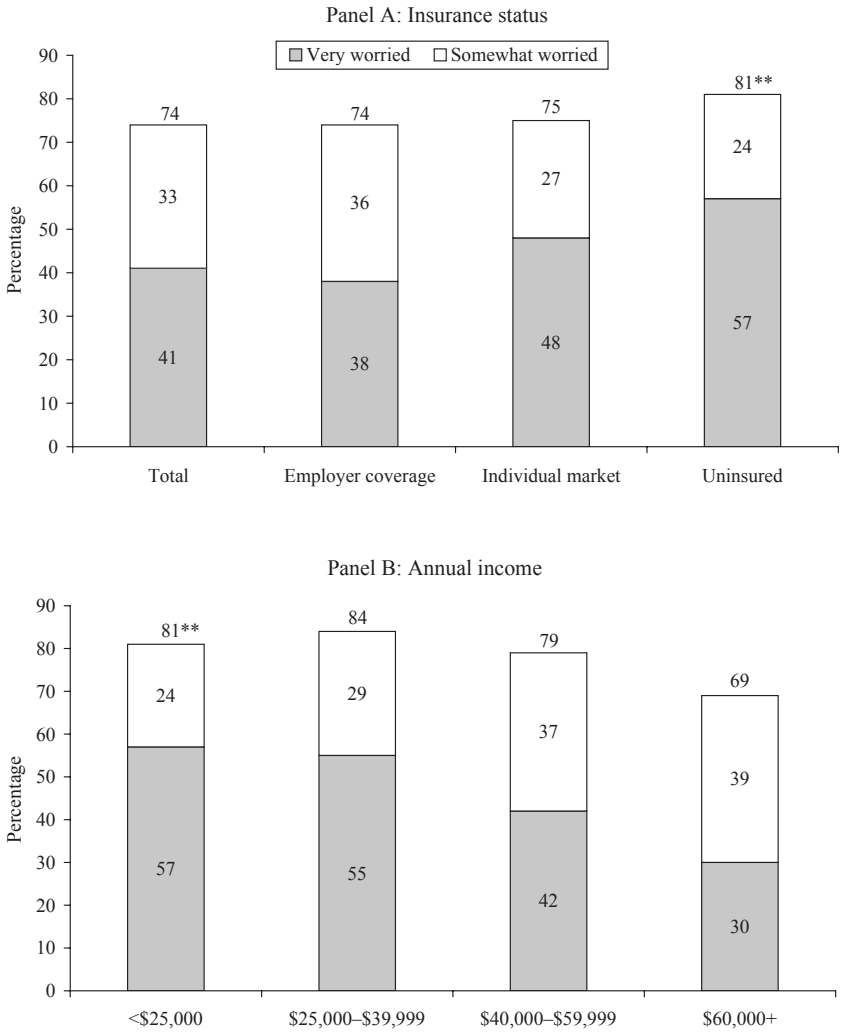


NOTE: Percentage of adults aged 50–64 not on Medicare who are employed or whose spouses are employed. Income groups are based on 2003 household income. ** Difference across insurance coverage/income is statistically significant at $p \leq 0.05$ or better.

[a] Problems paying/not able to pay medical bills, contacted by a collection agency for medical bills, had to change way of life to pay bills, or has medical debt being paid off over time.

SOURCE: Commonwealth Fund (2004).

Figure 7.9 Percentage of Older Adults Who Are Worried That Health Insurance Will Become So Expensive That They Will Not Be Able to Afford It



NOTE: Percentage of adults aged 50–64 not on Medicare who are employed or whose spouses are employed. Income groups are based on 2003 household income. ** Difference between uninsured and employer coverage is statistically significant at $p \leq 0.05$ or better; difference across income is statistically significant at $p \leq 0.05$ or better.

SOURCE: Commonwealth Fund (2004).

Table 7.5 Access Problems, Out-of-Pocket Costs, and Medical Bill Problems for Adults Aged 50–64 in Working Families (%)

		Insurance source			Household income			
	Total 50–64	Employer	Individual	Uninsured	<$25,000	$25,000–$39,999	$40,000–$59,999	$60,000+
Access problems in past year								
Went without needed care because of cost:								
Did not fill prescription	13	12	14	22	28	19	17	6
Skipped recommended test or follow-up	12	9	17	35	22	17	16	5
Had a medical problem, did not visit doctor or clinic	11	8	15	39	24	21	12	4
Did not get needed specialist care	8	7	11	25	13	14	10	5
At least one of four access problems because of cost	23	19	30	54	43	33	31	11
Medical bill problems in past year								
Not able to pay medical bills	16	13	22	35	33	22	23	7
Contacted by a collection agency for medical bills	14	12	12	27	27	20	15	8
Had to change way of life to pay bills	11	8	18	30	28	17	11	4
Any bill problem	25	21	34	49	48	36	31	13
Medical bills/debt being paid over time	12	12	16	13	10	17	16	11
Base: any bill problem or medical debt	35	31	45	56	53	47	42	23
Insurance status of person/s when having difficulties with medical bills								
Insured at time care was provided	73	85	81	14	41	68	84	92
Uninsured at time care was provided	25	14	17	79	55	30	15	8

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N (in millions, estimated)	35.1	27.7	2.8	2.8	4.7	5.6	6.0	14.6
Distribution	100	79	8	8	14	16	17	42

NOTE: Base consists of adults aged 50–64 who are employed full-time or part-time or whose spouses are employed, not on Medicare.
SOURCE: Commonwealth Fund (2004).

Table 7.6 Concerns About Affordability, Confidence in Future Care, and Satisfaction with Quality of Care (%)

		Insurance source			Household income			
	Total	Employer	Individual	Uninsured	<$25,000	$25,000–$39,999	$40,000–$59,999	$60,000+
How worried are you that you won't be able to afford the medical care you will need?								
Very worried	30	28	33	48	45	40	32	22
Somewhat worried	36	38	36	26	31	36	40	37
Not too worried	17	18	11	9	11	8	12	23
Not at all worried	16	16	19	13	9	15	15	18
How worried are you that health insurance will become so expensive you will not be able to afford it?								
Very worried	41	38	48	57	57	55	42	30
Somewhat worried	33	36	27	24	24	29	37	39
Not too worried	13	14	8	2	7	6	10	17
Not at all worried	13	12	16	13	10	11	10	14
Overall, how satisfied are you with the quality of health care you have received in the past 12 months?								
Very satisfied	53	58	44	17	46	40	49	63
Somewhat satisfied	28	28	35	21	24	36	32	24
Somewhat dissatisfied	5	5	8	2	6	5	7	5
Very dissatisfied	4	3	4	17	8	6	3	2
Have not received health care	8	5	8	41	16	11	8	5

How confident are you that you will get the best medical care available when you need it?								
Very confident	48	51	45	19	40	39	44	55
Somewhat confident	34	35	42	21	26	37	38	35
Not too confident	9	9	9	12	13	11	9	8
Not at all confident	7	4	4	38	17	10	7	2
How worried are you that you won't be able to get the type of specialist you will need?								
Very worried	27	25	25	49	40	37	26	20
Somewhat worried	32	33	36	19	29	33	37	33
Not too worried	20	22	14	14	16	11	16	26
Not at all worried	20	20	24	14	13	19	20	22
N (in millions, estimated)	35.1	27.7	2.8	2.8	4.7	5.6	6.0	14.6
Distribution	100	79	8	8	14	16	17	42

NOTE: Base consists of adults aged 50–64 who are employed full-time or part-time or whose spouses are employed, not on Medicare. In cases where the column numbers within a category do not add up to 100, it's because the table omits the answer "Don't know; refused," which accounted for a small percentage of responses in some columns. In some categories columns add up to more than 100 because of rounding.

SOURCE: Commonwealth Fund (2004).

percent) without insurance coverage or with low or moderate income (79–84 percent) were very or somewhat worried about not being able to afford insurance (Figure 7.9A–B). Still, even among those in higher-income households, more than two-thirds (69 percent) were also concerned about affording health insurance.

OLDER ADULTS SUPPORT POLICY SOLUTIONS TO IMPROVE HEALTH AND FINANCIAL SECURITY

Older adults' concerns about their health security are reflected in their desire for public policy solutions that might bolster it. The survey asked respondents about their interest in two strategies intended to improve their access to health insurance and help them save for their future health and long-term care needs.

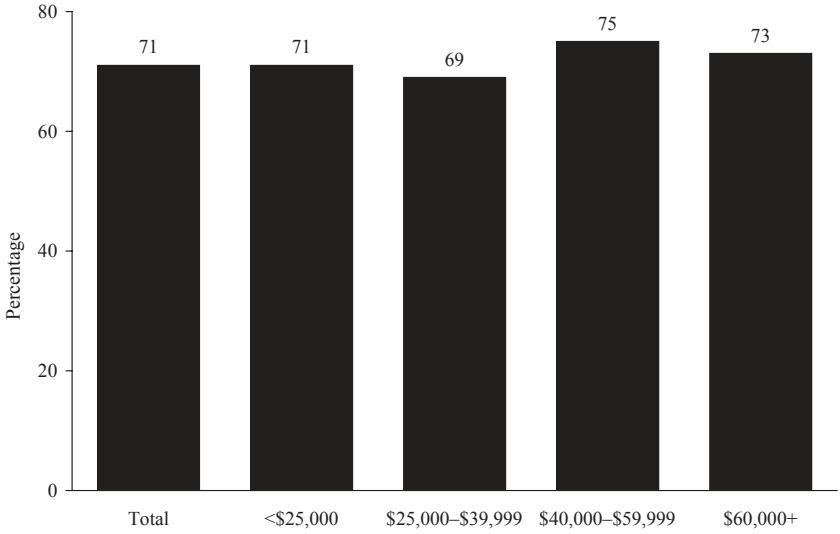
New Medicare Health Accounts to Help Older Adults Save for Long-Term Care and Other Costs

Concerned about not being able to pay for their health care in the future, older adults are interested in new strategies to help them save for future health care costs. The survey asked older adults if they would be interested in having 1 percent of their earnings deducted from their paychecks and placed into a Medicare health account. They could then use the accumulated savings in their accounts to pay for long-term care or other health services that Medicare does not cover. A substantial majority of older adults in working families, 71 percent, said they would be interested in participating in such an automatic savings plan (Figure 7.10). There was broad-based support across income groups, regions of the country, health status, and political affiliations (Table 7.7).

Buying into Medicare before Age 65

The survey also asked older adults if they would be interested in having Medicare coverage before their sixty-fifth birthday if it were available. Seventy-two percent of older adults in working households said they would be very or somewhat interested in enrolling in Medicare

Figure 7.10 Interest in Having Medicare Health Accounts[a] among Older Adults in Working Families



NOTE: Percentage of adults aged 50–64 not on Medicare who are employed or whose spouses are employed. Income groups are based on 2003 household income.

[a] Respondents were asked, "In thinking about paying for your health care in the future, would you be interested in having 1 percent of your (and/or your spouse's) earnings deducted from your paycheck(s), tax-free, and placed in your own Medicare account(s) to use for long-term care or other expenses not covered by Medicare?"

SOURCE: Commonwealth Fund (2004).

before age 65 (Figure 7.11A; Table 7.8). Interest was highest among people with the least protection from health care costs: 96 percent of uninsured older adults in working households and 81 percent of those with coverage on the individual market were very or somewhat interested in early participation in Medicare. In addition, a large majority (70 percent) of older adults with employer-based insurance coverage were interested in getting into Medicare. While interest was highest among older adults in lower- or moderate-income working households, two-thirds (66 percent) of those with incomes above $60,000 also were somewhat or very interested in receiving Medicare before age 65 (Figure 7.11B).

Table 7.7 Interest in Medicare Health Accounts for Long-Term Care and Other Medical Expenses (%)

	Yes, would be interested	No, would not be interested	Don't know/refused
Age			
50–54	77	19	4
55–59	67	25	8
60–64	64	28	8
Gender			
Male	70	24	5
Female	72	21	7
Region of the United States			
Northeast	77	17	6
North-central	68	26	5
South	72	23	6
West	68	24	8
Race/ethnicity			
Non-Hispanic white	72	22	6
Non-Hispanic black	74	23	4
Hispanic	63	24	13
Insurance status			
Uninsured	54	32	14
Employer	73	21	5
Individual	62	28	10
Medicaid and other	74	22	5
Income			
Less than $25,000	71	25	4
$25,000–$39,999	69	23	8
$40,000–$59,999	75	20	5
$60,000 or more	73	23	4
Work status			
Employed	71	23	6
Not currently employed	73	21	6
Self-rated health status			
Excellent or very good	71	24	5
Good	71	23	6
Fair or poor	72	17	11

Table 7.7 (continued)

	Yes, would be interested	No, would not be interested	Don't know/refused
Political affiliation			
Democrat	71	23	6
Republican	74	22	5
Independent	70	24	6
Other	72	24	4
Voter registration status			
Not registered	68	19	13
Registered	71	23	5
N (in millions, estimated)	24.8	8.0	2.2
Distribution	71	23	6

NOTE: Some rows sum to 99 or 101 percent because of rounding. Base consists of adults aged 50–64 who are employed full-time or part-time or whose spouses are employed, not on Medicare. Respondents were asked the following question: "In thinking about paying for your health care in the future, would you be interested in having 1 percent of your (and/or your spouse's) earnings deducted from your paycheck(s), tax-free, and placed in your own Medicare account(s) to use for long-term care or other expenses not covered by Medicare (when you become covered by Medicare)?"
SOURCE: Commonwealth Fund (2004).

Additionally, the survey asked older adults which source of insurance they would trust most to provide health insurance to older adults under the age of 65: the Medicare program, employers, or the private individual market. Thirty-five percent of older adults in working families said they would most trust Medicare, while 32 percent would trust employers the most, and 25 percent would trust the individual market (Table 7.9). Uninsured older adults, those with low incomes, and minorities were by far the most trusting of Medicare: 50 percent or more selected the program over other sources. Registered Democrats more often selected the Medicare program, whereas Republicans gravitated toward employers and the individual market. While those with employer coverage most often chose employers as their most trusted source, those with coverage on the individual market split about evenly between trusting the Medicare program (43 percent) and the individual market (40 percent).

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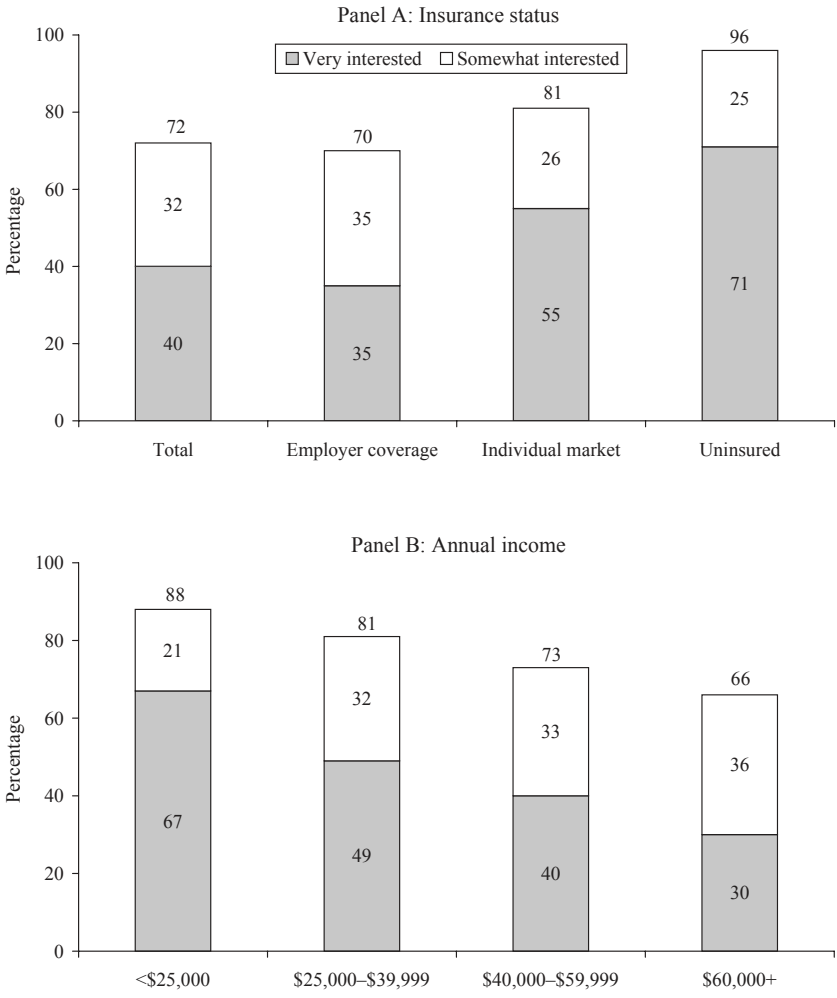
Figure 7.11 Percentage of Older Adults Who Are Very Interested or Somewhat Interested in Receiving Medicare before Age 65, by Insurance Status and Income



NOTE: Percentage of adults aged 50–64 not on Medicare who are employed or whose spouses are employed. Income groups are based on 2003 household income.
SOURCE: Commonwealth Fund (2004).

SUMMARY

High rates of chronic health conditions make older adults a vulnerable population. While being uninsured or underinsured at any age is risky, older adults without adequate coverage are at particular risk, both physically and financially, from skipping needed care, spending large shares of their income on out-of-pocket costs, and accumulating medical debt.

McWilliams et al. (2003, 2004) find that uninsured adults aged 55–64 have a greatly reduced access to preventive care and estimate that more than 13,000 premature deaths occur annually in this age group because of lack of health insurance coverage. Poor health can hinder older adults' ability to participate in daily activities and accumulate income prior to retirement. Moreover, if adults in these vulnerable years postpone or do not receive essential care for chronic health conditions such as diabetes, arthritis, or high blood pressure, they are at risk of entering the Medicare program in deteriorating health and with much more costly medical conditions (Friedland and Summer 2005).

Yet despite evidence that exposure to medical costs is unhealthy for older adults and potentially harmful for the Medicare program and the U.S. economy overall, older adults are becoming less rather than more protected. According to the most recent U.S. census data, the number of uninsured older adults aged 50 to 64 climbed from 6 million in 2004 to 7.1 million in 2006, with nearly all the increase attributable to a decline in employer-sponsored coverage.[3] In addition, the percentage of firms with 200 or more employees that offer retiree health benefits has fallen from 66 percent in 1988 to 36 percent in 2005 (Kaiser Family Foundation and HRET 2005). Companies that still offer retiree health benefits are making those benefits less generous. According to a recent survey of large employers by the Henry J. Kaiser Family Foundation and Hewitt Associates, 71 percent of companies said they had increased retiree premium contributions in the past year and 33 percent had increased service copayments or coinsurance (Kaiser Family Foundation and Hewitt Associates 2005).

The erosion of retiree health benefits is a financial blow to older adults. Hewitt Associates estimates that medical costs can amount to 20 percent of annual preretirement income for workers who retire at age

Table 7.8 Interest in Enrolling in Medicare before Age 65 If It Were Available to Ages 50–64

	Very interested	Somewhat interested	Not too interested	Not interested at all
Age				
50–54	37	36	14	9
55–59	42	31	11	13
60–64	44	25	9	18
Gender				
Male	37	34	11	15
Female	43	30	13	10
Region of the U.S.				
Northeast	41	27	16	11
North-central	40	33	11	11
South	42	33	11	11
West	37	33	12	16
Race/ethnicity				
Non-Hispanic white	36	34	13	13
Non-Hispanic black	53	29	9	6
Hispanic	58	27	7	5
Insurance status				
Uninsured	71	25	0	4
Employer	35	35	14	13
Individual	55	26	4	10
Medicaid and other	52	16	8	21
Income				
Less than $25,000	67	21	6	6
$25,000–$39,999	49	32	9	8
$40,000–$59,999	40	33	13	11
$60,000 or more	30	36	14	16
Work status				
Employed	41	31	13	13
Not currently employed	36	41	9	11
Self-rated health status				
Excellent or very good	36	32	14	15
Good	43	34	9	11
Fair or poor	53	31	8	5
Political affiliation				
Democrat	47	30	11	10
Republican	32	34	14	16
Independent	35	33	15	14
Other	46	33	8	9

Table 7.8 (continued)

	Very interested	Somewhat interested	Not too interested	Not interested at all
Voter registration status				
Not registered	54	32	7	5
Registered	38	32	13	13
N (in millions, estimated)	13.8	11.0	4.1	4.3
Distribution	40	32	12	12

NOTE: Base consists of adults aged 50–64 who are employed full-time or part-time or whose spouses are employed, not on Medicare. Respondents were asked the following question: "If Medicare were available to adults aged 50 to 64, how interested would you be in getting Medicare insurance before you turn 65?" In cases where the numbers within a row do not add up to 100, it's because the table omits the answers "It depends" and "Don't know; refused," which accounted for a small percentage of responses in most rows.
SOURCE: Commonwealth Fund (2004).

65 without employer health benefits (Hewitt Associates 2003). Early retirees without employer coverage can expect to spend an estimated 40 percent of preretirement income on their medical expenses. While the new Medicare prescription drug benefit will offset some of those costs for beneficiaries, retirees without retiree health benefits will continue to see a large portion of their income go toward health care costs.

Recent research also shows that health savings accounts (HSAs), which have been promoted in part as a way for individuals to save for future health care costs, will have a limited impact on the overall savings of those who decide to use them (Fronstin and Salisbury 2004). Moreover, people who open HSAs must have a high-deductible health plan of at least $1,000 for individuals and $2,000 for families. This means that, depending on whether and how much their employers contribute to their HSAs, participants' ability to save for their retirement during their working years could be weakened by the demands on their incomes from higher out-of-pocket health costs (Davis, Doty, and Ho 2005). In addition, a survey by the Employee Benefit Research Institute and the Commonwealth Fund found that adults with HSA-eligible, high-deductible health plans were more likely to say they had delayed or avoided care when they were sick. Problems were found to be particularly pronounced among those with health problems or with incomes under $50,000. This raises concerns that people in these plans,

Table 7.9 Most Trusted Source to Provide Health Insurance for Adults Aged 50–64 in Working Families (%)

	Medicare	Employers	Private individual market	None of these/ don't know/ refused
Age				
50–54	31	36	25	9
55–59	38	30	23	9
60–64	40	28	26	6
Gender				
Male	37	30	26	7
Female	33	34	23	9
Region of the U.S.				
Northeast	32	33	24	12
North-central	36	39	21	4
South	38	29	26	7
West	33	30	27	9
Race/ethnicity				
Non-Hispanic white	31	35	26	8
Non-Hispanic black	53	31	11	4
Hispanic	50	14	24	13
Insurance status				
Uninsured	64	5	22	9
Employer	30	39	24	8
Individual	43	10	40	7
Medicaid and other	57	14	19	10
Income				
Less than $25,000	55	20	16	8
$25,000–$39,999	36	32	24	8
$40,000–$59,999	34	32	27	7
$60,000 or more	28	37	27	7
Work status				
Employed	36	33	24	8
Not currently employed	32	28	30	10
Self-rated health status				
Excellent or very good	32	33	29	7
Good	39	35	19	7
Fair or poor	42	27	18	13

Table 7.9 (continued)

	Medicare	Employers	Private individual market	None of these/ don't know/ refused
Political affiliation				
Democrat	41	32	18	9
Republican	24	34	34	8
Independent	37	35	25	3
Other	38	29	22	11
Voter registration status				
Not registered	51	22	18	9
Registered	33	34	25	8
N (in millions, estimated)	12.3	11.3	8.6	2.8
Distribution	35	32	25	8

NOTE: Base consists of adults aged 50–64 who are employed full-time or part-time or whose spouses are employed, not on Medicare. Some rows sum to 99 or 101 because of rounding.
SOURCE: Commonwealth Fund (2004).

especially those with chronic conditions and low or moderate incomes, will neglect to get needed health care that might help them avoid more serious and costly health problems in the future (Fronstin and Collins 2005).

Similarly, because of older adults' high rates of chronic conditions, proposals that seek to expand coverage by providing tax credits to those with low incomes to buy coverage on the individual market are unlikely to substantially increase access to meaningful and affordable coverage. This is because older adults have much greater health needs and are at greater risk of catastrophic illness—characteristics that, in most states, underwriters are allowed to take into consideration when writing individual insurance policies. Earlier research by the Commonwealth Fund has found that the individual market is generally not an affordable option for older adults with low and moderate incomes, even with large tax credits and community rating regulations (Collins, Berkson, and Downey 2002; Gabel, Dhont, and Pickreign 2002; Simantov, Schoen, and Bruegman 2001; Turnbull and Kane 2005).

What is to be done? The Commonwealth Fund Survey of Older Adults (Commonwealth Fund 2004) shows that older adults in working

families are very interested in Medicare accounts in which they could set aside income to save for long-term and other noncovered health care expenses. In addition, a large majority of older adults in working households would be interested in participating in the Medicare program before the age of 65. To help facilitate participation, subsidies for a buy-in could be linked to income: those with household incomes of less than 200 percent of the poverty level would pay no more than 5 percent of their income, and those with higher incomes would pay no more than 10 percent. In addition to these options, eliminating the two-year waiting period to be placed on the disabled rolls of the Medicare program would directly address the financial hardship of those who become too ill or disabled to work (Dale and Verdier 2003).

Companies' cutting back on the health care of older adults through the erosion of employee and retiree health benefits will serve only to worsen the health and financial status of older adults and magnify the financing issues currently looming in front of Medicare. Instead, targeted investments in older workers' health care would help those in this age group remain productive members of the workforce throughout their working years and would improve their chances of entering their retirement and the Medicare program in good health.

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Appendix 7A
Survey Methodology

The Commonwealth Fund Survey of Older Adults was conducted by International Communications Research of Media, Pennsylvania, from August 14 through November 21, 2004. The survey consisted of 25-minute telephone interviews in either English or Spanish and drew on a random, nationally representative sample of 2,007 adults aged 50–70 living in the continental United States. The survey included 1,591 adults aged 50–64 and 416 adults aged 65–70 (Commonwealth Fund 2004).

Of the 1,591 adults aged 50–64 surveyed, this chapter looks at 1,189 adults who were not in Medicare and were employed full-time or part-time or had a spouse who was employed. Of the 402 50- to 64-year-olds in nonworking households excluded from our analysis, 46 percent were not working because they were retired, 37 percent were not working because they were disabled, and about 17 percent were not working for other reasons. Among excluded respondents who had spouses, 53 percent of spouses were retired, 20 percent were not working because they were disabled, and 23 percent were not working for other reasons. Excluded older adults reported a much lower health status than those in the analysis: 42 percent reported being in fair or poor health, compared with 15 percent of those in working families. About 80 percent of 50- to 64-year-olds in the nonworking group had at least one of six chronic conditions—1) hypertension or high blood pressure, 2) heart disease or heart attack, 3) cancer, 4) diabetes, 5) arthritis, or 6) high cholesterol—compared with 62 percent of those in working families. The nonworking group also had lower incomes on average than those in working families: 41 percent were in households with incomes under 200 percent of the poverty level, compared with 15 percent of those in working families. In terms of insurance coverage, 31 percent of the nonworking group were enrolled in Medicare, 36 percent had employer benefits, 6 percent had coverage through the individual market, and 14 percent were uninsured.

Statistical results in this chapter are weighted to make the results representative of all adults aged 50–64 in the continental United States. The data are weighted to the U.S. adult population by age, sex, race or ethnicity, education, and geographic region using the March 2004 Supplement of the Current Population Survey. The resulting weighted sample is representative of the approximately 48 million adults in the United States aged 50–64.

Our study classifies adults by age, annual household income, and insurance status at the time of the survey. Thirteen percent of adults aged 50–64 did not provide sufficient income data for classification by income or poverty. We asked respondents which of the following types of insurance they had had when surveyed: Medicare, employer-sponsored, individually purchased, Medicaid, or insurance through any other source (including military or veterans' coverage). Respondents who had none of these types of insurance were classified as uninsured. Although respondents were allowed to report multiple sources of insurance, in this analysis only mutually exclusive insurance categories were allowed. Thus, respondents reporting multiple sources of insurance were classified into a particular category by using a hierarchy. For individuals under 65 years, the hierarchy for insurance was employer, Medicare, Medicaid, individual, or other.

The survey has an overall margin of sampling error of +/– 2.29 percentage points at the 95 percent confidence level. For the sample of adults aged 50–64, the margin of error is +/– 2.58 percentage points.

The 71.6 percent survey response rate was calculated in a manner consistent with the standards of the American Association for Public Opinion Research.

Notes

This chapter is based on a presentation by Sara R. Collins at the National Academy of Social Insurance's Eighteenth Annual Conference, "Older and Out of Work: Jobs and Social Insurance for a Changing Economy," Washington, D.C., January 20, 2006. That same month, the Commonwealth Fund published a version of this chapter under the same name as it carries here. Support for this research was provided by the Commonwealth Fund. The views presented here are those of the authors and not necessarily those of the Commonwealth Fund or its directors, officers, or staff.

1. All reported differences are statistically significant at $p \leq 0.05$ or better, unless otherwise noted.
2. Economic theory suggests that employees covered by employer-based health insurance effectively pay for their premiums through lower wages. This means that the difference in premium costs between those with individual coverage and those with employer coverage might be less than these data suggest. However, there is mixed empirical evidence to support this theory, suggesting that employer premium costs are likely only partially offset by lower wages, or at least by reduced wage growth. Moreover, in the case of older workers, their higher premium costs are likely shared with other members of the employer group.
3. Analysis of the March 2007 Supplement of the Current Population Survey by Sherry Glied and Bisundev Mahato of Columbia University.

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