WORKING BABY BOOMERS' KNOWLEDGE OF RETIREE HEALTH BENEFITS AND COSTS

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This study was exploratory in nature, with the purpose of examining the relationships between working Baby Boomers' knowledge of retirement health benefits and health costs and actions they have taken to prepare for retirement. An online survey was completed by 209 Baby Boomers who are employed by three city governments in the Dallas-Fort Worth Metroplex. The research showed that health benefits knowledge does not predict retirement preparation but that Baby Boomers who demonstrate higher levels of knowledge-seeking behavior are more likely to undertake retirement preparation, specifically by purchasing an annuity. Among public sector working Baby Boomers, retirement preparation activities are found to be minimal. Age was found to predict knowledge-seeking behavior, in that older vs. younger Baby Boomers are more likely to engage in knowledge-seeking behavior related to retirement preparation. Current knowledge about health benefits does not predict retirement preparation.

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CHAPTER 1

INTRODUCTION TO THE STUDY

Baby Boomers are a well-documented population group and occupy a unique place in American history. They are the cohort of individuals born between 1946 and 1964. About 78 million U.S. Baby Boomers were alive in 2006 (U.S. Census Bureau, 2009). Baby Boomers make up one of the most prosperous generations in U.S. history (Congress, 2003), but at the same time, Congress says, many are likely to depend "heavily" on the government for most of their retirement income. And, despite the fact that Baby Boomers are expected to live longer than their parents, older Baby Boomers are less likely to report their health as "excellent" or "very good" compared to those born earlier (Stein, 2007).

Individuals who are 65 now are expected to live an average of an additional 18 years, and those who reach age 85 can expect to live, on average, another 6.4 years (U.S. Department of Health and Human Services, 2010). In 2030, when the youngest Baby Boomers will be 66 and the oldest will be 84, about 58 million Baby Boomers will still be alive. When the oldest Boomers begin turning 85, there will be 8.7 million of them (Vincent, 2010). As mid-century approaches, 18.9 million Baby Boomers will be 85 or older, the largest-ever group of older Americans who will use health services and who will need a way to pay for them.

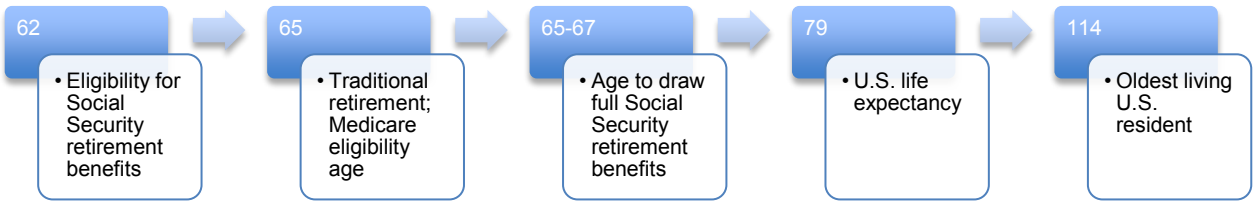

Figure 1. Milestones by age.

While Baby Boomers may envision a rosy retirement, life in their latter years has the potential to turn out quite differently – a medical and financial trauma scene that defies their expectations. This research measures knowledge levels of working Baby Boomers about health benefits and the expenses associated with paying for health care services. It also measures whether Baby Boomers have taken action steps to help shape their retirement future.

Research Statement

Baby Boomers who reach retirement age are expected to live several years longer than previous cohorts. Most Baby Boomers are currently working, but they are moving closer and closer to full retirement age. For many of them, the retirement phase of their life represents a life stage that will last longer than their childhood, young adulthood, or middle adult years. It remains to be seen how Baby Boomers will face future health issues and the financial challenges of paying for health care. This research provides evidence that Baby Boomers lack knowledge about health benefits and costs and are not prepared for the financial challenges they may face.

Retirement can become a sustainable reality for individuals when adequate finances are in place. However, it is difficult to project future health needs and the costs that might be associated with those needs. Education about health benefits for older adults and the costs of various care options provides individuals with knowledge to make informed and timely retirement-planning decisions. Among the gigantic Baby Boomer cohort, there are multiple levels of knowledge about health benefits and the cost of health care, as well as action steps Baby Boomers have taken to prepare for

retirement. Whether retirement is a planned event or forced upon an individual by circumstances, knowledge about retirement issues, including consideration of the role of health benefits and health costs, is key. This research demonstrates the relationships between various personal characteristics of public sector working Baby Boomers and knowledge of health benefits, health costs, knowledge-seeking behavior, and retirement preparation. While the research data also can be used to illustrate the relative readiness of Baby Boomers on a comparative scale of retirement preparation, this research does not suggest interventions to advance Baby Boomers along the scale.

Purpose for the Study

Baby Boomers need to acquire more knowledge about retiree health benefits and the cost of health care so that they can realistically face the health and financial challenges of retirement. As Baby Boomers consider decisions about retirement, they often do not understand how their future need for health care services may compromise their retirement reality. Their inadequate preparation for retirement needs can result in a later life course that is significantly different from their expectations. The purpose of this exploratory research is to measure working Baby Boomers' knowledge levels about retirement benefits and the cost of health care for older adults. Baby Boomer survey participants are viewed by age, gender, health status, household income, education and marital status.

While other research has focused on (1) the relationship between finances and preparation for retirement, (2) policy implications of private and publicly funded benefits programs, and/or (3) use of specific insurance benefits, such as hospice care,

prescription drug coverage or long-term care insurance, this research explores relationships between working Baby Boomers' knowledge about health benefits and costs in relation to knowledge-seeking behavior and actions Baby Boomers have taken to ensure that their health needs will be taken care of during their retirement years. This research is based on the assumptions that more education equals more awareness, more awareness equals more informed decision-making, more informed decision-making equals better retirement planning, and better planning equals a better retirement.

The retirement readiness scale resulting from this research can be used by Baby Boomers as a self-assessment tool and by educators as a way to determine the need for educational interventions. Results of this research support the need for providing more retirement benefits education to working Baby Boomers so that they can effectively plan for their future. It is expected that employers, consumer groups, and financial and retirement planners can enhance their role as educators as a result of this study. Additionally, federal, state and local program planners will be able to gain insights into needs that could be addressed by public programs offered in the future. Caregivers, younger workers, and Baby Boomers themselves can benefit from the research results as they address the current needs of loved ones, plan for future needs, and realize that it is not too early or too late to begin the process of learning about benefits.

The results of this research support life course and continuity theories by demonstrating that through increased education, Baby Boomers can minimize disruptions to their life course.

Rationale for the Study

This research has important ramifications at both the individual and public policy level. At the individual level, adequate knowledge of retirement health benefits and costs is needed so that Baby Boomers can make decisions that enhance their ability to sustain themselves during their retirement years. At the public policy level, it is in the interest of federal, state and local governments that individuals adequately manage their retirement costs in order to minimize the burden on government to use taxpayer dollars to support health services. The United States has not yet experienced a retiree group as large as the Baby Boomers, so it remains to be seen if current cost projections about health benefits and health costs prove to be true.

While the intent of federal employment legislation, such as raising the full retirement age for Social Security retirement benefits and removing income deduction limits when individuals reach full retirement age, is to ensure the viability of the system, the results do not affect every worker evenly. Workers are remiss if they do not recognize that they need to proactively plan for their future. Currently, the annual income of half of all Medicare beneficiaries is less than $22,000, half have less than $2,100 in retirement accounts, half have less than $31,000 in other assets, and half have less than $60,000 home equity (Kaiser, 2011b). While current Medicare statistics do not include most Baby Boomers because most are not yet on Medicare, income and asset statistics are a reflection of the financial reality of older adults in the U.S.

Assumptions

This research study assumes:

- Baby Boomers want to retire
- Retirement is a viable option
- Baby Boomers have varying levels of knowledge about health benefits in retirement
- Baby Boomers have varying levels of knowledge about health costs in later adulthood
- Health care is an important need in older adulthood
- Retirement planning is the responsibility of the individual, not the government
- Survey participants answered honestly and to the best of their ability

Theoretical Framework

Life course theory is a concept which states that the lives of individuals can be understood by viewing them within the framework of their historical and socioeconomic contexts (Elder, 2002, Giele & Elder, 1998). Aging and retirement are predictable stages of the life course, reached after maturation and a period of work experience. At the same time, aging is viewed as "a lifelong phenomenon, with the outcome in old age dependent on decisions made about life at all ages during the life course" (Schulz & Binstock, 2006, p. 21). Life course theory is reflected in the research model of this study, that is, that the personal characteristics of Baby Boomers influence their knowledge of health benefits and costs and their knowledge-seeking behavior. These factors in turn are expected to influence retirement preparation.

This research also draws on the concept of continuity theory. Both theories, which are explained more fully below, rely on the order and structure of life within an individual's social and cultural contexts. In the mid-20th century, the concept of

retirement became normalized as an expectation workers would experience after years spent working to earn a living (Phillipson, 1999). But retirement also can be perceived as a jolt to the predictabilities of the life course, a potential discontinuity of expectations that may lead to crisis if a person has not educated himself about retirement realities and taken steps to prepare for retirement. Lack of understanding about the potential health care challenges of later life is part of an information gap that can become a serious trap. Evidence indicates that Baby Boomers do not take enough time to reflect on how long they may live or what their health status may be as they age: they are lulled into thinking everything will work out "okay." They assume their Medicare benefits or retiree health plan will provide all the health coverage they need at a cost they can afford; they don't stop to think that limitations in health coverage or finances could be potentially devastating.

Life Course Theory

The lives of Baby Boomers can be explained in terms of the five basic principles of life course theory (Elder, 2002), which assume that development and aging are (1) life-long processes, (2) people construct their lives through the choices they make, (3) the timing of events affects the impact of their choices, (4) lives are influenced by and embedded in relationships with others, and (5) changing historical times affect individuals' experiences significantly.

All Baby Boomers are old enough to have experienced a significant amount of time in the workforce. They have had opportunities to seek and gain knowledge about retirement issues and to take action steps to prepare for retirement. The life choices

made thus far by Baby Boomers shape their present circumstances to a great extent and have already shaped some of their future. Decisions they have made about education, work and finances have influenced how much money may be available to them during retirement. Lifestyle choices made throughout their life course, such as eating habits, smoking and exercise, play a role in determining their future health status as well. Additionally, the variability of life course experiences within the cohort influences Baby Boomers' later life course. Some Boomers will continue to move along a pathway of continuity, but many others will face potentially severe discontinuity when they retire and discover they are not financially prepared for retirement. These latter individuals will experience a strong jolt to their life course. Factors such as education, work, health and family roles can change throughout the life course and negative risks such as limited education and poor health can accelerate the aging process (O'Rand, 2005). Thus individuals' responses to the opportunities and risks of later life are conditioned by the responses they made earlier in life. O'Rand's studies and those of others have shown a connection between higher economic resources and access to higher education earlier in the life course as a predictor of higher economic gains and longer life and health expectancies later in the life course. Lower economic resources and negative risks such as limited education also predict lower financial levels and lower life and health expectancies.

As a result of the unique historical time period they live in, the life course of Baby Boomers has been characterized by access to numerous lifestyle choices about education, work and family roles and freedom to set their own goals. The timing of events such as the rapid expansion of the U.S. economy after World War II and

progress brought about by numerous inventions and consumer conveniences has had a substantial impact on Baby Boomers' lifestyles (Dychtwald, 1999).

For centuries, people worked until they were physically unable to do so. In modern times, however, the idea of retirement has become popular, embodied by the thought that after a sustained period of productive labor, a person could cease working for wages and enjoy their later years. Researchers Kohli and Rein (Phillipson, 1999) divide the life course into three parts: a period of preparation for work, active work, and retirement from work. The idea of retirement became "institutionalized" between 1950 and 1970 and at least until very recently is now viewed as a normal part of the life course (Phillipson, 1999). The stability of this concept, however, has been threatened by recent economic developments, with the result that the life course related to retirement is no longer as predictable as it may have been in the past.

Continuity Theory

Continuity theory states that older adults try to maintain the self-concept they developed about themselves earlier in life and, as a result, also seek to maintain the same activities and behavior as when they were younger (Continuity theory, 2009). Continuity theory was described by Maddox in 1968 and further developed by Robert Atchley over a period of years. Like life course theory, it focuses on the individual within society and his effort to maintain a state of equilibrium internally and externally (Continuity theory, 2009). Continuity theory is reflected in this research model, which examines how personal characteristics influence knowledge of health benefits, knowledge of health costs, and knowledge-seeking behavior.

Personality, ideas and beliefs are part of a person's internal make-up and remain constant as he ages, according to continuity theory. External elements such as relationships with others and social roles also are maintained as a person ages, because the individual seeks a stable concept of himself and his lifestyle. When decisions are made about the future, they are based on the internal foundation that has already been established (Continuity theory, 2009). As a result, later life events such as health decline and financial insufficiency threaten the stability of a person's relationships and his social role. In that regard, the health and financial experiences of older adulthood may contradict the ability of people to maintain their lives in alignment with continuity theory.

This research model supports life course perspective and continuity theory by illustrating that: (1) the historical, social and cultural context of Baby Boomers' lives may provide an explanation for their readiness or lack of preparation for retirement, (2) the variability of Baby Boomers' life experiences because of age, gender, health, household income, education and marital status may help explain their readiness or lack of preparation for retirement, (3) Baby Boomers' decisions about retirement draw on their development and experience across their lifetimes, and (4) Baby Boomers' decisions about retirement assume they want to have a level of personal control over their future.

Definition of Terms

- Annuity: a financial investment that makes periodic payments to the purchaser in order to provide a steady amount of income
- Baby Boomers: Americans born between the years 1946 and 1964

- Chronic conditions: health conditions that persist over time
- Continuity theory: belief that older adults usually maintain the same activities, behaviors, personalities and relationships as they did in earlier years of life
- Custodial care: care that meets a person's personal need for assistance with activities of daily living
- Health status: the general physical and mental functioning capacity of a person
- Life course theory: a theory which states that a person's life fits into structural, social and cultural contexts
- Lifestyle changes: accommodations that a person makes to his previous way or standard of living in order to account for changes in circumstances, including health or finances
- Long-term care insurance: a type of insurance policy that pays some health care costs for individuals, generally in nursing facilities, assisted living, day centers, or at home
- Long-term Care Medicaid: a state/federal government program that pays the portion of the cost of nursing facility care that an individual is unable to pay
- Long-term services and supports: ongoing, community-based services that enable an individual to live in the community rather than an institution
- Medicare: the federal government's health insurance program for adults age 65 and older and younger adults disabled according to the Social Security Administration
- Middle old: Americans ages 75-84

- Older Baby Boomers: Americans born between 1946 and 1955
- Oldest-old, also called old-old: Americans who are 85 years old and older
- Realities of retirement: recognition that life after leaving the workforce may not be as pleasurable as it is envisioned
- Retirement: Period of time, generally in a person's older years, when a person is not working full-time for pay
- Younger Baby Boomers: Americans born between 1956 and 1964
- Young old: Americans ages 65-74

Limitations

The scope of the research is limited to:

- Individuals born between 1946 and 1964
- Baby Boomers who are currently working in the public sector
- Workers who experience the unique economic conditions of north central Texas
- Knowledge levels at the time of the survey
- The identified variables of age, gender, health status, household income, education and marital status

Delimitations

- The study is focused on knowledge of retiree health benefits and the anticipated need for health benefits, but not attitudes, perceptions or motivation related to the timing of retirement.

- Use of a convenience sample, which lacks random selection and assignment, limits the internal validity of the research.
- Discussion of the financial impact of insurance products and investments such as long-term care insurance and annuities, and types of pension plans is beyond the scope of this study.
- The transfer of wealth and its impact on Baby Boomers' assets is beyond the scope of this study.
- Generational cycles of poverty, which include lacking the financial resources and education to rise above poverty, are not discussed in this study.
- The future impact of federal health care legislation is beyond the scope of this research.
- The impact of housing, food, transportation and other retirement costs are outside the questions of interest for this research.
- Discussion of the merits of the Social Security retirement system and corporate retirement programs are outside the scope of interest for this research.
- Study of the availability of financial planning assistance is beyond the scope of this study.
- Discussion of cost control within the health care system is outside the scope of this study.

CHAPTER 2

REVIEW OF LITERATURE

Baby Boomers have been a popular topic of academic and consumer study for several decades, attracting attention because of their cohort size and unique placement in American history. Many studies have indicated that Baby Boomers are not financially prepared for retirement; however, broad generalizations minimize the great diversity that exists within the Baby Boomer cohort. This literature review reflects some of the variations found in the level of retirement preparedness among Baby Boomers. In the past 30 years, much of the retirement research related to Baby Boomers has focused on financial preparation. From the government perspective, Baby Boomers' finances are of interest because of its need to project the taxes required to fund public benefits for low-income retirees. The financial investment industry is keenly interested in Baby Boomers' finances so that it can define and target specific markets for its products. Because financial preparation for retirement is linked to education about the income and assets that may be needed during retirement, it is important for retirement research to focus on finding out how educated Baby Boomers think they are about retirement costs. Over the years, an emphasis on health has been added to retirement research, but often it is measured in terms of the lifestyle choices Baby Boomers will make during older adulthood rather than as a measurement of their knowledge about potential health issues they may encounter. Some studies measure respondents' specific knowledge of health benefits, whether through employer retiree plans, Medicare or other means, while studies about the purchase of financial products such as annuities are often discussed in the context of general retirement costs rather than being singled out as a way to help

pay for health care services. Now that the oldest Baby Boomers have started aging into Medicare, utilization data will begin to reveal their impact on the health care system and Medicare, the largest insurance program in the nation. Trends show that retirement from the American workplace has been affected by a decline in the number of defined-benefit retiree plans that are offered, marketplace adjustments that have affected the value of financial investments, and changing rules that have altered Social Security retirement eligibility and Medicare costs.

This literature review provides evidence that Baby Boomers have a low level of knowledge about Medicare benefits and that working Baby Boomers have unrealistic views about health benefits and costs during retirement. Baby Boomers have not taken the time to anticipate future health needs in a specific way: either related to health care costs they may incur or health conditions they may experience. Because of this, Baby Boomers have an unrealistic vision of their retirement years. The literature review begins with a description of Baby Boomers as a cohort within the context of 20th and 21st century American culture and a brief review of their expectations about their lifestyle and health during retirement. The next section of the review notes that Baby Boomers view retirement as risky, even though they continue to retire early. The literature review then summarizes recent research on Baby Boomer income and savings compared to the income and savings of current retirees, as well as Baby Boomer satisfaction with their savings. Expectations Baby Boomers express about retirement finances are then compared to the reality of retirement experiences. Next is a discussion of the need for health care services during retirement and projections of health care costs during retirement. Studies are then cited about Baby Boomers' knowledge of health benefits

and health care costs in retirement and expectations Baby Boomers have about paying health care costs. The importance of education in retirement preparation is explored, and finally, studies about Baby Boomer knowledge-seeking behavior and activities related to retirement preparation are reviewed.

Baby Boomer Cohort Characteristics: Many Members, Many Facets

Baby Boomers are the cohort of Americans born between the years 1946 and 1964, a post-World War II boom time. They are an "exceptionally large and therefore most unusual generation" (Schulz & Binstock, 2006). From their birth, they significantly impacted social and cultural norms in broad and sweeping ways. Their birth launched a period of tremendous growth in the U.S. economy because of a new demand for products and services, and they grew up with conveniences created by numerous consumer inventions. Since the educational system was not prepared to accommodate the number of Baby Boomers coming through its doors, schools, colleges and universities were forced to expand to accommodate them. Music, television programs, and commercials about fast food and soft drinks influenced their habits in a major way (Dychtwald, 1999). During the 1970s many Boomers sought to establish their self-identity through lifestyle experimentation. In the 1980s they began to pursue careers and families, Dychtwald says; in the 1990s they moved into roles of "maturity and power." In 1999, when Dychtwald's *Age Power* was published, 85% of Baby Boomers were employed, three-quarters were married, three-quarters had children, and two-thirds were homeowners. Baby Boomers are more educated than previous generations and are more likely to work in professional and managerial positions; however, they

have higher rates of divorce and separation, lower rates of marriage, and fewer children than earlier generations (Frey, 2010). They are also more racially and ethnically diverse than other generations. An unprecedented number of Baby Boom women work outside the home. Currently, 57% of Baby Boomer women work full time compared to 43% of women from their parents' generation (Frey, 2006). More Baby Boom women also own a home, 43% compared to 26% of their parents' generation. Baby Boomers were the first "suburban generation" and are likely to stay there as they grow older (Frey, 2010).

When AARP surveyed Baby Boomers in 2004, 32% said their last child had moved out of the house, and 27% had already experienced a serious health crisis. Sixty-three percent of those surveyed had experienced the death of a parent, and more than a third had assumed responsibility for the care of a parent. In 2011, Baby Boomers began reaching Medicare age. According to the U.S. Census Bureau (2009), the majority of the 78 million Baby Boomers in the U.S. are white and non-Hispanic (82.2%), are currently married (65.6%), have at least some college education (28.9%), and are currently employed (74.1%). In 2030, there will be about 58 million living Baby Boomers, 32 million females and 26 million males. Baby Boomers are expected to live about two years longer than their parents (Congress, 2003).

Baby Boomer Expectations about Lifestyle and Health during Retirement

Baby Boomers envision that they will have plenty of time for recreation when they retire, they will devote more time to community service, and they will have more time for a hobby or special interest (AARP, 2004). They also foresee themselves spending more

time with family; most expect to spend most of their retirement years living with a partner, and they plan to live near at least one of their adult children.

Baby Boomers know that physical activity plays an important role in maintaining their health, but it remains to be seen how this awareness will affect Baby Boomers' health in the future. On average, they feel 7 years younger than they actually are (AARP, 2004). Almost 6 out of 10 Baby Boomers consider themselves to be in very good or excellent health (AARP, 2004), although the proportion saying so has dropped since a 1998 study of Boomers by AARP. Sixty-three percent of Baby Boomers in the later AARP study said they feel younger than their actual age and attributed their attitude to feeling young, having good health, and exercising. At the same time, 48% agreed that they should give more thought to how they will keep active in retirement. Fifty-four percent of Baby Boomer respondents said they expect to exercise regularly in retirement, and 51% expect to be healthier than most other people their age during their retirement (AARP, 2004).

Other research, based in part on findings of the Health and Retirement Study, indicates that Baby Boomers may be less healthy than previous generations (Stein, 2007). Although they are less likely than other generations to smoke, Baby Boomers are more likely to say they have more chronic issues, more stress, and problems with physical activities such as climbing stairs, getting up from a chair, and completing other routines, as compared with previous generations at their age. Researchers have suggested, Stein says, that the results of this self-reported data may reflect Baby Boomers' lower tolerance of physical changes as they age than was acceptable to previous generations. Other researchers might point to the high rates of obesity among

American adults as an important factor in affecting how individuals view their health status.

Baby Boomers' lifestyle also will be affected by the demographic characteristics of the cohort. Those who are particularly vulnerable in retirement, says Gonyea (2005), are those who live longer, are widowed, live alone, and who worked in the secondary sector of the workforce. Of those who are already 65 or older, 17% of those who live alone are likely to be poor, compared to 3% of older persons living with a family (U.S. Department of Health & Human Services, 2010a). Hudson (2005, p. 11) has noted that the "old-old are disproportionately women, living alone, often physically or mentally frail, unable to work, and in possession of only meager savings and modest policy benefits."

Baby Boomers View Retirement as Risky: Say They Will Work Longer Yet Continue to Retire Early

Traditional age-related milestones for Americans include eligibility for Social Security retirement benefits at age 62, Medicare health insurance eligibility at age 65, and retirement from work at age 65. Increasing longevity has made it feasible for a person who retires at age 62 to live 100 years or longer and draw Social Security retirement benefits for more years than he worked. Although this is not the norm, for many Baby Boomers, longer life will mean more years in retirement as compared to the retirement experience of other cohorts. Individuals can delay the start of Social Security retirement benefits when they become eligible, and if they continue working, can increase the amount of money they will draw monthly (Congress, 2003).

Baby Boomers face the mixed blessing of enjoying a long life expectancy, but retiring during a period in history when predicting economic stability is part of "the new

risky society" (Schulz & Binstock, 2006). The researchers cite increased risks associated with personal retirement accounts, the possibility of Social Security reform, fluctuations in income, ups and downs in the stock market, shifting of pension and medical care risk by private employers, and the exporting of jobs abroad. Trying to plan for retirement is made more complicated, they say, by the fact that some planning data is not available "until it's too late" – like a summary of the number of years a person worked, their age at retirement and death, their total pre-retirement income, their income needs during retirement, and the future rate of inflation and economic growth. Despite these factors, the median age at which workers expect to retire has remained stable throughout most of the 1990s and the first decade of this century, at age 65 (Helman, Copeland & VanDerhei, 2012). Actual retirement age has remained stable at age 62 during the same time period.

Cutler (2001) reviewed data collected for the Myths and Realities study conducted by the National Council on the Aging and found that health concerns and savings for retirement are the two major factors consumers consider when deciding when to retire; age is less important as a factor. Gelfand (1993, p. 29) maintains that people tend to stay in the workforce for as long as possible because the risk of becoming old and unable to work is "one of the most serious situations that people face." Disruptions to a person's work life may occur for various reasons, such as health problems or disability, corporate downsizing or company closure, the need to care for a spouse or family member, or changes in job skill requirements. Some workers retire early because of positive circumstances, though, such as the desire to do something other than their current work, or the ability to afford an early retirement (Helman,

Copeland & VanDerhei, 2011). While 79% of Baby Boomers say they will work during their retirement years (AARP, 2004), of those, 30% say they will work part-time for "enjoyment's sake." Sixty-eight percent of Texas Baby Boomers (Texas Department on Aging, 2000) said they plan to work during their retirement years, either because they need the income, want health insurance coverage, or for enjoyment.

Since 1996, the Employee Benefit Research Institute has conducted an annual sample of more than 1,000 workers age 25 and older to measure self-reported behavior related to retirement planning, amounts set aside for retirement, and retirement confidence. The 2011 Retirement Confidence Survey indicated that within the previous year, 22% of workers altered their expected retirement to a date farther in the future than originally planned. Among the list of reasons cited, the anticipated need to pay health care costs was listed as a concern only 7% of the time. Worry about retirement finances in general appears to be a minor part of workers' thinking, but it is on their radar screen: 13% said they can't afford to retire, 10% believe the cost of living will be higher than expected during retirement, and 10% want to make sure they have enough money to retire comfortably before they actually retire. When projecting the age at which they will retire, the 2012 Retirement Confidence Survey showed that 37% of workers said they plan to retire after age 65. The 2012 version of the survey (Helman et al., 2011) showed there is a gap between reality and the perception of being paid while working during retirement. While survey results showed that 70% of workers say they plan to work for pay during retirement, only 27% of retirees said they actually do work for pay.

Workers who lack confidence about their financial security in retirement plan to

retire later, on average, than those who express confidence. Those not expecting to receive retiree health insurance from an employer also plan to retire later (Helman et al., 2011). When workers retire earlier than expected, they are less confident about having enough money for a comfortable retirement or about paying for basic and medical expenses, compared to those who retire as planned (Helman et al., 2012). A National Council on Aging survey (Cutler, 2001) found that among retirees ages 65 to 74 who said they are retired, only half agreed that they are when asked a separate question about whether they are "completely retired."

Baby Boomer Income and Savings Compared to Current Retirees: Baby Boomer Satisfaction with Current Savings and Retiree Confidence about Future Economic Security

Having experienced a unique life course, the economic experiences of Baby Boomers are distinct from the economic experiences of their parents (Schulz & Binstock, 2006). Because of their numbers, as Baby Boomers entered the working world, they had to compete for jobs, and throughout their careers, they have experienced relatively high rates of unemployment. As they began to build families, Boomers' demand for items such as housing exceeded the available supply, with the result that they paid top dollar for their homes (Schulz & Binstock, 2006).

Despite these challenges, Baby Boomers have "enjoyed historically high incomes over their working years" and "make up one of the most prosperous generations in U.S. history" (Congress, 2003). When their expected retirement income is compared with the federal poverty level, fewer are expected to live in poverty compared with those who are already retired. Baby Boomers will thus mimic the current population of individuals aged

65 and older, which experienced more prosperity than the generations that came before them (Federal Interagency Forum, 2010). The income ranges of current retirees illustrate the wide diversity of financial circumstances among the older population: in 2010, the annual income of half of all Medicare beneficiaries was less than $22,000, while less than 1% of beneficiaries had annual incomes more than $250,000 (Kaiser, 2011b). Average income is expected to be moderately higher for the next generation of Medicare beneficiaries. Most of the increase, though, will occur among those in upper income categories, the Kaiser Family Foundation says (2011).

Depending on the research reviewed, estimates of the asset levels of older individuals can vary sharply. Some estimates include home equity as a part of total wealth, while others do not consider it. Federal Interagency Forum data (2010) show that the median net worth of American households headed by white individuals who are age 65 and older has increased from $131,800 in 1984 to $280,000 in 2007; married couples age 65 and older have a median net worth two and a-half times that of households headed by unmarried individuals, $385,000 versus $152,000 (Federal Interagency Forum, 2010). Statistics compiled by the same group show that if the over-65 head of a household has had at least some college, median household net worth is $434,000, in contrast to households headed by older individuals who do not have a high school diploma, which have a median net worth of $78,000. With workers of all ages, total savings and investments increase sharply with household income, education and health status (Helman et al., 2011).

In the 2012 version of the Retirement Confidence Survey (Helman et al., 2012), 34% of workers assumed they need to save less than $250,000 for retirement, 18%

said they will need between $250,000 and $499,999, 20% thought they will need between half a million and a million dollars, 6% believed they will need between a million and a million-and-a-half dollars, and 9% said they will need more than $1.5 million for retirement. Those who participate in a defined-contribution retirement plan were more likely to estimate the amount of money they may need in retirement.

The Kaiser Family Foundation says that overall, half of all Medicare beneficiaries in 2010 had less than $2,100 in retirement accounts and half have less than $31,000 in other assets (Kaiser, 2011b). Those with combined savings of more than $1 million accounted for only 5% of the Medicare population; half of all Medicare beneficiaries in 2010 had less than $60,000 home equity (Kaiser, 2011b). That figure will change as Baby Boomers age; their average incomes, adjusted for inflation, are expected to be moderately higher than the incomes of current Medicare beneficiaries. By 2030, the average home equity of Medicare beneficiaries will be higher, adjusted for inflation, and the share of beneficiaries with savings will increase, because of the increasing numbers of current workers who have retirement accounts.

With regard to assets, studies commonly find that older workers tend to have higher asset levels than younger workers: the 2011 version of the Retirement Confidence Survey found that 54% of workers age 45 and older reported total savings and investments of up to $25,000, compared to 29% of workers age 25 to 34. The same study reported that 17% of workers age 45 and older said they have assets of $250,000 or more, versus 3% of workers age 25 to 34. No matter what level of assets have been accumulated, Lown (2008) calls longevity and health status “the final wild cards” in the retirement planning equation, following unknowns such as home equity amounts and

the amount needed to an maintain individual's standard of living. Lusardi and Mitchell's review of data collected for the 2004 Health and Retirement Study found that many people about to retire have little wealth outside of their home equity; that a sizeable fraction has zero or negative net worth because of credit card debt or outstanding loans; that those with less than a high school education have total net worth 14 times lower than college graduates; that in addition to education, net worth also is affected by race and ethnicity, marital status and gender; that Baby Boomers with the least wealth in 2004 are worse off financially than their counterparts were in 1992 (Lusardi & Mitchell, 2007).

An AARP study (2004) found that 70% of Baby Boomers are putting money into individual retirement accounts, 401(k)s, and other retirement savings accounts, and half are using regular savings accounts to accumulate money for retirement. According to AARP, 69% of Baby Boomers are at least somewhat satisfied they are setting aside enough money for retirement, and 19% are completely satisfied. The same survey results were cited by Schulz and Binstock, 2006, who noted that 39% of Baby Boomers said they are not confident in their ability to prepare adequately for retirement. Although about half of survey respondents ages 45 to 70 who filled out an online questionnaire (MetLife, 2010) said they are prepared for retirement, about 25% noted they are "significantly behind" in the amount they have saved for retirement, 7% said they have not yet started to save, and 13% said they do not have any retirement goals. A review of attitudes about financial preparation for retirement years among Texans age 60 and older reveals that although they are "generally optimistic," about 21% describe themselves as unprepared (Texas Department of Aging & Disability Services, 2010).

When Texas Baby Boomers were surveyed 10 years earlier about their retirement expectations (TDOA, 2000), 39% of those surveyed said they were worried they will struggle to make ends meet, 41% were concerned they may outlive their retirement savings, and 40% were afraid they will not be able to afford retirement at all. Yakoboski's data analysis (2011) showed that 55% of state and local government workers feel they are "behind schedule" in retirement planning and saving and 20% are "a lot behind schedule," while 45% think they are "on track" or "ahead of schedule." By comparison, 70% of workers in general feel they are "behind schedule" in retirement planning and saving and 40% are "a lot behind schedule," while 29% think they are "on track" or "ahead of schedule."

Compared with American workers in general, state and local government workers are more likely than private sector workers to be eligible for a defined-benefit pension and more participate in a retirement savings plan (Yakoboski, 2011). Public sector workers also display more confidence about their prospects to be financially secure during retirement than workers in general. Yakoboski's data analysis of workers surveyed by Mathew Greenwald & Associates showed that 99% of full-time state and local government employees have access to a retirement plan through their work, and 94% participate, compared to 74% of full-time employees in the private sector who have access to a plan and 59% who participate. To supplement their pension income, 86% of state and local government employees are saving money for retirement, compared with 59% of workers in general (Yakoboski, 2011). Retirement confidence levels are as follows: 17% of state and local government workers are "very confident" about their prospects for adequate retirement income, compared to 13% of all workers, 50% are

"somewhat confident" compared to 36% of all workers, and 33% are "not confident" compared to 50% of all workers (Yakoboski, 2011).

Among those who are already retired, Retirement Confidence Survey results showed in 2011 that retirees who are "very" confident about their finances remained stable at 24%, similar to results found in earlier versions of the study (Helman et al., 2011). The Senior Financial Stability Index, a measurement tool created at the Heller School for Social Policy at Brandeis University (Meschede, Sullivan & Sharpio, 2011, July), evaluates five components of economic security: assets, household budget, health care expenses, home equity, and housing costs. The index compares projected needs over the life course with resources that are currently available to individuals. Index measurements show that in 2008, 36% of senior households were "economically insecure." Another 40% of senior households were found to be "financially vulnerable" when measured by index standards. The researchers took note of the fact that the recent U.S. recession has impacted all demographic groups, including seniors. A 2010 consumer poll of 1,800 older adults and their adult children found that nearly 50% of seniors worry they may not have enough money to support themselves in retirement (National Reverse Mortgage Lenders Association, 2010).

Baby Boomer Expectations about Retirement Finances versus Retirement Reality: Signs of Economic Sufficiency and Economic Distress

The diversity of Baby Boomer life course experiences is a reminder that the finances of Baby Boomers in retirement will be diverse. In general, the Congressional Budget Office says (Congress, 2003), studies show that Baby Boomers have accumulated more wealth than the previous generation; as the types of wealth included

in the wealth calculation increase, the share of Baby Boomers that appears to be prepared for retirement increases. Studies of Baby Boomer efforts to accumulate enough assets for retirement, according to the CBO, indicate that about half of Baby Boomer households will be able to maintain the standard of living they have while working, but many low-income, low-education Baby Boomer households are likely to have a lower standard of living in retirement and many will depend on public benefits. While the percentage of those living in poverty or considered near-poor is expected to decline by 2030 (Kaiser Foundation, 2011) the percentage of those with incomes above 600% of the poverty level will increase. The National Retirement Risk Index (Munnell, Golub-Sass, Soto & Webb, 2008) indicates that for those at risk of not being able to maintain their standard of living in retirement, the risk is higher over time, based on age and income. Munnell predicts that 35% of Baby Boomers born between 1948 and 1954 and 44% of Baby Boomers born between 1955 and 1964 will not have adequate retirement income to maintain their standard of living. For these same two age groups, 33% of older Boomers and 36% of younger Boomers in the top third income level are at risk; 28% of older Boomers and 44% of younger Boomers in the middle third income level are at risk, and 45% of older Boomers and 54% of younger Boomers in the bottom third income level are at risk.

Baby Boomers' varied life experiences underscore the idea that Baby Boomers' retirement experiences will vary significantly. According to Frey (2006), "Boomers will be more divided between those who will live comfortably and those with histories of broken families, less stable employment and fewer children to provide them with economic and social support as they reach older ages." AARP's 2004 Baby Boomer study verified a

trend observed in its 1998 study, as well as in other research, “a widening gap between the rich and poor.” AARP suggests that there are five distinct categories of Baby Boomers, which the organization has termed the Strugglers, the Anxious, the Self-Reliant, the Enthusiasts, and the Traditionalists. Lown (2008) states that the consensus of researchers, as noted in the CBO figures above, indicates that half of Baby Boomers are financially prepared for retirement. She further notes that one-fourth of Baby Boomers will have financial challenges and one-fourth are at risk of poverty. Differences exist in how researchers measure retirement income adequacy, as discussed in a previous section of this literature review. Examples, per Lown, are whether to include potential health care expenses and if so, how to project the costs, and how home equity should be treated. Although many studies indicate a “retirement funding crisis,” says Lown, some researchers say the problem is “overblown” because the financial industry is setting the targets for retirement savings too high. Predicting retirement needs is complicated by the fact that retirees’ current expenditures do not adequately predict their future consumption and that older consumers may go through what researcher Stein calls active, sedentary, and remain-at-home phases of retirement (Lown, 2008).

Data collected by various researchers during the last two decades illustrate divergent scenarios: one that takes a positive outlook toward the retirement finances accumulated by workers and one that espouses a pessimistic viewpoint. On the positive side, Lown (2008) cites data collected for the 1992 Health and Retirement Study and analyzed by Scholz, Seshadri and Khitatrakun in 2006. The researchers estimated household wealth using a life-cycle model and concluded that less than 20% of households will not have enough resources for retirement. Because Baby Boomers at

the time of this writing have 20 more years of work and life experience, the value of a model based on 1992 data may be limited. Lown also cited analysis of data from 2004 by Love, Smith, and McNair, who modeled sources of retirement income and assets that could be expected to finance the retirement needs of households of individuals age 51 and older. The results indicated that most older households will have sufficient resources for retirement (Lown, 2008). Although Engen, Gale and Uccello's data analysis in 2005, using 1992 Health and Retirement Survey data, indicated that more than half of married couple households had adequate wealth-earnings ratios, they noted that the one-third of the Baby Boomer population who hadn't begun to plan for retirement would face retirement savings problems in the future (Lown, 2008). Munnell's 2005 summary of retirement research indicated that when the value of home equity is factored into asset levels, about half of Baby Boomers are "well situated" to maintain their lifestyle in retirement if they are willing to spend about half of their home equity (Lown, 2008).

Other research favors the pessimistic point of view that Americans are not saving enough for retirement. Only 31% of those who responded to the 2003 AARP survey equate the idea of retirement with having enough money and having financial security. Schulz and Binstock (2006) contend that Baby Boomers are not setting aside enough money for the future and cite research by Bernheim and others, which has found that even with Social Security retirement income added in, Baby Boomers will not have adequate income when they are retired. Lown's review of Baby Boomers' savings adequacy cites the following research: Weller, 2002, who discusses "retirement out of reach"; Wolfe, 2002, who "paints a bleak future"; Warshawsky and Ameriks, 2000, who

say the “majority of Americans are behind schedule”; Fore, 2003, who says America is divided into the half that have ”some” retirement savings and the half that have none, and Korczyk, 2008, who concludes that only half of Baby Boomers “will do fine” in retirement (Lown, 2008). Yakoboski (2011) points out that even though 48% of state and local government workers who have saved in the past and who are currently saving have calculated the amount they need for a comfortable retirement, they may have based their figures on “an unrealistic view of replacement income needed.”

Older public sector workers who have saved money for retirement in addition to the money their pension will provide have given more thought than younger public sector workers to how they will manage their savings so that they can maintain a desired lifestyle (Yakoboski, 2011). Of state and local government workers ages 45 to 54, 23% have given “a great deal” of thought to ways they will use their retirement income, and the percentage increases to 30% of such workers ages 55-plus; of state and local government workers ages 45 to 54, 54% have thought “somewhat” about managing their savings, compared to 52% of workers ages 55-plus who have done the same. When asked about their confidence in not outliving their savings, 20% of state and local government workers said they are “very confident” and 47% said they are “somewhat confident” (Yakoboski, 2011).

Economic distress among Baby Boomers and older adults is reflected in the increasing percentages of older adults who declare bankruptcy. Between 1991 and 2007, bankruptcy filings among adults age 55 and older increased from 8.2% to 22.3% of total bankruptcies filed (Thorne, Warren & Sullivan, 2008). In 2007, more than one million adults of all ages declared bankruptcy. According to Thorne’s (2008) comparison

of data collected from three major bankruptcy projects, the risk of bankruptcy rises with age. The Baby Boomer cohort spans several of the age groups Thorne documented: people age 55 to 64 at the time of Thorne's study (birth years 1943 to 1952) experienced a 151% increase in bankruptcies from 1991 to 2007, and people who were 45 to 54 (birth years 1953 to 1962) experienced a 49% increase in bankruptcy filings. The oldest Baby Boomers are included in the results reported for individuals age 65 to 74: they experienced a 178% increase in bankruptcies (Thorne et al., 2008). Steadily increasing bankruptcy rates for older filers, Thorne says, are a reflection that the "economic news for seniors is consistently grim" (Thorne et al., 2008, p. 10) and that "age is increasingly associated with financial distress and seeking protection from creditors through the bankruptcy courts" (Thorne et al., 2008, p. 10). Another measure of the prevalence of financial difficulties older adults encounter is evidenced by the decreasing age of those who are considering a reverse mortgage loan as a way to generate funds. Baby Boomers between the ages of 62 and 64 now represent 21% of those who are thinking about such a loan, compared to about 6% in 1999 (MetLife, 2012). Although older adults often use the money from reverse mortgages to enhance their quality of life, more and more reverse mortgages are viewed as a way to generate funds used to help manage "urgent financial needs" (MetLife, 2012). Of those who participated in reverse mortgage counseling in 2012, 67% said they wanted to lower household debt.

The Need for Health Care Services in Retirement

Workers' perceptions about the need for adequate health care coverage during

retirement have changed over time. In the past, industrial societies provided retirement income and health coverage that protected individuals when they faced acute illnesses (Hudson, 1999). But to a greater degree than before, Hudson notes, the idea of economic security now includes coverage against “potentially severe and unpredictable incapacities associated with very advanced age.” Because Americans are living longer, the concepts of “aging” and “old age” have started to move away from the measurement of chronological age and toward the measurement of functional capacities and vulnerabilities in relation to health risks and economic status (Gonyea, 2005; O’Rand, 2005).

Rappaport’s (2000) summary of research conducted for a retirement needs project found that after workers are retired they experience changing economic and health needs that often are not fully recognized or planned for at the time of retirement. Although multiple events may occur, such as death of a spouse or other changes in family status; changes in functional status or health care needs and costs; changes in housing needs, and the effects of inflation and fluctuations in investment performance, there is no particular order in which they may happen. Ideally, the retirement-planning process should focus on all of these events and their interrelationships, Rappaport says.

Although 39% of older adults assess their health as excellent or good (U.S. DHHS, 2010a), chronic ailments and conditions set in, and as age increases, the probability of serious illness increases (Schulz & Binstock, 2006). The four diseases that lead to the most deaths among the 65+ population, the researchers say, are heart disease, cancer, stroke and chronic obstructive pulmonary disease. These diseases are often accompanied by “a prolonged period of functional decline, disability, and high

rates of health services utilization," says Santos-Eggimann (2002), thus many older adults do not pass away quickly when they experience serious health issues. Nine of every 10 Medicare beneficiaries living in the community report that they have one or more chronic conditions; 46% say they have three or more (Cubanski, Huang, Damico, Jacobson & Neuman, 2010). Almost 37% of persons age 65 and older reported in 2005 that they have a severe disability (U.S. DHHS, 2010a), and the incidence increases as people age: 56% of individuals 80 and older reported they have a severe disability. For those age 65 and older who said they have a severe disability, 64% said their health was either fair or poor, as opposed to excellent or good. Thirty-one percent of Medicare beneficiaries were reported to have a cognitive or mental impairment (Cubanski et al., 2010). Medicare beneficiaries with lower incomes generally say they are in poorer health than those with higher incomes.

Diminished health status is linked to the need for assistance from others, whether by family caregivers or through private pay or public health care services. Individuals over age 65 consume three times more short-term hospital stays than people of all ages, have a longer average length of stay than persons of all ages, and average more doctor office visits per year than persons 45 to 65 years of age (U.S. DHHS, 2010a). An AARP analysis of Medicare usage found that in 2006, 95% of Medicare beneficiaries visited a medical provider, almost 88% used prescription drugs, and 72% utilized hospital outpatient services (Nonnemaker & Sinclair, 2011). Cubanski et al. (2010) noted that in 2006, 21% of Medicare beneficiaries had inpatient hospital stays, and 30% had one or more emergency room visits.

The health needs of older adults encompass both physical and cognitive deficits. The Alzheimer's Association says that 5.2 million individuals age 65 and older have Alzheimer's disease, and by 2050, the number will increase to up to 16 million (Alzheimer's Association, 2012). The association also notes that nearly half of people age 85 and older have the disease; it is the fifth leading cause of death for those age 65 and older.

The risk of needing long-term services and supports also increases with age: these services assist people with their self-care when they have a physical or mental condition or disability. According to the federal government's long-term care web site, about 9 million older Americans currently need long-term care services. In 2008, more than 6 million people over the age of 65 received some form of long-term services and supports, whether at home or in an institution (National Health Policy Forum, 2010). The government also estimates that about 70% of people age 65 and older will require some type of long-term care during their lifetime. Advancing age is in itself a risk factor. Other risk factors include marital status (related to the need for paid care if a spouse is not available to provide it), gender, lifestyle, health and family history. Forty percent of those age 65 and older are expected to live part of their life in a nursing facility (U.S. Department of Health & Human Services, 2011d), but the percentage of older adults living in a nursing facility at any given time is only 4% (U.S. DHHS, 2010a). Women are more likely than men to need long-term care services (U.S. DHHS, 2011d), whether at home or in an institution: contributing reasons may be their longer life expectancy and the fact that 50% of women age 75 and older live alone (U.S. DHHS, 2010a).

Federal statistics indicate that skilled nursing facility stays have increased from 28 per 1,000 Medicare beneficiaries in 1992 to 81 per 1,000 in 2007 (Federal Interagency Forum, 2010). While Medicare beneficiaries ages 65 to 74 had 32 skilled nursing facility stays per 1,000 enrollees, beneficiaries 85 and older had 227 stays per 1,000 beneficiaries. The 4 million people in the 85 and older age group are those with the highest prevalence of morbidity, disability and institutionalization (O'Rand, 2005). About 75% of people in that age group have long-term care needs, says Santos-Eggimann (2002).

Nursing home residency is appropriate only for a small proportion of the older population at any given time, because many chronic illnesses experienced by older adults are treated successfully at home. Increased funding for public programs and the increasing numbers of patients treated at home are indicators of the success of providing community-based services as an alternative to institutionalization. Data collected from several federal studies also underscore the fact that health care services for older individuals are provided at increasingly higher levels of intensity: between 1984 and 1994, although the number of older persons who used long-term care services, whether in institutions or the community, was constant at about 5.5 million persons, there was "a striking increase in the level of disability among those who received help" (U.S. Department of Health & Human Services, 2011c). Measured by the need for assistance in performing 3 to 6 activities of daily living, there was an increase among those who required such help from 35% to almost 43%. The prevalence of cognitive impairment rose as well (U.S. DHHS, 2011c). Home health visits are another indicator of the need for more health care services as people age. Medicare-approved home

health visits provide skilled health services to community-dwelling individuals who are homebound. Statistically, these visits increase as beneficiaries age. In 2010, Medicare approved 1,713 home visits per 1,000 enrollees among beneficiaries ages 65 to 74, versus 7,333 visits per 1,000 beneficiaries ages 85 and older (Federal Interagency Forum, 2010). When health care needs progress to the point of making end-of-life decisions, most older adults do not want health care professionals to artificially extend their lives. Research results show that 70 to 95% of people of all ages do not want aggressive treatment when chances of recovery are low; for patients 65 and older, prognosis is a determining factor in deciding whether or not they would accept life-sustaining treatment (U.S. Department of Health & Human Services, 2003). No matter what their health status, patients age 64 and older are more likely to approve treatments such as antibiotics or blood transfusions than to okay the use of a permanent respirator or permanent tube feeding (U.S. DHHS, 2003).

The Cost of Health Care Services in Retirement

Statistical evidence about increasing health care costs paints a picture that will challenge many Baby Boomers in the future. Public and private insurance coverage pays a major portion of overall health costs individuals experience: in 2006, Medicare paid for 55% of the health care costs encountered by people age 65 or older, private insurance paid 19%, Medicaid paid 7%, and individuals paid 19% of costs out of pocket (Federal Interagency Forum, 2010). Digging into the household budget to pay health care costs is almost universal: 95% of people 65 and older spend money out-of-pocket for health care services (Federal Interagency Forum, 2010). Medicare beneficiaries

spent a total of $191 billion in out-of-pocket expenses, including the costs of medical care, long-term care and premiums, in 2006 (Kaiser, 2011a).

Researchers who track the amount of money spent by individuals say the amounts can be substantial: most older adults experience more than minor out-of-pocket costs for health care, and many face high out-of-pocket costs (Nonnemaker, 2011). As compared with the total population, older adults average higher out-of-pocket costs for health care than younger adults (U.S. DHHS, 2010a). In 2008, older individuals on average spent $2,844 on insurance costs, $821 on medications, $793 for medical services, and $145 for medical supplies annually. Federal statistics gathered for a report on the well being of older adults showed much higher figures: an increase in average health care expenditures for older adults from $9,224 per person in 1992 to $15,081 in 2006 (Federal Interagency Forum, 2010). In 2006, one out of four Medicare beneficiaries spent 30% or more of their income on health expenses, and one in 10 spent more than half of their income on health care expenses (Kaiser, 2011a).

Health care costs experienced by the older population vary according to income, health status, and advancing age. Those who have lower income experience higher health care costs than those with higher incomes, and those with five or more chronic conditions experience the highest costs (Federal Interagency Forum, 2010). In 2004, those with five or more chronic conditions spent an average of $3,862 on prescription drugs, compared to older adults with no chronic conditions, who had average prescription drug costs of $800. Those who are poor or near poor spent a higher percentage of their household income on out-of-pocket health care expenses in 2006, 28%, than they did in 1977, 12% (Federal Interagency Forum, 2010). By the time

Medicare enrollees have moved into the oldest old category, 85 years of age and up, their health care costs are considerably higher than the medical expenses encountered by Medicare enrollees 65 to 74. Figures reported by the Centers for Medicare & Medicaid Services for 2004 (Federal Interagency Forum, 2010), show that the 85 and up age group averaged about $22,000 in annual health care expenses, including out-of-pocket costs and costs covered by insurance, while the 65 to 74 year-old group averaged about $9,000 in costs.

The Alzheimer's Association paints a grim picture of aging in America and the cost of paying for health care services. Their 2012 factsheet (sic) states, "The graying of American means the bankrupting of America – and Alzheimer's is a major reason why." The current cost of caring for individuals with Alzheimer's is estimated to be $200 billion, which will increase to $1.1 trillion in today's dollars by 2050 (Alzheimer's Association, 2012). When a senior who has diabetes also has Alzheimer's disease, the association notes, Medicare costs for treating that individual are 81% higher than for a senior with diabetes but no Alzheimer's.

Studies show that the financial burden of health care costs is expected to grow at a faster pace than increases in retiree income. The term "burden" is often used when health care costs consumers more than 20% of their household income (Johnson & Mommaerts, 2010). By 2020, median out-of-pocket spending for health care costs experienced by Medicare beneficiaries is expected to be 26% of income (Kaiser, 2011a). Other research indicates that by 2040, health care costs are expected to consume at least 19% of the income of half of adults 65 and older, according to Medicare intermediate rate projections (Johnson & Mommaerts, 2010). At the individual

level, 78% of Medicare beneficiaries who responded to a consumer survey (Bankers Life & Casualty, 2012) reported that they have sought to reduce health care expenses by doing one of the following: switching to generic prescriptions, delaying a doctor visit, or changing health plans. A small percentage of respondents have split their prescription pills to make them last longer or postponed surgery or a medical procedure.

Almost 10% of national spending on health care for people of all ages in 2008 was dedicated to long-term services and supports. Most of that amount, $191.1 billion, was paid by the Medicaid program (National Health Policy Forum, 2010). Some individuals pay out-of-pocket for both home and facility-based long-term care services or have family caregivers to help them remain in the community. An analysis of payer sources in 2005 (Komisar) divided long-term care costs among Medicaid, 48.9%; Medicare, 20.4%; out-of-pocket, 18.1%; private health and long-term care insurance, 7.2%; other private means, 2.7%, and other public means, 2.6%. In 2006, federal statistics indicated that Medicaid paid the cost of long-term facility stays for individuals 65 and older 47% of the time, individuals paid out of pocket 45% of the time, and for 7% of patients, “other” forms of payment were used (Federal Interagency Forum, 2010).

Long-term care costs vary from state to state. In Texas, the 2011 median monthly cost of a semi-private room in a nursing facility was $127 per day compared to a national median of $193; the median daily cost of adult day services was $30 compared to a national median of $60, and the median hourly cost of a home health aide was $18 compared to a national median of $19 (Genworth Financial, 2011b). Genworth also reported that since 2003, nursing facility costs have steadily increased, while rates for non-skilled services have remained relatively flat in Texas (Genworth

Financial, 2011b). The average lifetime cost of long-term health care insurance premiums for a couple 65 years old in 2008 was estimated by an industry insurer to be $85,000 (Medical News Today, 2008).

Baby Boomer Knowledge of Health Benefits in Retirement

Health coverage for older adults is provided in three major ways: (1) Medicare, the federal government's health insurance program for people 65 years old and older, people with disabilities, and those with kidney failure, (2) private insurance coverage provided through a former employer, long-term care insurance, Medigap supplement, or specialty policies, and (3) Medicaid, government-financed health coverage that provides community-based health benefits and nursing facility care for people with limited income and assets. Medicare health insurance currently covers 47.7 million people (Kaiser Family Foundation, 2012b); it has grown significantly since its first day of coverage in mid-1966, when it provided benefits to 19.1 million people (Medicare Rights Center, 2008). Of the individuals covered in 2010, 16% were under the age of 65, 43% were between the ages 65 and 74, 28% were between ages 75 and 84, and 11% were age 85 and older (Kaiser Family Foundation, 2012a).

Medicare Part A provides hospital benefits; Part B covers doctors' services, outpatient care, home health and preventive services, and Part D provides prescription drug coverage (U.S. Department of Health & Human Services, 2010b). Medicare beneficiaries are required to pay the deductibles, premiums and coinsurance amounts associated with each part of the coverage. Medicare Advantage plans, sometimes called Part C, are health plans offered by private insurers and which provide an optional

way for beneficiaries to receive their Medicare benefits. Beneficiaries also experience cost-sharing with Medicare Advantage plans. Medicare does not cover the cost of long-term care, but hospice (end-of-life) benefits are covered as long as a hospice medical director or doctor certifies that the beneficiary is terminally ill. Medigap policies are optional, private health insurance policies that pay the beneficiary's share of Medicare costs after Medicare has paid its approved amount for the health services it covers. Various coverage levels are available. If Medicare does not provide payment for a health service, a Medigap policy does not pay either. Long-term care insurance is optional, private insurance that covers part or all of the costs associated with long-term care. Policies are subject to underwriting guidelines; thus a person who has a pre-existing condition may not be able to purchase a policy (U.S. DHHS, 2011a).

Medicare eligibility is based on a person's contribution, or their spouse's contribution, to federal taxes during the person's working years; 40 credits earned over 10 years entitles a person to Medicare Part A coverage without paying a monthly premium. Individuals with less that 40 credits can purchase Part A coverage (U.S. DHHS, 2010b). An individual's health is not a factor in determining Medicare eligibility. Most beneficiaries pay a monthly premium for Part B coverage and a separate monthly premium for Part D coverage.

A recent National Council on Aging survey among Baby Boomers and individuals 65 and older revealed that 36% of the 500 Baby Boomers included in the survey find Medicare to be confusing and said they do not understand it very well. Sixteen percent of the Baby Boomers surveyed said they do not understand Medicare at all (National Council on Aging, 2011). Only 23% of Baby Boomers could correctly identify Medicare

Part A as the part that covers hospital stays, and only 15% knew that Part B covers doctor visits.

Other research also has shown that older individuals have limited knowledge about their health care benefits: only about half of survey respondents ages 45 to 64 could correctly identify Medicare coverage of hospital stays and doctor visits and knew that Medicare did not cover nursing home stays (Schur, Berk, Wilensky & Gagnon, 2004). These researchers concluded that workers who are close to retirement "are not well informed" about their employer-related or Medicare benefits. The researchers observed a "serious mismatch between what workers are expecting and what they are likely to have available to them." Research conducted by Lusardi and Mitchell (2006) also demonstrated that "many older workers have only very limited knowledge about their old-age benefits." They cite research by Gustman and Steinmeier in 1989 and 2004, Mitchell in 1988, and Bernheim in 1998, who reviewed data collected for the Health and Retirement Study (HRS). Housed at the University of Michigan, the HRS is a longitudinal panel study that samples Americans age 50 and above. Several years' data, the researchers noted, showed that older workers often cannot accurately identify the type of pension plan they have, when they will be eligible for benefits, how much their Social Security retirement will be, or program rules for receiving benefits (Lusardi & Mitchell, 2006). A 1999 review of public opinion polls, conducted by Bernstein and Stevens, noted that Medicare beneficiaries have problems understanding the program's benefits, coverage, reimbursement, coordination of services and payments, supplemental insurance, and managed care.

Research also has documented that Baby Boomers have limited knowledge of long-term services and supports. A Texas study found that 41% of those surveyed thought Medicare pays for long-term nursing facility care, and although 21% said they have purchased long-term care insurance policies, 23% did not know if the policy covered nursing facility care (Texas DADS, 2010).

Baby Boomer Knowledge of Health Care Costs in Retirement

Retired workers who are now using Medicare realize they will experience health care costs that Medicare does not cover. A consumer study of 800 people ages 47 to 75 showed that about 77% of middle-income Americans with Medicare have purchased supplemental coverage or have enrolled in a Medicare Advantage plan (Bankers Life & Casualty, 2012). The biggest surprise for 43% of the respondents who have Medicare, according to the findings, is that their Medicare expenses are higher than they thought they would be. Other surveys (Bankers Life & Casualty, 2012) have shown that 33% of respondents already on Medicare do not understand the scope of their coverage for doctor visits and hospital stays; they don't understand the very limited benefits provided for dental, vision and hearing care, and 66% either don't know about or overestimate Medicare coverage of long-term care. In similar fashion, workers who are close to retirement are "not well informed" about their employer-related or Medicare benefits, and they are not well prepared for health care expenses in retirement (Schur et al., 2004). In the consumer study mentioned above, 13% of Baby Boomers said they thought Medicare is a free program. Regarding knowledge of benefits provided by Medicare, 56% of middle income Baby Boomers reported they know "little" about the

Medicare program, and 26% say they know “almost nothing.” As far as costs go, in the same survey, when given a choice of answers about Medicare premiums, 43% of middle-income Baby Boomers did not choose the correct answer, which would have indicated that they realize that most beneficiaries pay a premium for Medicare coverage. In general, 27% did not know how their health care costs might change once they are on Medicare, 23% said they expect to pay more than they do now, 32% said they expect to pay less, and 18% expect to pay about the same.

Survey responses from those who have purchased long-term care insurance and those who have not showed that non-buyers are twice as likely as buyers to believe that the government will pay for most of their long-term care services if they ever need them (America’s Health Insurance Plans, 2007). The same study showed that 70% of those who have not purchased long-term care insurance believe that nursing home care costs less than it actually does.

Baby Boomer Expectations about Paying for Health Care

Millions of working Baby Boomers face the challenge of crafting retirement plans that successfully adapt to a continuously changing economic environment. Research models vary in the way they define adequate levels of income and assets needed for retirement and therefore reach different conclusions about Boomers’ future prospects for acquiring adequate retirement funds.

When the coverage provided by employers’ retiree plans, Medigap supplement policies, Medicare managed care plans, and Medicaid are considered, 90% of current

Medicare beneficiaries have supplemental insurance to cover some of the health care costs that Medicare does not cover (Cubanski et al., 2010).

When asked about their plans to pay for health costs not covered by Medicare, 22% of survey respondents ages 45 to 54 and 29% of respondents ages 55 to 64 said they had given that question “a lot of thought;” almost half in each age group said they had given the question “a little thought,” and 30 and 24% respectively said they had not thought about it “at all” (Schur et al., 2004). More than half of the respondents expect to get supplemental health coverage from their employer when they retire, but 30% said they won’t, and another 10% didn’t know. Of those who expect no employer-sponsored retiree health benefits, 40% did not know how much premiums would cost for a Medicare supplement policy. Yet close to half of the workers ages 45 to 64 said they plan to rely on their retirement income to pay for health care expenses; about 35% said they would use personal savings. Few public sector workers have set aside money for the premiums, deductibles and coinsurances not covered by insurance or Medicare: 31% said they have not done so “at all,” 25% have done so “hardly at all,” and only 8% have done so (Yakoboski, 2011). In the 2003 AARP study of Baby Boomer expectations about retirement, 43% of Baby Boomers said they do not expect Medicare to cover most of their health care needs, nor do they expect their current employer to do so, 58%. Nineteen percent of the Baby Boomers surveyed also reported they do not expect to have enough insurance coverage to meet their health care needs. Paying for potentially high health care costs is a significant worry for some: three out of 10 retirees in a Fidelity study said their biggest worries include paying for health care costs and long-term health care expenses (Fidelity Investments, 2010). A companion survey of

376 married individuals 65 and older found that 47% currently pay more each month for insurance and out-of-pocket costs than they thought they would. Half or more of the respondents to a National Council on Aging study (Cutler, 2001) said they are worried about spending all their money on long-term care expenses; this thought echoes the findings of a previous NCOA study that linked health and health care costs to having enough money to access health care.

Workers' perceptions of their ability to pay for medical expenses during retirement have a dampening effect on their retirement confidence (Yakoboski, 2011). This statement is true for both workers in general and state and local government employees. Data show that 20% of state and local government workers and 12% of all workers are "very confident" that they can pay for their medical expenses in retirement, 41% of state and local government workers and 36% of all workers are "somewhat confident," 22% of state and local government workers and 27% of all workers are "not too confident," and 17% of state and local government workers and 23% of all workers are "not at all confident." Yakoboski (2011) presumed that the higher confidence levels expressed by state and local government employees was likely to be related to those workers' expectation that they will have retirement health insurance from their employer in addition to their pension. Fifty-nine percent of public sector workers expect to have health benefits from their employer in retirement, compared to 36% of private-sector workers. In general, Yakoboski found that paying for health care expenses in retirement was the biggest financial concern expressed by state and local government employees, mentioned by 26% of the respondents.

A gap between the perception of how survey respondents will pay for health care costs and the reality of the level of funds actually set aside is apparent when looking at the average 401(k) balance of people in their sixties, as reported by Holden and VenDerhei in 2002: $107,000 (Schur et al., 2004). The 2004 Retirement Confidence Survey and a Henry J. Kaiser Family Foundation poll about Medicare reform legislation underscored the gap as well. Additionally, the National Retirement Risk Index (Munnell, Soto, Webb, Golub-Sass & Muldoon, 2008) predicts that if households work to age 65 and create an income stream from their financial assets, including funds from a reverse mortgage, 44% of retirees will be "at risk" of not being able to maintain their standard of living during retirement. If workers retire early, don't annuitize their 401(k)s, and don't make use of their home equity, the risk is higher, the researchers say. When the cost of health care is added (Munnell et al., 2008, February) households at risk increase even more, to 61%. The researchers projected that a couple retiring in 2010 would need an annuity of about $206,000 to cover the costs of health care during their retirement. Fidelity Investments researchers reported a similar figure: they estimated that a 65 year-old couple would need $250,000 to pay for medical expenses while they are retired, in addition to money that might be needed to cover the cost of nursing home care.

The Importance of Education in Retirement Preparation

Retirement planning is more complex than it was in the past and is often viewed as an ongoing process. Lown (2008) noted that "the retirement landscape is changing" because of (1) housing, transportation and energy costs, (2) health and long-term care costs, and (3) growing debt burdens. Other factors that affect retirement planning

include pushing back the eligibility age for full Social Security retirement benefits, employer migration from defined-benefit pension plans to defined-contribution plans, and longer life expectancy. Lusardi and Mitchell (2007) reviewed the financial planning activities of early Baby Boomers (born between 1948 and 1953) and compared data collected in 2004 with data collected for the 1992 Health and Retirement Study. They noted that “savings decisions are complex, requiring consumers to possess substantial economic knowledge and information” and that numerous studies show that “older workers are woefully under-informed about their old-age benefits.” Their data review showed that individuals who plan for retirement have higher financial literacy, i.e., ability to do basic mathematical calculations, higher knowledge of financial terminology, higher knowledge of potential investment risks, and higher wealth levels than those who do not plan for retirement. They also concluded that education programs must target subgroups.

Uhrig, Bann, McCormack and Rudolph (2006) found that Medicare beneficiaries had low levels of knowledge about Medicare coverage and benefits, enrollment and disenrollment, and plan choices. They reviewed national survey data and found that Original Medicare and Medicare managed care enrollees 75 years old and older, non-white, those with lower income and education, and those on public insurance programs had lower levels of Medicare knowledge. The researchers concluded that educational campaigns targeting vulnerable groups are needed. Ekerdt and Hackney (2002) reviewed data from the 1992 HRS and noted that workers do not pay attention to retirement planning information that is available to them; however, they become more familiar with benefits as they get closer to retirement. The researchers noted that rather

than basing their retirement on sound financial planning principles, some workers retire based on what their coworkers do, what their spouses say, or the fact that they will get a pension, regardless of knowing the amount. Other researchers have demonstrated that when individuals complete a financial education program, they are likely to re-evaluate their plans for work and retirement, as well as their savings and spending (Clark, d'Ambrosio, McDermed & Sawant, 2003). These researchers found that increased understanding of income needs and the saving process is an encouragement to workers to increase their savings rate.

In 2008, Bayer, Bernheim and Scholz studied the extent to which education about saving money affects workers when the education is provided in the workplace. They found that employees who attended retirement seminars increased their participation in and contributions to voluntary savings plans. Ongoing retirement planning research conducted by the International Foundation for Employee Benefit Plans was reviewed by Krajnak, Burns and Natchek (2008), who noted that employers have a critical role in providing retirement education for workers; that most do provide some type of retirement planning initiative, and that workers who participate in educational seminars do change their savings goals and behaviors in a positive way. The findings support previous cross-sectional research by Bernheim and Garrett in 1996 and 2003, which looked at ways education affects savings among households, whether it is related to pension plans or not.

Several studies reviewed by Krajnak et al. (2008) show that financial advice given to workers by professional financial advisors may be more effective at changing planning behavior than financial education. The 2012 Retirement Confidence Study

found that 21% of workers and 24% of retirees had sought investment advice from a financial adviser within the past year, with those who had more assets being more likely to do so. Helman, Copeland and VanDerhei (2012) noted that the reasons for this likelihood are unclear, but might be attributable to feeling a greater need for advice, because such advice increases the likelihood of building asset levels, or because those with more assets are better able to pay for financial advice. Willett (2008) found that workers' perceptions about their retirement generally did not match the actions they have taken to prepare for retirement. She looked at research conducted by the International Foundation for Retirement Education and other studies: results indicate that enhanced education and counseling services that would encompass total retirement well-being would be helpful; other enhancements would include simplified plan designs, automated enrollment, education about investment strategies, and offering plans that can provide lifetime income for retirees. Retirement education also should focus more on health and lifestyle, Willett found (2008), in addition to finances, so that "total retirement well-being" is considered by workers. This focus should become stronger as workers get closer to retirement, according to results of the InFRE Retirement Project research conducted for the U.S. Office of Personnel Management (Willett, 2008).

In 2010, Henning created a retirement awareness educational campaign in North Central Texas for local public sector workers, the result of grant funding from the National Association of Area Agencies on Aging. A resources notebook given to each worker who attended a group presentation focused on enhancing awareness of how people age and awareness of federal, state and local resources and screening tools

available on the Internet. Although the project was limited in scope, 49 working adults between the ages of 18 and 75 completed a pre-survey immediately before attending the presentation. Seventy-six percent of those surveyed said they had not previously attended an educational session about issues of aging; 60% had not previously attended a session about long-term planning options; 58% were not aware of federal, state or other agencies that offer health and financial assistance; 53% were not familiar with online tools for learning about benefits, and 45% did not know how to find information about long-term planning options (Henning, 2010). Of the 38 who filled out a post-presentation survey, 95% said they gained new knowledge and skills, 68% became more aware of retirement benefits and long-term planning resources, and 29% said they are now more aware of how people age.

Baby Boomer Knowledge-Seeking Behavior and Taking Action to Prepare for Retirement

There are a variety of ways Baby Boomers can increase their knowledge about managing their finances after they retire. The process may include a review of assets they have accumulated, an estimate of future income needs, a review of their current contributions to savings, and expectations for payment of debt and unexpected expenses. Planning information is widely available from employers, financial planners, the government, and the Internet. Conversations with family, friends and coworkers also provide valuable input for retirement preparation.

Although long life is a relatively recent phenomenon (Dychtwald, 1999, Hudson, 1999), in October 2009, the U.S. Census Bureau estimated there were about 104,099 centenarians in the U.S. The number is increasing steadily and is predicted to more

than quadruple by 2030. By 2050, 1.15 million centenarians (National Centenarian, 2010) will be alive, and most of them will be Baby Boomers. In June 2012, the oldest verified living American was 115 (Living supercentenarians, 2012). Although only a select few will reach that age, the long life of those who become centenarians represents the need to make plans for a retirement period that may last 35 years or longer. Research indicates that workers currently do not envision how many years they may live during their retirement (Willett, 2008). Willett cited the 2007 study by the International Foundation for Retirement Education, which found that 67% workers estimated their life expectancy to be shorter than the actual average, and 24% estimated it to be longer than the actual average. Cutler's analysis of a 2001 survey by the National Council on Aging suggests that the majority of older Americans may be "overconfident and underprepared" in terms of retirement planning. The survey asked older Americans how knowledgeable they are about the financial aspects of retirement planning. Cutler noted that although survey respondents feel they have sufficient knowledge about finances related to retirement planning, they also say they do not have enough money to live on in retirement. Willett (2008) says that a common theme in research studies that measure workers' retirement readiness is that they "are failing to take timely and appropriate actions to plan for their financial future."

Decisions about financing health care needs during retirement years can be complex: they include consideration of the type and amount of insurance coverage needed, a personal assessment of future health prospects, and knowledge of financial investments. Education is key to understanding financial investments and having confidence in one's plans for the future. A 2010 survey of retirees by Fidelity

Investments found that during the years they were in the workforce, only 3 out of 10 workers set aside money specifically for retirement health care needs (Fidelity Investments, 2010). Selected key findings from a 2009 consumer study of retirement readiness, gathered among individuals ages 45 to 70, showed that completing tasks in order to prepare for retirement is related to age and years of work until retirement and that males are farther ahead in planning than females (The MetLife, 2010). While 64% of current retirees say they did some type of financial planning before they retired, almost a third (32%) said they started planning less than nine years before retirement (Helman et al., 2012).

Survey data drawn from the 2004 Health and Retirement Study indicates that less than a third of survey respondents have ever tried to figure out how much money they might need for retirement (Lusardi & Mitchell, 2006). A 2011 retirement study among current workers showed that 42% have guessed the amount they need to save for retirement based on doing their own calculation or by asking a financial adviser, 9% base their future needs on what they have read or heard, 7% have used an online calculator to estimate future expenses, 5% base their estimate on current expenses or lifestyle, and 5% have filled out a worksheet or form to calculate retirement needs (Helman et al., 2011). In the 2012 version of the same study (Helman et al., 2012), slightly more than half of current workers but only a quarter of retirees said they use the Internet to manage their finances. Only 23% of retirees say they feel “very comfortable” getting online information about financial products; 34% of retirees feel “very comfortable” shifting money online from one account to another; 19% of retirees feel “very comfortable” using online calculators to help them with financial decisions. Willett

(2008) found that workers prefer to receive retirement planning information via personal interaction with educators and short workshops provided during the workday. Because more retirees are managing their own retirement funds than in the past, inflation and the risk of outliving retirement money because of longevity are important issues for retirees to be educated about, according to Willett's research.

When asked about using the services of a professional financial adviser, 50% of state and local government workers said they have received such advice in the past three years (Yakoboski, 2011). Topics covered included asset allocation, how much to save, the timing of retirement, drawing income from savings, and paying for health care expenses in retirement. Cutler (2001) found that 54% of middle-age Baby Boomers have never worked with a financial adviser, but mostly for reasons such as wanting to do their own planning, not being worried about having enough money for retirement, and not having enough money to invest with an adviser. A consumer study conducted in May 2011 among married couples at least 46 years old showed that they struggle to communicate with each other about retirement issues and with efforts to plan for and manage their retirement finances (Fidelity Investments, 2011). Typical areas of contention include when and where to retire and who will assume responsibility of their joint retirement finances. Even with late-career workers, Willett (2008) found that 3 out of 10 couples had discussed retirement plans "only a little" or "not at all."

Two retirement-planning activities which demonstrate that Baby Boomers understand the need to take action to prepare for their health and finances in the future include the purchase of (1) an annuity that will provide a regular source of income or (2) a long-term care insurance policy. Although in 2008, 20.4 million of the 37.8 million

Americans age 65 and older that year reported they received income from their assets, for half of those who received such income, it amounted to less than $1,054 for the year (Purcell, 2009). Research shows that annuity participation among current retirees is limited: only 12% of retirees in the 2012 Retirement Confidence Survey reported that they have purchased a financial product that pays a guaranteed income each month for life or that they chose a similar retirement plan option (Helman et al., 2012). Annuities will be more prevalent among younger state and local government workers than older ones, says Yakoboski (2011). The researcher believes the need to create a steady, guaranteed stream of income will become more important if defined-benefit pensions are eliminated by public employers in the future. While 64% of public sector workers ages 25 to 34 expect to create annuities from their savings, about 40% of workers 35 and above expect to do so. Smith, Soto and Penner (2009) noted that retirees who have defined-benefit plans generally have an annuity, but those with defined-contribution plans have to decide whether or not to create an annuity. The researchers say that healthy people are much more likely to buy an annuity than those with health problems, so insurers adjust rates in order to cover their financial exposure for those not as healthy. The result is that the cost of purchasing an annuity makes it an unattractive option for many people. Rappaport (2000) says that in the U.S., annuities are “not popular.” Because of the expense of purchasing one, she says, many people think they can do better with other investments. Annuities, however, provide a level of security for retirees. Panis (2003) found that retirees who are able to finance more of their retirement costs with money from an annuity, rather than depending on Social Security retirement benefits or savings, are more satisfied. And, they maintain their level of

satisfaction during retirement, while those who do not have a guaranteed income stream become less satisfied as time goes on (Panis, 2003).

In 2007, only 8 million Americans had protected themselves against the potential costs of long-term care by purchasing a long-term care insurance policy (American Association for Long-Term Care Insurance, 2012). Statistics illustrate that the policies are often purchased when individuals are relatively close to retirement or already retired: 65% of long-term care policies were purchased by individuals ages 55 to 74. Although only a limited number of individuals have them, those who do report "substantially greater" satisfaction in retirement than those who do not have a long-term care insurance policy (Panis, 2003). A study of buyers and non-buyers of long-term care insurance (America's Health Insurance Plans, 2007) noted that the average age of purchasers has decreased, from 68 years of age in 1990 to 61 years of age in 2005. The study results also showed that the proportion of buyers younger than 65 has grown from one-fourth to two-thirds of all individual policyholders. The belief that it is important to plan for the possibility of needing long-term care services, i.e., being a planner, is associated with the purchase of long-term care insurance (America's Health Insurance Plans, 2007). The number one reason why people buy long-term care insurance is to protect their assets, the study showed, while the number one reason not to buy it is cost. Non-buyers also said they did not understand the need for long-term care coverage, they were confused about what long-term care services are covered by the government, and they lack knowledge about long-term care insurance companies and products.

CHAPTER 3

METHODS

This chapter addresses the methods used to query the target population, i.e., public sector working Baby Boomers. Data collection is key to identifying patterns about Baby Boomers' knowledge of health care and benefits, referred to as health benefits, during retirement years. Additionally, measurement of health costs knowledge provides insights about Baby Boomers' understanding of paying for health care services in their later years. Other key concepts in this study are knowledge-seeking behavior and retirement preparation. The data are expected to shed light on the validity of the hypotheses formulated from the literature review. Because the survey focused on individuals born during a specific time period, year of birth narrowed the universe of potential data sources to a particular sample. Non-probability convenience sampling techniques were used. The cross-sectional nature of the research helped narrow the range of appropriate data collection vehicles, with the result that a written survey format was chosen by the researchers. Development of the chosen survey instrument was influenced by comments elicited from a group of individuals who previewed the survey and a professional review of the survey's readability level.

Sample

Data were gathered from a convenience sample of Baby Boomer public sector employees who work for three city governments in the Dallas-Fort Worth, Texas, metropolitan area. The sample group is limited to individuals born between 1946 and 1964. In addition to information about birth year, data about gender, household income,

marital status, health and education were gathered. The geographic region where the survey was administered is characterized by urban, suburban and rural sectors within a 16-county geographic area. The region has a growing population, which in 2010 consisted of 6.7 million residents and 3.9 million workers. Five cities with a population above 100,000 but less than 175,000 were identified and approached about presenting a written survey to their Baby Boomer employees. The North Central Texas Council of Governments (NCTCOG) offered its assistance by sending a letter of support to the human resources directors at the five cities, encouraging them to participate. Three cities, Denton, Frisco and Grand Prairie, agreed to distribute the survey among their Baby Boomer employees. In each of the cities, the human resources director sent an email to employees explaining the purpose of the survey and including an Internet link to it. A total of 251 employees accessed the survey within the allotted timeframe, 85 from Denton, 81 from Frisco, and 85 from Grand Prairie. Although the survey was intended only for Baby Boomers, of the 251 employees who accessed the survey, 209 responders who indicated electronic consent to survey participation reported that they were born in the years 1946 through 1964. By city, the number of appropriate survey respondents was: 80 from Denton, 55 from Frisco, and 75 from Grand Prairie. The survey sample size used for data analysis is 209. Almost all survey respondents from Denton and Grand Prairie were in the requested age group. In the third city, Frisco, fully one-third were born after the Baby Boom years, an unanticipated aspect of the survey results. Their participation is of interest, because it appears that younger workers there have an interest in retirement planning issues.

It is expected that the data resulting from the survey will measure what the survey was intended to measure, namely Baby Boomer knowledge levels about retiree health benefits and costs. It was believed that the credibility of the survey request was enhanced and that the number of responses was increased by the fact that the survey was distributed by the human resources directors at the participating city governments. Internal validity is expected to be higher than external validity. Because the study is restricted to public sector employees in North Central Texas, its external validity is limited to comparisons that might be made with other public sector employees. The reliability of the survey data is limited by the nature of the convenience sample; working Baby Boomers in other areas of the country and in other employment sectors might have different knowledge levels about health benefits and costs during older adulthood.

Survey Instrument

The 20 agree/disagree/don't know statements developed by the researchers for the written survey were designed to measure Baby Boomers' knowledge of health benefits and the cost of health care for older adults. Five additional statements centered around knowledge-seeking behaviors exhibited by working public sector Baby Boomers, and two statements sought to quantify the number of Baby Boomers who have taken action steps to prepare for retirement. Personal characteristics asked of Baby Boomers included year of birth, gender, household income, marital status, health and education. Composition of the survey statements was heavily influenced by the literature review, which included research results and discussions in a variety of academic textbooks, consumer publications, online sources, and state and federal publications and their web

sites. Two Baby Boomer characteristics not examined in this study, race and household living arrangement, are important to the discussion of factors that influence Baby Boomers' health and finances. Although they are not included in this survey instrument, a review of research that does include them would add an additional perspective to the factors measured by this study.

The survey was accessed by public sector employees via an Internet link that connected them with SurveyMonkey® software. The link was included in an email sent to employees from the human resources director at the each of the participating cities. Survey distribution via email was considered an appropriate method because it provided a logical, convenient and relatively inexpensive way to collect a convenience sample from working Baby Boomers. The same survey tool was used for the entire sample, thus eliminating the possibility of threats to the consistency of the testing mechanism.

Public sector employees were asked to either agree, disagree or indicate a "don't know" response to 20 statements related to health during retirement years and the cost of paying for health services. The statements were designed to measure levels of knowledge about aspects of the physical health of older adults, the health care they expect to receive, and the financial challenges that might result from health issues. The survey also asked whether respondents had taken any of the following action steps to learn more about health coverage and financial planning: attended educational meetings at work, used the Internet to gather information, attended seminars offered by financial planners, checked to see if their employer offers retiree insurance, talked with family or friends about retirement finances, purchased long-term care insurance, or purchased an annuity.

Survey Test Sample and Readability Review

Before the survey was distributed to the participating human resources departments, a sample version was reviewed by a workforce training professional, the supervisor of the Regional Training Center at the North Central Texas Council of Governments. She evaluated the readability of the survey instrument at 57.8, based on the Flesch Reading Ease scale. While the recommended score for standard documents is 60 to 70, the training professional did not believe that the lower score would make a significant difference in the survey's readability. The survey instrument's Flesch-Kincaid Grade Level is 8.1; a score of 8.0 means that an eighth grader can understand the wording used in a document. While for most standard documents a score of 4.0 to 8.0 is recommended, the slightly higher score was not expected to affect the readability of the survey, according to the evaluator. She also stated that the survey language was "clear" and that the average person would not have a problem understanding any of the statements contained in the survey. The trainer further stated that the vocabulary and length of the survey appeared to be "appropriate for the intended audience of public sector workers in the Metroplex." Finally, the clarity, vocabulary and length were "good," the evaluator noted.

The sample version of the survey also was distributed to 10 Baby Boomers employed by the North Central Texas Council of Governments. The employees were asked to provide answers to the survey statements and critique the survey for clarity, vocabulary and length. Other comments were invited. The resulting suggestions were reviewed by the researchers, and appropriate edits were incorporated into the final version of the survey instrument.

Protection of Human Subjects

The research proposal was submitted to the Institutional Review Board at the University of North Texas as Human Subjects Application Number 11-075 in order to verify that it met federal law and regulations governing the use of human subjects in research projects. The study was titled, "Working Baby Boomers' Knowledge of Retiree Health Needs and Benefits." The proposal was approved March 31, 2011, for the collection of survey information from employees at the City of Denton and was approved April 18, 2011, for the collection of survey information from employees at the cities of Frisco and Grand Prairie. Signed and dated letters from each city were submitted to the IRB to indicate the cities' approval to collect data at their sites.

The SurveyMonkey® software used to collect data provided informed consent information and required electronic agreement that participation was voluntary. Potential survey participants were told that the purpose of the research project was to test their knowledge of the health needs of older adults and retiree health care benefits. Specific questions, potential participants were told, would be about the health of older adults, paying for health care benefits and services, demographic information about themselves, and steps they've taken to prepare for retirement. Potential participants were informed that they were invited to participate because they are currently working but someday might be retired. They also were told that filling out the online survey would take approximately 15 minutes and that they could withdraw from the survey at any point. The consent information also notified participants that their responses were confidential: since name, email address, and IP address were not collected, none of the information provided by the participants could be linked back to them. Contact

information for the principal researcher was listed in case participants had additional questions about the research.

Variables

Survey statements about health benefits reflect knowledge about medical services and how they are utilized during retirement. For purposes of this research, knowledge about health benefits is defined as knowing whether:

- Most older adults live in nursing homes
- Older people stay in the hospital longer than younger people
- Most older people want doctors to use any means possible to extend their life
- Baby Boomers have a good chance of living longer than their parents
- The best place to get care for ongoing serious illnesses is in a nursing home
- People age 85 and older have higher out-of-pocket health expenses than people 65 to 84
- Most people who are very old die quickly when they have serious health issues
- Women are more likely than men to need long-term care services
- A person may not be able to purchase long-term care insurance if he has a pre-existing condition
- A person's health is one of the determining factors for getting Medicare coverage

Survey statements about health care costs reflect knowledge about the finances needed and available to pay for health benefits and services during retirement. For purposes of this research, knowledge of health care costs is defined as knowing whether:

- People can get a larger Social Security retirement check if they work past their full retirement age
- Most older adults pay only minor out-of-pocket costs for their health care
- Older adults seldom declare bankruptcy
- Medicare pays the cost of living in a nursing home
- Living alone makes it harder to make ends meet
- People with a terminal illness can use Medicare's hospice benefit once a year
- Medicare Part A covers the cost of doctors' services
- Medicare Part B covers hospital costs
- Medicare Part D covers some of the costs of prescription drugs
- Medigap insurance policies cover elective surgeries that are not covered by Medicare

The independent variables in this research project are the personal characteristics of age, gender, household income, marital status, health and education. Mediating variables are Baby Boomers' health benefits knowledge, health costs knowledge, and knowledge-seeking behavior. Knowledge-seeking behavior, i.e., seeking information about health coverage and financial planning, includes:

- Attending educational meetings at work
- Using the Internet to find retirement-related information
- Attending seminars offered by financial planners
- checking to see if one's employer provides retiree insurance benefits
- Talking with family or friends about retirement finances

The independent and mediating variables were tested for their ability to predict the dependent variable of retirement preparation (see Table 1). These dependent variables measure two specific actions taken by Baby Boomers to plan for retirement:

- Purchase of a long-term care insurance policy
- Purchase of an annuity.

Table 1

Variables in the Analysis

Independent variables of personal characteristics	Mediating variables	Dependent variable
• Age • Gender • Household income • Marital status • Health • Education	• Health benefits knowledge • Health costs knowledge • Knowledge-seeking behavior	• Retirement preparation

Hypotheses

Various hypotheses can be constructed about Baby Boomers' knowledge of health benefits and the health costs they will face in older adulthood. The hypotheses contend that personal characteristics influence the variables of knowledge of health benefits and knowledge of health costs. Personal characteristics also influence knowledge-seeking behavior, which may include attending educational meetings at work, using the Internet to find retirement-related information, attending seminars offered by financial planners, checking to see if one's employer provides retiree insurance benefits, and talking with family or friends about retirement finances. Scales were created for knowledge of health benefits, knowledge of health costs, and for knowledge-seeking behavior.

A second area of focus is the dependent variable of subsequent behavior, which is defined as an action taken by Baby Boomers because of their knowledge levels.

Subsequent behavior, for the purposes of this research, includes two actions: purchase of a long-term care insurance policy or an annuity. Associations among some of the variables allow for the creation of one or more scales, including a retirement readiness scale. For example, advancing age may be associated with knowledge-seeking behavior about health benefits and health costs in older adulthood, which in turn may lead to the purchase of insurance and investment products. At the same time, ignorance of health benefits and health costs experienced by older adults may produce lack of preparation for retirement, as noted in the literature review.

H1A: Personal characteristics of Baby Boomers influence knowledge of health benefits.

H1B: Personal characteristics of Baby Boomers influence knowledge of health costs in retirement.

H2: Personal characteristics of Baby Boomers influence knowledge-seeking behavior.

H3: Personal characteristics of Baby Boomers influence taking action to prepare for retirement, i.e., purchase of a long-term care insurance policy or an annuity.

H4: Knowledge-seeking behavior of Baby Boomers influences retirement preparation behavior.

H5: More knowledge of health benefits and health costs in retirement leads to more preparation for retirement.

The research is quantitative in nature. Twenty survey statements were developed specifically for the research project: these statements test knowledge levels about (1) health benefits provided to older adults and (2) the cost of health services for older adults. Five additional survey statements elicit information about knowledge-seeking behavior, and two statements, if answered affirmatively, indicate that survey participants have taken the consequent action of retirement preparation, as indicated by the purchase of long-term care insurance or an annuity.

It is expected that OLS (ordinary least squares) and logistic regression analysis will demonstrate that Baby Boomers exhibit varying levels of knowledge about health benefits provided and the costs associated with paying for health care. OLS will be used to illustrate the linear relation between the independent and mediating variables (knowledge and knowledge-seeking behavior scales). Logistic regression will be used to predict the influence of the independent and mediating variables on retirement preparation. Each independent variable will be viewed separately, controlling for the other independent variables, to see if it is a significant predictor of retirement preparation. For example, those with a high level of knowledge about health benefits, in combination with high educational levels and high household income, are those who are more likely to have carried out a consequent behavior related to retirement preparation. A variable map is useful in illustrating relationships between the dependent, independent and consequent variables (see Table 2).

Coefficient alpha was used for purposes of creating the scales. The items in Table 2 were scaled to create an index score for each of the mediating variables.

Data Collection and Processing

Human resources departments at three North Central Texas city governments, Denton, Grand Prairie, and Frisco, were contacted for permission to gather the convenience sample. The survey was administered online via SurveyMonkey®. There was no interaction by the researchers with public sector employees at the time they accessed the survey or after they withdrew from the survey software. Survey responses were automatically recorded in SurveyMonkey®. Employees of varying ages were

expected to participate even though those born between the years 1946 and 1964 were the ones whose responses were requested. Survey responses from individuals outside of the requested years were eliminated from the total sample. The resulting sample size was 209. All data were collected in 2011. After data were collected, the principal investigator downloaded the responses into SAS 9.2 data analysis software.

Table 2

Relationships of Independent, Mediating and Dependent Variables

Independent variables		Mediating variables		Dependent variables
Age Gender Household income Marital status Health Education	influence ⇒	Knowledge of health benefits: Most older adults live in nursing homes Older people stay in the hospital longer than younger people Most older people want doctors to use any means possible to extend their life Baby Boomers have a good chance of living longer than their parents The best place to get care for ongoing serious illnesses is in a nursing home People 85 and older have higher out-of-pocket health expenses than people 65 to 84 Most people who are very old die quickly when they have serious health issues Women are more likely than men to need long-term care services A person may not be able to purchase long-term care insurance if he has a pre-existing condition A person's health is one of the determining factors for getting Medicare coverage Knowledge of health costs: People can get a larger Social Security retirement check if they work past their full retirement age Most older adults pay only minor out-of-pocket costs for their health care Older adults seldom declare bankruptcy Medicare pays the cost of living in a nursing home Living alone makes it harder to make ends meet People with a terminal illness can use Medicare's hospice benefit once a year Medicare Part A covers the cost of doctors' services Medicare Part B covers hospital costs Medicare Part D covers some of the costs of prescription drugs Medigap insurance policies cover elective surgeries that are not covered by Medicare Knowledge-seeking behavior: Attended educational meetings at work Used the Internet to find information Attended seminars offered by financial planners Checked to see if my employer provides retiree insurance benefits Talked with family or friends about retirement finances	influence ⇒	Retirement preparation • Purchased long-term care insurance • Purchased an annuity

CHAPTER 4

RESULTS

Demographic Data

The 209 public sector working Baby Boomers who completed to the survey tend to be those with household income over $75,000, married, in good health, and with some college education. Table 3 shows the specific characteristics of the sample group.

Table 3

Frequency and Percentage of Baby Boomer Personal Characteristics

Personal characteristic	Frequency	Percentage
Age:		
Younger Baby Boomer (1956-1964) (contrasted to Older Baby Boomer)	99 (n=209)	47.4
Older Baby Boomer (1946-1955)	110 (n = 209)	52.6
Gender:		
Male (contrasted to Female)	99 (n=204)	48.5
Female	105 (n=204)	51.5
Household income:		
Under $75,000 (contrasted to Over $75,000)	71 (n=207)	34.3
Over $75,000	136 (n=207)	65.7
Marital status:		
Married (contrasted to Divorced, Widowed, Never married, and Separated)	160 (n=206)	77.7
Not married	46 (n=206)	22.3
Health:		
Excellent (contrasted to Good/Fair/Poor Health)	53 (n = 209)	25.4
Good (contrasted to Fair/Poor Health)	134 (n = 209)	64.1
Fair/poor	22 (n = 209)	10.5
Education:		
High school or less	37 (n = 199)	18.6
Some college or more (contrasted to High school or less)	162 (n = 199)	81.4

Sample size = 209

Quantitative Approach

Multiple regression analysis was used to examine how knowledge of health care for older adults and understand how health-related financial security in retirement are related to variables such as age, gender, household income, marital status, health and education. Logistic regression was used to ascertain the strength of the influence of the independent and mediating variables on retirement preparation. Data analysis was conducted using the statistical software program SAS, version 9.2.

Data analysis illustrates the range of knowledge among respondents, as well as the significance of the correlation between the independent and dependent variables. The statistical analysis includes both descriptive and inferential elements, allowing opportunity for the research to be compared with results from other studies. The analysis techniques are appropriate for the research data because of the quantitative nature of the information collected.

Analysis of Survey Data

Baby Boomer survey respondents overwhelmingly know that they have a good chance of living longer than their parents, 87%, and that they are not likely to die quickly when they experience serious health issues, 66%. They know that as their health declines, the best place to get care for ongoing serious illnesses is not in a nursing home, 89%, and that they are not likely to live in a nursing home, 95%. Baby Boomers recognize that older adults may experience more than minor out-of-pocket expenses for their health care. To a significant but lesser degree, public sector working Baby Boomers recognize that older people stay in the hospital longer than younger people,

58%, but only a third recognize that the oldest old pay more out of pocket for care than the young old, 33%. Table 4 shows the number and percentage of survey statements answered correctly.

Table 4

Number and Percentage of Health Benefits and Health Costs Statements as Answered

Category	Survey statement (T = True, F = False*)	# correct	# of responses	%
Health benefits	Most older adults live in nursing homes (F)	198	208	95.2
	Older people stay in the hospital longer than younger people (T)	121	209	57.9
	Most older people want doctors to use any means possible to extend their life (F)	125	209	59.8
	Baby Boomers have a good chance of living longer than their parents (T)	181	208	87.0
	The best place to get care for ongoing serious illnesses is in a nursing home (F)	186	209	89.0
	People 85 and older have higher out-of-pocket health expenses than people 65 to 84 (T)	69	208	33.2
	Most people who are very old die quickly when they have serious health issues (F)	136	206	66.0
	Women are more likely than men to need long-term care services (T)	105	208	50.5
	A person may not be able to purchase long-term care insurance if he has a pre-existing condition (T)	148	207	71.5
	A person's health is one of the determining factors for getting Medicare coverage (F)	152	206	73.8
Health costs	People can get a larger Social Security retirement check if they work past their full retirement age (T)	144	208	69.2
	Most older adults pay only minor out-of-pocket costs for their health care (F)	169	208	81.3
	Older adults seldom declare bankruptcy (F)**	84	209	40.2
	Medicare pays the cost of living in a nursing home (F)**	125	207	60.4
	Living alone makes it harder to make ends meet (T)	141	207	68.1
	People with a terminal illness can use Medicare's hospice benefit once a year (F)**	41	209	9.8
	Medicare Part A covers the cost of doctors' services (F)**	27	209	12.9
	Medicare Part B covers hospital costs (F)**	29	209	13.9
	Medicare Part D covers some of the costs of prescription drugs (T)**	73	208	35.1
	Medigap insurance policies cover elective surgeries that are not covered by Medicare (F)**	55	208	26.4

*Don't know responses were scored as False/disagree and are considered incorrect answers.
**Items ultimately used in Health Costs Scale.

The survey responses demonstrate that public sector Baby Boomers have very limited knowledge of specific Medicare benefits. Only 13% know that Medicare Part A

does not cover doctors' services, 14% know that Medicare Part B does not cover hospital costs, 10% know that the Medicare hospice benefit can be used more than once a year, and 35% know that Medicare Part D covers prescription drugs. "Don't know" responses to survey statements were coded as incorrect answers. Table 5 shows the number and percentage of those who exhibited knowledge-seeking behavior.

Table 5

Number and Percentage of Knowledge-Seeking Behavior Statements as Answered

Variable	Survey statement	# of affirmative answers	# of survey responses	%
Knowledge-seeking behavior	Attended educational meetings at work about health coverage	164	178	92.1
Knowledge-seeking behavior	Attended educational meetings at work about financial planning	91	178	51.1
Knowledge-seeking behavior	Used the Internet to find information about health coverage	122	147	83.0
Knowledge-seeking behavior	Used the Internet to find information about financial planning	96	147	65.3
Knowledge-seeking behavior	Attended seminars offered by financial planners about health coverage	43	106	40.6
Knowledge-seeking behavior	Attended seminars offered by financial planners about financial planning	93	106	87.7
Knowledge-seeking behavior	Checked to see if my employer provides retiree insurance benefits	162	205	79.0
Knowledge-seeking behavior	Talked with family or friends about retirement finances	150	207	72.5

Data for this exploratory research were gathered in 2011 using convenience sample techniques. The sample population consisted of Baby Boomers who work for three city governments in the North Central Texas metropolitan area of Dallas-Ft. Worth. Data were collected via SurveyMonkey® software; the usable sample size was 209 individuals.

In order to scale the knowledge variables, one factor is used for each of the following: health benefits knowledge, health costs knowledge, and knowledge-seeking behavior. Each factor has a mean of 0 and a standard deviation of 1.0. Table 6

illustrates the retirement-planning purchase decisions made by working Baby Boomer survey respondents.

Table 6

Purchase Decisions Related to Retirement Planning

Survey statement	# of affirmative answers	# of survey responses	Percentage
Purchased a long-term care insurance policy	35	206	16.99
Purchased an annuity	45	207	21.74
Purchased either	67	206	32.52

I attempted to create three scales: one for Health Benefits Knowledge, which was based on the answers to 10 survey statements related to health care and health benefits; one for health costs knowledge, which was based on the answers to 10 separate survey statements related to the costs of health care, and one for knowledge-seeking behavior, which was based on the answer to eight survey statements that asked about steps survey respondents have taken to learn more about health care and financing its costs during older adulthood. Values vary from 0 to 10 for health benefits and health costs knowledge and 0 to 5 for knowledge-seeking behavior. This scaling did not work for the knowledge scales, however. The items for health benefits knowledge simply did not scale – no Coefficient Alpha over 0.25 was found even after omitting numerous items. By contrast, elimination of three items allowed creation of a seven-item health costs knowledge scale with a Coefficient Alpha of 0.69 (see Table 4 above for included items). The knowledge-seeking behavior scale was created with all eight items, those items showing a Coefficient Alpha of 0.66. Table 7 shows the Coefficient Alpha for all three mediating variables. Table 8 illustrates the univariate statistics for the two scalable knowledge scales.

Table 7

Possible Mediating Variable Indices

Mediating variables	Coefficient alpha (raw scores)
Health benefits knowledge	.25
Health costs knowledge	.69
Knowledge-seeking behavior	.66

Table 8

Univariate Statistics for Knowledge Scales

Variable	Mean	Standard deviation	Number
Health costs knowledge	2.10	1.79	205
Knowledge-seeking behavior	4.45	2.00	204

Bivariate and Multivariate Analyses

Relationships among the variables are viewed from several perspectives, using alternate methods of analysis. In order to see how personal characteristics influence health benefits knowledge, health costs knowledge, and knowledge-seeking behavior, multivariate analysis is used. This process examines the relationships among age, gender, household income, marital status, health and education and their relationships to health benefits knowledge, health costs knowledge, and knowledge-seeking behavior. In order to see whether or not Baby Boomers are prepared for retirement, multivariate analysis is used. This process examines whether health benefits knowledge, health costs knowledge, and knowledge-seeking behavior influence retirement preparation, as defined in this study by purchase of a long-term care insurance policy or an annuity.

The multiple regression results (see Table 9) do not show that the independent variables are associated with health costs knowledge. The results in Table 10 show the independent variable age to have a strong positive association with knowledge-seeking behavior, that is, older Baby Boomers appear more likely to have engaged in knowledge-seeking behavior.

Table 9

Relationship of Independent Variables to Intervening Variable Health Costs Knowledge

Independent variables	Co-efficient	Standard Error	t value
Older Baby Boomer (1946-1955)	0.047	0.027	1.72
Female	-0.292	0.267	-1.09
Excellent health	0.022	0.310	0.07
Household income over $75,000	0.165	0.298	0.55
Married	-0.522	0.332	-1.57
Some college or more	0.126	0.337	0.37

Table 10

Relationship of Independent Variables to Intervening Variable Knowledge-Seeking Behavior

Independent variables	Co-efficient	Standard Error	t value
Older Baby Boomer (1946-1955)	0.078*	0.031	2.55
Female	0.156	0.302	0.51
Excellent health	-0.045	0.349	-0.13
Over $75,000	-0.124	0.336	-0.37
Married	0.067	0.376	0.18
Some college or more	0.468	0.380	1.23

* Significant at the .05 level. ** Significant at the .01 level.

The logistic regression results in Table 11 show that the public sector working Baby Boomers who demonstrate higher levels of knowledge-seeking behavior are more likely to undertake retirement planning by purchasing an annuity. No other factor predicts purchase of an annuity. Only age explains, positively, purchase of long-term care insurance (see Table 12).

Table 11

Logistic Regression Analysis Predicting Purchase of an Annuity

Variables	Odds ratio	Lower confidence limits	Upper confidence limits
Health costs knowledge	0.966	0.782	1.194
Knowledge-seeking behavior	1.485**	1.198	1.840
Older Baby Boomer (1946-1955)	0.996	0.919	1.080
Female	1.146	0.520	2.529
Excellent health	0.854	0.335	2.176
Over $75,000	0.947	0.400	2.238
Married	0.650	0.256	1.649
Some college or more	1.007	0.370	2.739

* Significant at the .05 level. ** Significant at the .01 level.

Table 12

Logistic Regression Analysis Predicting Purchase of Long-Term Care Insurance

Variables	Odds ratio	Lower confidence limits	Upper confidence limits
Health costs knowledge	0.923	0.735	1.159
Knowledge-seeking behavior	1.155	0.935	1.427
Older Baby Boomer (1946-1955)	1.088	0.998	1.185
Female	0.804	0.360	1.794
Excellent health	1.187	0.453	3.112
Over $75,000	2.009	0.780	5.174
Married	0.716	0.273	1.877
Some college or more	0.415	0.163	1.059

* Significant at the .05 level. ** Significant at the .01 level.

Overall, the analysis shows that:

- Baby Boomers' age (older vs. younger), gender, health, household income, marital status, and education do not predict retirement preparation, i.e., retirement-planning activities
- Age (older vs. younger) predicts knowledge-seeking behavior, that is, older people are more likely to engage in knowledge-seeking behavior related to retirement preparation

- Age (older vs. younger) does not predict purchase of an annuity
- Health benefits knowledge does not predict retirement preparation
- Knowledge-seeking behavior does predict retirement preparation, specifically, the purchase of an annuity
- Knowledge-seeking behavior does not predict purchase of a long-term care policy

CHAPTER 5

DISCUSSION OF FINDINGS

Research about preparation for retirement often focuses on financial preparation, such as measuring the use of investment strategies, rates of saving, and types of assets accumulated in order to prepare for older adulthood. Some studies examine the policy implications of public and private benefits programs; a third research perspective analyzes knowledge and use of specific insurance benefits. This exploratory study, however, explores knowledge levels of health benefits and health costs in relation to knowledge-seeking behavior and actions taken to help assure that Baby Boomers' health needs will be taken care of during retirement.

The 20 test statements in the survey instrument fit into two categories: knowledge about health benefits and knowledge about finances needed to pay health care costs during older adulthood. Five additional yes/no statements gathered information about knowledge-seeking behavior, and two yes/no statements gathered information about retirement planning actions. The results of this exploratory study examine relationships among selected personal characteristics of public sector working Baby Boomers and their influence on health knowledge, financial knowledge and knowledge-seeking behavior. Study results also evaluate how various factors affect Baby Boomers' decisions to proactively plan for retirement through the purchase of a long-term care insurance policy or an annuity. The survey statements and correct answers are contained in Appendix A.

Among public sector working Baby Boomers, retirement preparation activities are minimal. I found that few of the Baby Boomers surveyed have made either of the two

purchase decisions named in the study. Of 206 Baby Boomers who provided an answer about the purchase of a long-term care insurance policy, only 35 said they have done so. Of 207 Baby Boomers who replied about the purchase of an annuity, only 45 responded affirmatively. The survey did not measure whether those who purchased one or the other did so because of its availability through their workplace. This research provides only a preliminary look at predictors for the purchase of long-term care insurance. Information not included in this survey about the reasons why people purchase long-term care insurance provide a basis for creating future studies. Potential avenues of exploration include (1) identification of the person/s who made the purchase decision, whether the policyholder himself or younger family members seeking to preserve their inheritance, (2) the timing of the purchase decision, such as early career, mid-career or late career, and (3) the communication source that was successful in motivating the purchase decision, such as an employer, financial planner, family or media.

I found that working Baby Boomers are more likely to take several other steps to begin preparing for retirement, steps related to knowledge-seeking behavior rather than purchasing decisions. This finding is based on my query to Baby Boomers about whether they have attended educational meetings at work about health coverage (164 of 178 survey responses) or financial planning (91 of 178 responses), whether they have used the Internet to find information about health coverage (122 of 147 responses) or financial planning (96 of 147 responses), whether they have attended seminars offered by financial planners about health coverage (43 of 106 responses) or financial planning (93 of 106 responses), whether they have checked to see if their employer

provides retiree insurance benefits (162 of 205 responses), and whether they have talked with family or friends about retirement finances (150 of 207 responses).

The survey results indicate that younger Baby Boomers are not more likely than older Baby Boomers to engage in retirement-planning activities, defined in this study as the purchase of long-term care insurance or an annuity. Thus, there is no demonstrated link between Baby Boomer age (older vs. younger) and retirement-planning activities.

Male Baby Boomers are not more likely than female Baby Boomers to engage in retirement-planning activities. Thus, there is no demonstrated link between gender and retirement-planning activities.

Those with higher household income are not more likely than those with lower household income to engage in retirement-planning activities. Thus, there is no demonstrated link between household income and retirement-planning activities.

Those who are married are not more likely than those who are divorced, widowed or never married to engage in retirement-planning activities. Thus, there is no demonstrated link between marital status and retirement-planning activities.

Those in excellent health are not more likely than those in good, fair or poor health to engage in retirement-planning activities. Thus, there is no demonstrated link between health and retirement-planning activities.

Those who have had some college are not more likely than those with high school or less education to engage in retirement-planning activities. Thus, there is no demonstrated link between education and retirement-planning activities.

Testing of Hypotheses

Support for the hypotheses is as follows:

- H1A: The hypothesis that personal characteristics of Baby Boomers influence knowledge of health benefits in retirement could not be tested because no suitable scale could be created.
- H1B: The data support the hypothesis that personal characteristics of Baby Boomers influence knowledge of health costs in retirement only for the single predictor of age (older vs. younger).
- H2: The data support the hypothesis that personal characteristics of Baby Boomers influence knowledge-seeking behavior only with regard to age. The independent variable age predicts knowledge-seeking behavior, that is, older Baby Boomers appear more likely to have engaged in knowledge-seeking behavior.
- H3: The data support the hypothesis that personal characteristics of Baby Boomers influence taking action to prepare for retirement, in that age (older vs. younger) predicts purchase of long-term care insurance. Only this one personal characteristic variable predicts retirement planning by purchasing long-term care insurance.
- H4: The data support the hypothesis that knowledge-seeking behavior of Baby Boomers influences retirement preparation behavior only for the purchase of annuities.
- H5: The hypothesis could not be tested that more knowledge of health benefits leads to more preparation for retirement. The data do not support the

hypothesis that knowledge of health costs in retirement leads to more preparation for retirement.

Although relationships exist among the independent variables and the intervening variables of knowledge about health benefits and health costs for older adults, the data do not allow for causal relationships to be established. And, because the percentages of those who have purchased either a long-term care insurance policy or an annuity are so small, the study results cannot conclude that knowledge is sufficient to predict behavior.

Age is strongly related to purchasing long-term care insurance; however, the age variable does not indicate when the long-term care insurance policy was purchased. Knowledge-seeking behavior does predict the purchase of an annuity. Thus it can be said that public sector working Baby Boomers are only found to link knowledge-seeking behavior to taking action steps toward preparation for retirement by purchasing an annuity.

CHAPTER 6

CONCLUSION

Baby Boomers have begun their journey into older adulthood, but they are not adequately prepared for the trip. Baby Boomers are expected to live about two years longer than their parents, but there is limited evidence they have given adequate thought to the cost of living a long life.

This research adds evidence to existing research which indicates that Baby Boomers have not taken retirement planning steps that will help them face the costs associated with future health issues. Their knowledge of health benefits and paying for care is limited. Other than age, the personal characteristics used in this study are not shown to influence knowledge-seeking behavior about retirement preparation or taking action to prepare for retirement. Among those who did exhibit knowledge-seeking behavior, it was shown to influence retirement preparation action only for the purchase of an annuity. Researchers will no doubt continue to study this cohort's retirement preparation activities from many perspectives and for many years to come. The diversity of the Baby Boomer cohort and the placement of Baby Boomers within a unique period of American history make them a fascinating object of study. Because those who have reached age 65 are expected to live an average of 18 more years, and those who live to age 85 can expect to live an average of another 6.4 years, their retirement-planning decisions will have a profound impact of the cost and delivery of health services. As mid-century approaches, the 18.9 million Baby Boomers who will be 85 or older will comprise the largest-ever group of older Americans who will use health services and who will need a way to pay for them. Although some Census Bureau statistics indicate

that Baby Boomers are a homogenous group, other statistics reveal that there are significant distinctions among them: 82.2% of the 78 million Baby Boomers in the U.S. are white and non-Hispanic, 74.1% are currently employed, 65.6% are currently married, but only 28.9% have at least some college education. In 2030, there will be about 58 million living Baby Boomers, with the number of females, 32 million, outpacing the number of males, 26 million.

This study was designed to measure Baby Boomers' readiness for retirement based on their knowledge of health benefits and finances needed to pay for care in older adulthood. This chapter provides a summary of the exploratory research, includes a section on research implications, and provides recommendations for further study.

Summary of Findings

This research examined knowledge levels of public sector working Baby Boomers about health issues during retirement years and the cost of paying for health services. The sample group consists of 209 individuals born between 1946 and 1964.

Data were gathered in 2011 from a convenience sample of Baby Boomer employees who work for three city governments in the Dallas-Fort Worth, Texas, metropolitan area. The geographic region where the study took place is comprised of urban, suburban and rural areas and is characterized by a growing population. The written survey, which was administered online via SurveyMonkey® software, included 20 statements about health benefits and the cost of health services. Other survey statements were aimed at finding out whether Baby Boomers had taken any of the five listed steps considered to be knowledge-seeking behaviors. Two survey statements

measured how many working Baby Boomers have purchased either a long-term care insurance policy or an annuity as a way of preparing for retirement. In addition to information about birth year, data were gathered about the following personal characteristics: gender, household income, marital status, health and education. Survey respondents were asked to agree, disagree or indicate a “don’t know” response to the 20 statements. Specific statements related to knowledge-seeking behavior included the following action steps: attended educational meetings at work, used the Internet to gather information, attended seminars offered by financial planners, checked to see if their employer offers retiree insurance, talked with family or friends about retirement finances, purchased long-term care insurance, or purchased an annuity.

The research proposal was approved by the Institutional Review Board at the University of North Texas as Human Subjects Application Number 11-075 on March 31, 2011, for the collection of survey information from employees at the City of Denton and was approved April 18, 2011, for the collection of survey information from employees at the cities of Frisco and Grand Prairie. Signed and dated letters from each city were submitted to the IRB to indicate the cities’ approval to collect data at their sites. The SurveyMonkey® software used to collect data provided informed consent information and required electronic agreement that participation was voluntary before survey statements could be accessed. Those who accessed the online survey were informed that they could withdraw from the survey at any point and that their responses were confidential, since none of the information provided by the participants could be linked back to them.

Knowledge about the health of older adults is defined as knowing whether most older adults live in nursing homes, whether older people stay in the hospital longer than younger people, whether most older people want doctors to use any means possible to extend their life, whether Baby Boomers have a good chance of living longer than their parents, whether the best place to get care for ongoing serious illnesses is in a nursing home, whether people 85 and older have higher out-of-pocket health expenses than people 65 to 84, whether most people who are very old die quickly when they have serious health issues, whether women are more likely than men to need long-term care services, whether a person may not be able to purchase long-term care insurance if he has a pre-existing condition, and whether a person's health is one of the determining factors for getting Medicare coverage.

Knowledge of retirement finances related to the cost of health care services is defined as whether people can get a larger Social Security retirement check if they work past their full retirement age, whether most older adults pay only minor out-of-pocket costs for their health care, whether older adults seldom declare bankruptcy, whether Medicare pays the cost of living in a nursing home, whether living alone makes it harder to make ends meet, whether people with a terminal illness can use Medicare's hospice benefit once a year, whether Medicare Part A covers the cost of doctors' services, whether Medicare Part B covers hospital costs, whether Medicare Part D covers some of the costs of prescription drugs, and whether Medigap insurance policies cover elective surgeries that are not covered by Medicare.

The independent variables in this research are personal characteristics consisting of age, gender, household income, marital status, health and education.

Mediating variables are Baby Boomers' health benefits knowledge, health costs knowledge, and knowledge-seeking behaviors. Specific action taken to plan for retirement, defined as purchase of a long-term care insurance policy or purchase of an annuity, is the dependent variable.

Major Findings

Research results show that this public sector working Baby Boomer group is not prepared for retirement, as evidenced by the fact that retirement-planning activities are minimal. Few of the Baby Boomers surveyed have made either of the two purchase decisions named in the study. Of 206 Baby Boomers who provided an answer about the purchase of a long-term care insurance policy, only 35 said they have done so. Of 207 Baby Boomers who answered a survey question about the purchase of an annuity, only 45 responded affirmatively. Public sector working Baby Boomers are more likely to take steps related to knowledge-seeking behavior than to make purchasing decisions. This finding is based on a query to Baby Boomers about whether they have attended educational meetings at work about retirement, whether they have used the Internet to find information, whether they have attended seminars offered by financial planners, whether they have checked to see if their employer provides retiree insurance benefits, and whether they have talked with family or friends about retirement finances.

The research findings support or do not support the hypotheses as follows:

- H1A: The hypothesis that personal characteristics of Baby Boomers influence knowledge of health benefits in retirement could not be tested because no suitable scale could be created.

- H1B: The data support the hypothesis that personal characteristics of Baby Boomers influence knowledge of health costs in retirement only for the single predictor of age.
- H2: The data support the hypothesis that personal characteristics of Baby Boomers influence knowledge-seeking behavior only with regard to age. The independent variable age predicts knowledge-seeking behavior, that is, older Baby Boomers appear more likely to have engaged in knowledge-seeking behavior.
- H3: The data support the hypothesis that personal characteristics of Baby Boomers influence taking action to prepare for retirement, in that age predicts purchase of long-term care insurance. Only this one personal characteristic variable predicts retirement planning by purchasing long-term care insurance.
- H4: The data support the hypothesis that knowledge-seeking behavior of Baby Boomers influences retirement preparation behavior only for the purchase of annuities.
- H5: The hypothesis could not be tested that more knowledge of health benefits leads to more preparation for retirement. The data do not support the hypothesis that knowledge of health costs in retirement leads to more preparation for retirement.

Baby Boomer survey respondents overwhelmingly know they are likely to live longer than their parents and that they are not likely to die quickly from serious health issues. They realize that the best place to get care for ongoing serious illnesses is not in a nursing home, and that they are not likely to live in one. Baby Boomers also recognize that the cost of paying for their health care involves more than paying minor out-of-

pocket expenses, but only a third recognize that the oldest old pay more out of pocket for care than the young old. More than half of the survey respondents correctly recognize that older people stay in the hospital longer than younger people. Their knowledge of specific Medicare benefits is very limited.

The survey results indicate that, related to retirement preparation, younger Baby Boomers are not more likely than older Baby Boomers to engage in retirement-planning activities, male Baby Boomers are not more likely than female Baby Boomers to engage in retirement-planning activities, those with higher household income are not more likely than those with lower household income to engage in retirement-planning activities, those who are married are not more likely than those who are divorced, widowed or never married to engage in retirement-planning activities, those in excellent health are not more likely than those in good, fair or poor health to engage in retirement-planning activities, and those who have had some college are not more likely than those with a high school or less education to engage in retirement-planning activities.

Thus, there is no demonstrated link between Baby Boomer age, gender, health, household income, marital status, or education and retirement preparation.

Those who demonstrate higher levels of knowledge-seeking behavior are more likely to undertake retirement preparation by purchasing an annuity. No other factor predicts purchase of an annuity. Only age explains, positively, purchase of long-term care insurance. Other than for age, this study could not establish causal relationships among the independent variables and the mediating variables of knowledge about health costs and knowledge-seeking behavior. Because few survey respondents have

purchased either a long-term care insurance policy or an annuity, the results cannot conclude that overall, knowledge is sufficient to predict behavior.

Implications of Survey Findings

Some Baby Boomers are prepared for retirement, but the size of the cohort dictates a focus on the millions who are not. As noted in the literature review, although about half of Baby Boomer households are expected by some researchers to maintain the standard of living they have while working, many low-income, low-education Baby Boomer households are likely to have a lower standard of living in retirement and many will depend on public benefits. Those who live longer, widows, those who live alone, and those who worked at low-paying jobs are particularly vulnerable to poverty in retirement. As individuals join the ranks of the old-old, they are disproportionately women, individuals living alone, those who are physically or mentally frail, those who are unable to work, and those who have limited savings and health benefits. Older adults who have the lowest income experience higher health care costs than those with higher incomes, according to national statistics, and by the time older adults reach 85 years of age and older, their health care costs are considerably higher than those experienced by Medicare enrollees ages 65 to 74. The discussion of adequate finances for health care is especially bleak for certain Baby Boomers when race and household living arrangement are reviewed. Among the 20% of people age 65 and older who are minorities (U.S. HHS, 2010a), many will experience disparities in lifetime earnings and have limited opportunities to make financial investments for retirement. These

limitations will negatively impact the availability of finances to pay for care during retirement.

In 2008, the median income of family households overall, where the head of the household was age 65 or older, was $44,188. Distinguished by race, the median income for such households was $48,859 for Asians, $46,527 for non-Hispanic Whites, $35,025 for African-Americans, and $32,901 for Hispanics (U.S. HHS, 2010a). Viewed by gender, the median annual income for individuals the same year was $14,559 for females and $25,503 for males.

Household living arrangement also plays a role in retirement finances. While about 55% of individuals age 65 and older live with a spouse, another 31% of older adults live alone. Although marital status does not equate to living arrangement, it is one facet of both the income and assets available to a household. Living arrangements vary, including living with a spouse, living alone, living with adult children, or sharing living quarters with unrelated adults. As individuals age, the proportion of those who live with a spouse decreases, as women outlive men. By the time women reach age 75, only 29% live with a spouse (U.S. HHS, 2010a). The highest poverty rates in 2008 were experienced by Hispanic women and African-American women who lived alone (U.S. HHS, 2010a). In a future research study, examination of the influence of these characteristics would provide additional insights about knowledge-seeking behavior and retirement preparation.

Thus for many, the challenges of growing older present significant obstacles toward paying for care.

As researchers continue to probe aspects of the Baby Boomer cohort, data gathered from this survey raise additional research questions:

- Why are Baby Boomers not preparing for retirement?
- What are the implications of the fact that although women are more likely than men to need long-term care services, whether at home or in a facility, knowledge of this fact among females is limited?
- What is the significance of Baby Boomers' lack of knowledge about the coverage provided by various types of retiree insurance, particularly Medicare?
- How can further research illuminate the need for more education about costs that might be encountered as Baby Boomers move from being young-old to becoming old-old, as evidenced by the lack of knowledge by Baby Boomers that adults 85+ have higher out-of-pocket health expenses than people ages 65 to 84?
- How does the rising trend of bankruptcy among older adults affect the need for more retirement education and preparation?
- How does lack of knowledge about payment options for long-term services and supports, such as living in a nursing home, impact educational efforts by the government and by employers?
- To what extent is more knowledge needed about coverage provided by supplemental insurance policies?
- How will policymakers address the taxpayer burden that will result from Baby Boomers' lack of financial sufficiency?

Recommendations for Further Study

Further research is needed to measure the influence of other Baby Boomer characteristics, such as race and living arrangement, to measure their influence on health benefits and health costs knowledge, and how that knowledge, in turn, affects retirement planning. More research also is needed to examine relationships among health benefits knowledge, health costs knowledge, and knowledge-seeking behavior, as well as relationships among these intervening variables and variables such as retirement age, downsizing, relocation or unplanned changes in income or assets. There also would be value in replicating this study with a larger sample so that the results would be more representative, replicating it at specific time periods in the future in order to measure changing patterns of knowledge and behavior, and adding a qualitative aspect to the research.

Additional studies also can help shed light on the types of educational interventions that have effectively increased Baby Boomer knowledge levels about aspects of retirement finances, as well as the vehicles used to provide education. Future research about barriers that prevent individuals from purchasing either long-term care insurance or an annuity would assist those who design educational presentations for Baby Boomers. And, among those who have attended educational presentations, additional research can help measure Baby Boomers' attitudes toward the timing of purchase decisions, budgetary pressure they currently experience, and their evaluation of their current finances. Specific aspects of research related to educational presentations might include (1) whether individuals purchased a product such as an annuity or long-term care insurance, plan to purchase such a product in the future, or

don’t plan to purchase, (2) whether their potential investment income is used to pay the expenses of caring for both children and older parents, i.e., they are a sandwich generation caregiver, and (3) their attitude toward their own financial condition after attending a presentation, such as encouraged or discouraged. Further research about the availability of long-term care insurance through payroll deduction would provide insights about the importance employers place on this insurance product, especially in light of the recent trend toward fewer marketplace options for such a purchase. Other research efforts could seek data on aspects of employers’ retirement offerings, such as defined-benefit pensions or defined-contribution plans, or other 401-type plans.

Other potential research topics have been suggested by those who have already conducted research to distinguish the differences among this vast cohort. Some of these topics include:

- Attitudes toward retirement planning, such as variety of choices, the concept of autonomy, changing choices over time, and cultural traditions and norms
- Individual ability to understand health care and financial concepts, including benefits coverage and choices and the impact of decision making
- The emotional process of retirement, including distrust of financial institutions, avoidance of unpleasant thoughts about retirement, confusion about benefits options, anxiety about financial security, satisfaction with retirement decisions, ability to cope with changing health needs
- Life transitions and lifestyle changes that occur with aging, such as empty nest, intergenerational dependence, quality of life, and lack of social supports
- Changes in the workplace environment and how they influence retirement patterns and trends

APPENDIX A

SURVEY INSTRUMENT AND SURVEY ANSWER KEY

Please indicate whether you “agree,” “disagree” or “don’t know”:

Statements	Agree	Disagree	Don’t know
1. Most older adults (65+) live in nursing homes.			
2. Older people stay in the hospital longer than younger people.			
3. Most older people want doctors to use any means possible to extend their life.			
4. Baby Boomers have a good chance of living longer than their parents.			
5. The best place to get care for ongoing serious illnesses is in a nursing home.			
6. People 85 and older have higher out-of-pocket health expenses than people 65 to 84.			
7. Most people who are very old die quickly when they have serious health issues.			
8. Women are more likely than men to need long-term care services (home and facility care).			
9. A person may not be able to purchase long-term care insurance if he has a pre-existing condition.			
10. A person’s health is one of the determining factors for getting Medicare coverage.			
11. People can get a larger Social Security retirement check if they work past their full retirement age.			
12. Most older adults pay only minor out-of-pocket costs for their health care.			
13. Older adults seldom declare bankruptcy.			
14. Medicare pays the cost of living in a nursing home.			
15. Living alone makes it harder to make ends meet.			
16. People with a terminal illness can use Medicare’s hospice benefit once a year.			
17. Medicare Part A covers the cost of doctors’ services.			
18. Medicare Part B covers hospital costs.			
19. Medicare Part D covers some of the costs of prescription drugs.			
20. Medigap insurance policies cover elective surgeries that are not covered by Medicare.			

Survey Answer Key

1. Disagree	2. Agree	3. Disagree	4. Agree	5. Disagree
6. Agree	7. Disagree	8. Agree	9. Agree	10. Disagree
11. Agree	12. Disagree	13. Disagree	14. Disagree	15. Agree
16. Disagree	17. Disagree	18. Disagree	19. Agree	20. Disagree

Please provide the following information:

21. Year of birth: _____

22. Gender: ☐ Male ☐ Female

23. Household annual income:
☐ Under $30,000 ☐ $30,000-$75,000 ☐ $75,000-$140,000 ☐ $140,000 or over

24. Marital status:
☐ Married ☐ Divorced ☐ Widowed
☐ Never married ☐ Separated

25. Health:
☐ Excellent ☐ Good ☐ Fair ☐ Poor

26. Education:
☐ Grade school ☐ High school ☐ Some college

	Health Coverage	**Financial Planning**
27. I have attended educational meetings at work about:	_____	_____
28. I have used the Internet to find information about:	_____	_____
29. I have attended seminars offered by financial planners about:	_____	_____

30. I've checked to see if my employer provides retiree Insurance benefits. ☐ Yes ☐ No

31. I've talked with family or friends about retirement finances. ☐ Yes ☐ No

32. I have purchased long-term care insurance. ☐ Yes ☐ No

33. I have purchased an annuity. ☐ Yes ☐ No

APPENDIX B

ITEMS TO BE USED FOR INDICES

1. Knowledge about health benefits

Most older adults (65+) live in nursing homes (Statement 1).
The correct answer was “disagree.”
95.2% answered correctly, 1.4% answered incorrectly, 3.4% didn’t know

Older people stay in the hospital longer than younger people (Statement 2).
The correct answer was “agree.”
57.9% answered correctly, 29.7% answered incorrectly, 12.4% didn’t know

Most older people want doctors to use any means possible to extend their life (Statement 3).
The correct answer was “disagree.”
59.8% answered correctly, 28.7% answered incorrectly, 11.5% didn’t know

Baby Boomers have a good chance of living longer than their parents (Statement 4).
The correct answer was “agree.”
87% answered correctly, 9.1% answered incorrectly, 3.8% didn’t know

The best place to get care for ongoing serious illnesses is in a nursing home (Statement 5).
The correct answer was “disagree.”
89% answered correctly, 6.2% answered incorrectly, 4.8% didn’t know

People 85 and older have higher out-of-pocket health expenses than people 65 to 84 (Statement 6).
The correct answer was “agree.”
33.2% answered correctly, 38% answered incorrectly, 28.8% didn’t know

Most people who are very old die quickly when they have serious health issues (Statement 7).
The correct answer was “disagree.”
66% answered correctly, 25.7% answered incorrectly, 8.3% didn’t know

Women are more likely than men to need long-term care services, whether at home or in a facility (Statement 8).
The correct answer was “agree.”
50.5% answered correctly, 32.2% answered incorrectly, 17.3% didn’t know

A person may not be able to purchase long-term care insurance if he has a pre-existing condition (Statement 9)
The correct answer was “agree.”
71.5% answered correctly, 15% answered incorrectly, 13.5% didn’t know

A person’s health is one of the determining factors for getting Medicare coverage (Statement 10).

The correct answer was “disagree.”
73.8% answered correctly, 16% answered incorrectly, 10.2% didn’t know

2. Knowledge about health costs

People can get a larger Social Security retirement check if they work past their full retirement age (Statement 11).
The correct answer was “agree.”
69.2% answered correctly, 22.6% answered incorrectly, 8.2% didn’t know

Most older adults pay only minor out-of-pocket costs for their health care (Statement 12).
The correct answer was “disagree.”
81.3% answered correctly, 9.6% answered incorrectly, 9.1% didn’t know

Older adults seldom declare bankruptcy (Statement 13).
The correct answer was “disagree.”
40.2% answered correctly, 32.1% answered incorrectly, 27.8% didn’t know

Medicare pays the cost of living in a nursing home (Statement 14).
The correct answer was “disagree.”
60.4% answered correctly, 12.6% answered incorrectly, 27.1% didn’t know

Living alone makes it harder to make ends meet (Statement 15).
The correct answer was “agree.”
68.1% answered correctly, 21.3% answered incorrectly, 10.6% didn’t know

People with a terminal illness can use Medicare’s hospice benefit once a year (Statement 16). The correct answer was “disagree.”
19.6% answered correctly, 8.1% answered incorrectly, 72.2% didn’t know

Medicare Part A covers the cost of doctors’ services (Statement 17).
The correct answer was “disagree.”
12.9% answered correctly, 21.5% answered incorrectly, 65.6% didn’t know

Medicare Part B covers hospital costs (Statement 18).
The correct answer was “disagree.”
13.9% answered correctly, 22% answered incorrectly, 64.1% didn’t know

Medicare Part D covers some of the costs of prescription drugs (Statement 19).
The correct answer was “agree.”
35.1% answered correctly, 5.3% answered incorrectly, 59.6% didn’t know

Medigap insurance policies cover elective surgeries that are not covered by Medicare (Statement 20).

The correct answer was “disagree.”
26.4% answered correctly, 10.6% answered incorrectly, 63% didn’t know

3. Knowledge-seeking behavior

I have attended educational meetings at work about health coverage.
I have attended educational meetings at work about financial planning.
I have used the Internet to find information about health coverage.
I have used the Internet to find information about financial planning.
I have attended seminars offered by financial planners about health coverage.
I have attended seminars offered by financial planners about financial planning.
I’ve checked to see if my employer provides retiree insurance benefits.
I’ve talked with family or friends about retirement finances.

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