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A Look at The New Retirement: Getting Old Ain’t What It Used to Be

By DOUGLAS J. BESHAROV and **KEVIN W. SMITH**

Are older Americans sick and poor and in need of assistance from the government? Or are they wealthy and vigorous and ready to "live life to the max" without any help from the rest of us?

The answer is both. Many are doing just fine, thank you. That category includes most people in the younger brackets of the elderly and in their first decade or two of retirement.

But there is another category, made up in large part of those who are farther along in old age, who aren't faring so well and do need help—and much more of it—than we currently give them.

The implication for government programs should be obvious: When it comes to reshaping Social Security and Medicare and rethinking policies on other aging issues, one size does not fit all.

Current government policy, though, is outdated and one-sided and ignores present-day medical and economic realities. It resembles the skewed perceptions held by teenagers, as reported by pollsters for the American Association of Retired Persons (AARP), who found that an overwhelming majority of teenage respondents thought older people are in "poor health," do not get "enough medical care," and do not have "enough money to live on." (Contrast this with AARP's own image of its constituents as conveyed by its magazine, Modern Maturity, which carries cover headlines along the lines of "Living to the Max," "Fabulously Fit" and "How Now the Dow.")

Teenagers' misperceptions may not matter so much, but the government's do. Its flawed vision results in programs that subsidize elderly people who are actually quite wealthy, while short-changing the relatively small group who are frail and poor. What's more, the problem worsens each year because modern patterns of aging lead to a great paradox: As more Americans are enjoying longer, healthier retirements, more will suffer a long-term and financially crushing disability at the end of life.

The government is unprepared for what is coming. Instead of sensibly targeted programs to help those in real need, we get empty political gestures aimed at middle-class voters, such as the $ 1,000 tax credit President Clinton has proposed for long-term care expenses, costs that can easily reach 40 times that much.

There's voluminous research on the condition of older Americans, and just about all of it shows that most retirees today are healthier than any previous generation of old people. They are also wealthier and say they feel happier than most other Americans of all ages. Travel almost anywhere in the world off-season and you are sure to see large numbers of American retirees. They make up 30 percent of all cruise passengers, 20 percent of all first-time passport recipients and 10 percent of all international leisure travelers.

According to the 1996 General Social Survey conducted by the National Opinion Research Center, 39 percent of those between the ages of 65 and 74 said they were "very happy"--a higher percentage than in any other age group. Almost half said they were "pretty well satisfied" with their financial situation. (And, for the curious, in 1996, even before Viagra hit the market, the average man over 70 reported having sex more than once a month. Almost half of those over 60, men and women, say they would like to have more sex.)

A review of the research data also shatters the idea that poverty is typical among the old. The poverty rate is actually lower for the elderly than for people under the age of 65—10.5 percent compared with 13.6 percent in 1997. In households whose head was over 65, the 1997 median net worth was about $ 100,000, compared with only about $ 11,000 for those under 35, and about $ 50,000 for those 35 to 44 years old. Much of this wealth reflects lifetimes of saving, and strong real estate and stock markets, of course, but the underlying fact is that people over 65 have a lot of money—$ 6.6 trillion dollars of total net worth in 1995, out of $ 19.8 trillion for the country as a whole.

According to the Census Bureau, if the value of their assets was considered, the 1997 poverty rate for the elderly was actually only 5.6 percent. But keep in mind that 3.4 million older Americans still fell under the federal poverty line of $ 9,700 annual income for an elderly couple ($ 7,700 for someone living alone). For the elderly poor, it can be particularly difficult to meet even basic needs such as having enough to eat, paying the rent or mortgage, being able to see a doctor, and keeping the heat turned on and telephone connected.

Those over 85, whom demographers call the "oldest old," are still relatively few in numbers--but the group is growing very quickly, and so will its demands on the national resources. About 15 percent of the men who reach age 65 today can expect to live past 85, as can about 21 percent of the women.

On the medical front, there's a lot of good news. Medical advances and healthier lifestyles keep many older people in relatively good health until they are 75 or even 80. Smoking and cholesterol consumption are down. Exercise is up. So are medical procedures that help people remain independent and active. More than 120,000 older people received knee replacements in 1995. Another 80,000 received hip replacements, 250,000 received pacemakers, and 320,000 had coronary bypass surgery. Improved hearing aids and corrective eye procedures also help many elderly remain independent and active.

But we haven't conquered the aging process yet. The physiological time clock does begin to run down for many at 75 or 80. A common measure for the physical and mental status of the elderly is whether they need assistance to perform any of the so-called activities of daily living, known as ADLs—eating, bathing, dressing, toileting and getting out of bed. Only 9 percent of 65- to 69-year-olds need help with one of these basic functions, compared with about half of those over 85. Cognitive impairment also increases with age. For example, only 5 percent of 65- to 74-year-olds suffer from such problems as dementia, brain damage, or mental retardation. For those over 85, the figure is nearly four times as high, 19 percent.

While healthier habits and medical advances have reduced the degree and postponed the onset of some of these disabilities, increasing longevity raises the probability of others—because they are the results of the body's inescapable degenerative process.

That's why nursing homes and other long-term care facilities have proliferated, and will keep doing so. Right now, 32 percent of people reaching age 65 can expect to spend more than 3 months in a nursing home, 24 percent can expect to spend more than a year, and 9 percent more than 5 years. As more of the elderly avoid dying from heart and circulatory diseases or smoking-related cancers, more will live long enough to suffer a long-term, debilitating illness, meaning a sharp rise in the numbers needing nursing home care.

When serious disability strikes, the elderly rich can buy the needed care. In-home services cost an average of $ 15,000 a year and can easily exceed $ 30,000; annual nursing home bills average about $ 40,000. At the other end of the scale, the very poor elderly can get care through Medicaid. The middle-class elderly have two options: move in with relatives or spend down (or try to give away) their assets in order to qualify for Medicaid. Their situation cries out for a better solution that would help preserve financial comfort and dignity.

One would think the lesson would be clear enough. Healthy as our aging population seems, now is the time to plan for sharply higher rates of long-term, physical and mental disability. But few people are, and the nation's political leaders aren't providing a very good example.

Clinton's current proposal for a prescription drug benefit epitomizes our failure to recognize the true conditions among America's elderly or their needs. The president's proposal, when fully in effect in 2008, would cover half of all drug expenditures up to $ 5,000 for Medicare recipients who choose to enroll, while charging most recipients a monthly premium of $ 44. (Those people whose incomes are near or below the poverty line would not have to pay any premium.)

In fact, most older Americans already have drug coverage. Only 2 percent of the elderly say they have trouble getting the drugs they need, according to the federal government's National Health Interview Survey. Moreover, half of the elderly now spend less on prescription medicines than they would on the premiums for Clinton's plan. Some will need help, but a universal drug benefit is clearly not the answer. With a more realistic approach—means testing and no first-dollar coverage—we could provide catastrophic drug coverage for the small number who really require it, such as the 4 percent of the elderly who now spend more than $ 2,000 a year for drugs.

Or consider long-term care insurance, a crucial need for many older people. According to the Urban Institute, only 5 percent of the elderly have any form of long-term care policy. The usual explanation is that they cannot afford to buy it, but that is only partly true. Premiums vary according to the level of benefits and the age of the purchaser. The cost for a 65-year-old can be anywhere between $ 220 and $ 3,400 a year; for an 85-year-old the annual premium can run from $ 1,065 to $ 12,000. Twenty percent of the elderly households in 1997 had incomes over $ 43,000. These elderly, at least, could presumably afford insurance that will cover the care they may need.

So, if many lack coverage, it's not only because people can't afford the cost. It's in part because of wishful thinking—a denial that we will ever really age or become dependent enough to need nursing home care. But let's not be too harsh on the elderly. After all, the federal government has yet to seriously face the issue either.

An example of the short-sighted political response is the long-term care deduction proposed in the Republican tax relief bill now under consideration in Congress. The plan would allow a deduction of 100 percent of the cost of long-term care insurance, phased in over six years beginning in 2001. The deduction would be limited to those who do not already have long-term care insurance. That could help some people afford insurance, but not the vast majority, who don't pay enough taxes to benefit. More important, it won't change human nature.

Just as we mandate automobile insurance for catastrophic losses, if we hope to cover the long-term needs of the elderly, we may have to consider an equivalent mandate for catastrophic medical and nursing care, backed up with taxpayer subsidies for the truly needy. Or, alternatively, we could expand Medicare to cover long-term care--but not for everyone. The nation will be able to afford such a system only if we make the politically difficult distinctions among the elderly--reducing coverage or raising copayments for those who can take care of themselves and increasing coverage for those who can't.

It will not be easy. Set income or net-worth ceilings too low, and people will manipulate their financial affairs to avoid paying for the policy. Make the rules too generous, and people will overuse the benefit.

Instead of swallowing the pablum being dished out by our political leadership, now is the time to start thinking about such a system, so we can slowly build experience and infrastructure, and thus avoid another health care fiasco. But that will take candor and political courage, both in short supply in Washington these days. Don't hold your breath. More important, when you or someone you care about reaches 65, don't hold off buying that long-term care policy for your loved one--or yourself.

Douglas Besharov is a resident scholar at the American Enterprise Institute for Public Policy Research and a professor at the University of Maryland's School of Public Affairs, where Keith Smith is a research assistant.