



## NEWS RELEASE

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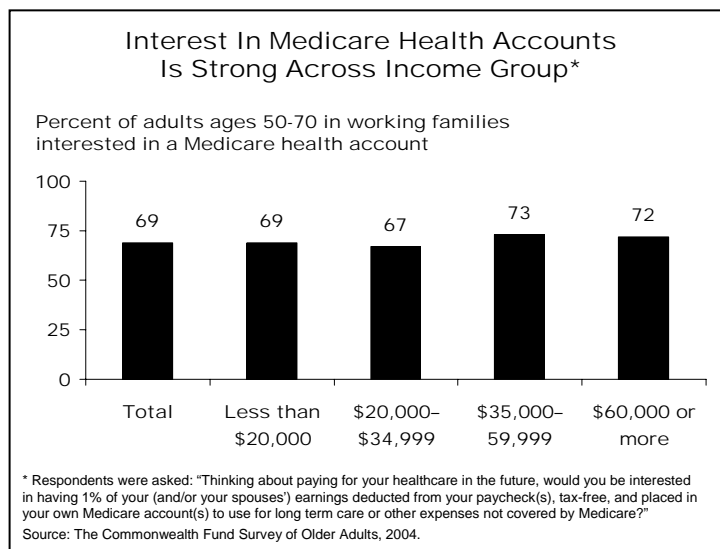
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# BABY BOOMERS CONCERNED ABOUT THEIR FINANCIAL AND HEALTH SECURITY, SAYS SURVEY

## *Large Majority Would Back Special Health Account To Pay for Health Services Not Covered by Medicare*

**Boston, MA, June 28, 2005**—Concerned about their future financial and health security, a substantial majority of older Americans would favor setting aside a portion of their earnings in a special account to save for future medical expenses not covered by Medicare, according to a new Commonwealth Fund survey report released here today.

Sixty-nine percent of a nationally representative sample of 2,000 adults ages 50-70 support dedicating one percent of their earnings to a new Medicare Health Account to help them pay for long-term care services or other uncovered health care expenses. The idea of saving for such an account drew broad-based support among older Americans regardless of income, political affiliation, region of the country, and health status. A strong majority of those ages 50-64 also said they would like to participate in Medicare before they turn age 65.



[\*The Commonwealth Fund Survey of Older Adults\*](#) shows that a large majority of people in the 50 to 70 age group fear that they will not have enough income and savings to retire and afford needed medical care. Only 15 percent of those ages 50-64 and 22 percent of those between 65 to 70 years felt assured that they would have enough income and savings for retirement. About half (48%) of adults ages 50 to 70 have retirement savings of less than \$50,000, and about two of five (38%) have savings of less than \$25,000. Retiree benefits are becoming increasingly rare: the majority (53%) of those working or with a working spouse said they would *not* have job-based retiree health benefits when they retire. This insecurity is eroding confidence: three of five (63%) adults ages 50 to 70 worry that they will not be able to afford medical care in the future.

“It’s clear that older Americans are uniformly concerned about their future,” says Commonwealth Fund President Karen Davis. “They are anxious for policy solutions that would improve their ability to protect against the high cost of medical care and make it easier to increase their retirement savings,” she adds.

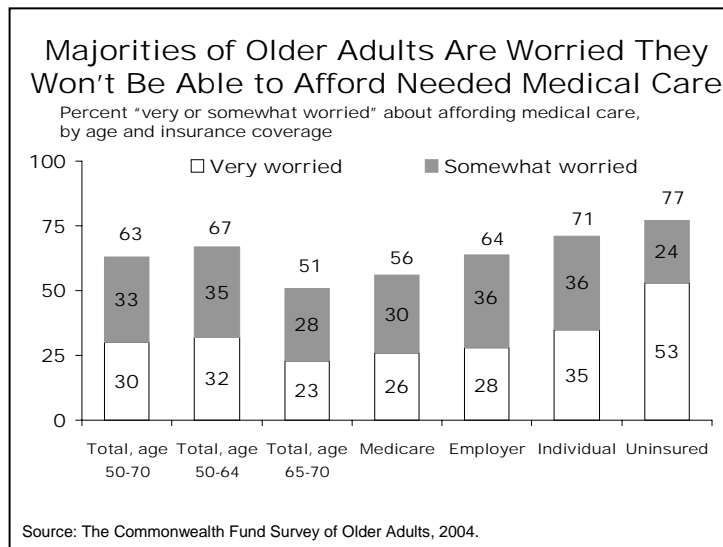
Findings from the survey were released today in a new Fund report, [\*Will You Still Need Me? The Health and Financial Security of Older Americans\*](#), by Sara Collins, senior program officer at the Fund and colleagues, along with two issue briefs, [\*Paying More For Less: Older Adults in the Individual Insurance Market\*](#), and [\*Medicare Health Accounts: A New Policy Option to Help Adults Save for Health Care Expenses Not Covered by Medicare\*](#).

### Older Adults More Vulnerable To High Health Costs

Older adults are becoming less protected from the high cost of medical care. According to the survey, 12 million older adults are currently uninsured or have had histories of unstable coverage. Older adults too young to qualify for Medicare who are uninsured or have coverage on the individual market are at risk of high out-of-pocket costs.

Older adults with coverage on the individual market are far less protected than those with employer coverage. They have much higher premiums, higher deductibles, and higher out-of-pocket costs that leave them substantially underinsured. More than half (54%) of adults ages 50 to 64 with coverage in the individual market spend more than \$3,600 annually on premiums, compared with 17 percent in that age group with employer coverage, and six percent of those covered by Medicare. Comparing out-of-pocket costs to income, the study finds that nearly one-third (32%) of older adults with individual coverage are “underinsured” compared to only five percent of those with employer coverage.

The survey reveals that low-income older adults are disproportionately joining the ranks of the uninsured. The number of uninsured adults ages 50 to 64 climbed from 5.5 million in 2000 to 6.4 million in 2003, according to recent federal data, due almost entirely to an erosion of employer-sponsored health benefits. Half (51%) of those ages 50 to 64 in the Fund survey with incomes of less than \$25,000 are either currently uninsured, had a time without coverage in the past year, or were without coverage for a time since turning 50. Loss of coverage is also affecting those farther up the income ladder: 31 percent of adults age 50 to 64 with incomes between \$25,000 and \$39,000 are either currently uninsured or had a recent time without coverage.



These trends worry older adults, especially those who are not yet eligible for the Medicare program. About three-fourths (73%) of adults 50 to 64 said they would be interested in buying into Medicare before they turn age 65. The eagerness for early entry into Medicare likely stems from the fact that a substantial share of individuals ages 50 to 64 (67%) suffer from at least one chronic health condition, and many are either uninsured or underinsured.

### **Medicare Health Accounts: Attractive Alternative**

“Americans are looking for new strategies to help them save more for retirement,” says Commonwealth Fund Senior Program Officer Sara Collins, lead author of the survey report. “Allowing savings through Medicare Health Accounts and ensuring that older adults have adequate coverage for their health care needs before they become eligible for Medicare would be a major step in that direction,” she adds.

The survey reflects strong interest among older adults in opening a Medicare account that would provide some additional protection and security during retirement. A Medicare Health Account would be distinct from the Administration’s proposed private investment accounts for Social Security and the new health savings accounts (HSAs) that are available to all adults with a high deductible health plan because it would provide a net increase in retirement savings and would not require individuals to pay more for current health expenses, according to Collins. Instead of substituting private investment or savings from an existing guaranteed benefit, she says the Medicare Health Account would let people add to savings as well as receive the traditional Medicare benefit.

The Fund’s Survey of Older Adults was conducted in late 2004. It presents new information on the health and financial security of older adults and examines attitudes toward Medicare and private sector health coverage. Other highlights:

- **As it approaches its 40<sup>th</sup> anniversary, Medicare continues to be a highly valued health insurance program.** Seven of ten (71%) current Medicare beneficiaries ages 50 to 70 said that becoming eligible for Medicare was very important. Adults in this age group with Medicare rate their overall health insurance coverage as high as their counterparts with employer-based coverage and much higher than those with coverage purchased through the individual market. Compared with those with other forms of coverage, Medicare beneficiaries report they have equal or greater choice of doctors, they fill out less paperwork, and have fewer problems getting their insurance to pay their doctors. Among those interested in buying into Medicare before age 65, a majority said they would be willing to pay at least a small premium, indicating that premiums would likely have to be subsidized to facilitate participation.
- **Many disabled and low-income older adults are uninsured just prior to becoming eligible for Medicare.** About a quarter (24%) of Medicare beneficiaries ages 50 to 70 reported that they were uninsured before they entered Medicare. This is a particular problem among those with disabilities who have to wait two years before becoming eligible. Among adults 50 to 64 who are eligible for Medicare because of a disability, more than two of five (41%) said they were uninsured just before joining the program.

- **Purchasing individual health insurance is a heavy burden for older adults.** About seven percent of those ages 50 to 64 purchase individual health insurance in the private market. Although this group tends to be more affluent and in better health than average for their age, they face higher out-of-pocket costs and are less well protected than those with Medicare or employer-sponsored coverage. About one-fourth (26%) of adults ages 50 to 64 with individual coverage spend \$6,000 or more annually on health insurance premiums.
- **High premiums do not necessarily provide comprehensive coverage.** Older adults with individual insurance have less comprehensive coverage than those covered by Medicare or through an employer, yet they pay more. More than two of five (42%) older adults with individual coverage have deductibles above \$1,000; nearly a quarter (24%) of older adults have deductibles of \$2,000 or higher.
- **Exposure to high medical costs limits access to health care for older adults who are uninsured or have individual health insurance.** About a quarter (24%) of adults ages 50 to 64 said the high cost of health care has deterred them from filling a prescription, seeing a doctor or specialist when needed, or getting a medical test or follow-up treatment. Fifty-seven percent of uninsured older adults reported at least one access problem because of cost, as did about one-third (32%) of older adults with individual insurance. This compares to 23 percent of Medicare beneficiaries and 18 percent of older adults with employer-based coverage.
- **High-out-of-pocket medical costs are creating serious financial hardships for older adults.** Thirty-five percent of those surveyed said they had a problem paying their medical bills in the last year or were paying off medical debt that had accrued over the last three years.

Methodology:

The Commonwealth Fund 2004 Survey of Older Adults was conducted by International Communications Research from September 14 through November 21, 2004. The survey consisted of 25-minute telephone interviews in English or Spanish with a random, nationally representative sample of 2,007 adults ages 50 to 70 in the continental United States. The study included 1,591 adults ages 50 to 64 and 416 ages 65 to 70.

Statistical results are weighted to the characteristics of all adults ages 50 to 70 in the continental United States, using the March 2004 Supplement of the Census Current Population Survey. The final weighted sample is representative of 59 million adults ages 50 to 70, including 48 million ages 50 to 64 and 11 million ages 65 to 70.

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 ages 50 to 64 and those ages 65 to 70, the margins of error are +/- 2.58 and +/- 4.98 percentage points, respectively.

The 72% response rate was calculated consistent with standards of the American Association for Public Opinion Research.

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