Today’s presentation

- Baby boomers’ affect on age distribution
- Racial and ethnic diversity
- Life expectancy and health
- Projected enrollment in private plans
- Past experience with insurance coverage
- Income, assets, and wealth
Baby boomers’ aging contributes to rapid population aging

Medicare enrollment projected to grow rapidly
Workers per HI beneficiary projected to decline

Medicare enrollment (in millions)

- Historical
- Projected

Workers per HI beneficiary

- Historical
- Projected

Note: HI (Hospital Insurance, otherwise known as Medicare Part A).
Source: Boards of Trustees 2014.
The Medicare population will become younger and then older.
The older population (aged 65+) is less racially and ethnically diverse than the total population.

Note: “All other” includes American Indian and Alaska Native and Multiracial.
Health of baby-boomers: Indicators are mixed

- **Positive indicators**
  - Higher life expectancies
  - Lower rates of smoking

- **Negative indicators**
  - Higher rates of obesity
  - Higher rates of diabetes

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**Life expectancy at birth, 1900 - 2010**

Source: U.S. Census Bureau 2014.

**Obesity among adults, 1962 - 2012**

Source: National Center for Health Statistics 2014.
Health of baby-boomers: Indicators are mixed (continued)

- Other indicators less clear
  - Cancer, hypertension and high cholesterol — rates may have increased
  - Heart disease and stroke — rates may be stable

- Higher rates could be result of
  - Increased use of diagnostic testing
  - More aggressive and expansive treatment practices

- Some diseases and chronic conditions lead to higher spending, others do not
Share of beneficiaries in private health plans projected to continue to rise, although at slower rates.

Source: Boards of Trustees 2014 and Congressional Budget Office 2014.
Baby boomers experienced the decline of conventional plans and the rise and fall of managed care.

Notes: PPO (preferred provider organization), HMO (health maintenance organization), and POS (point-of-service).
Source: Kaiser/HRET Employer Health Benefits Survey 2014.
Other evidence on health plan preferences of future beneficiaries

**MedPAC’s focus groups**
Out-of-pocket costs, access to current physicians, and adequacy of provider network are main factors when choosing a health plan

**MedPAC’s interviews with brokers**
While some beneficiaries are willing to tradeoff lower MA premiums for narrow provider networks, many still prefer Medigap to avoid provider networks

**California Medicare CHAT Collaborative (MedCHAT)**
Participants supported provider networks and limited coverage for “low-value” care in exchange for a better benefits package (e.g., coverage for long-term care, transportation, dental and vision.)
Share of beneficiaries with employer retiree health coverage likely will continue to decline

- **Current beneficiaries**
  - Share with employer retiree health coverage declined from 35% in 1996 to 26% in 2011

- **Future beneficiaries**
  - Share of employers offering retiree health coverage has declined over the last decade impacting future retirees

Data are preliminary and subject to change.
Income growth over the past three decades has been modest

Note: In 2013 dollars. Shading indicates economic contractions.
Source: Census Bureau
Effect of the recent recession

- Recent recession characterized by housing, employment and stock market declines
  - Household net worth still a third below 2007 level

- Households nearest retirement
  - Some unique challenges: Less time to recover before retirement, higher asset values, high unemployment
  - But less likely than younger households to experience multiple shocks (foreclosure, unemployment)

- While GDP has recovered to its pre-recession levels, consumer confidence is still low
Households age 55-64 reduced spending, but less so on health care

Source: Department of Labor, Consumer Expenditure Survey
Trends in near term

- Rapid growth in the number of beneficiaries
- New beneficiaries will have experienced the decline of indemnity plans and the rise of PPOs
- New beneficiaries will have greater longevity on average, but potentially higher disease burden due to obesity and related diseases
- Recent recession has worsened some near-retirees’ financial well-being
Trends in longer term

- Increase in the share of beneficiaries in the oldest age categories
- Increase in diversity of the Medicare population
- Some workers will have experience with narrower-network insurance plans, high-deductible plans
- Less employer retiree coverage