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THE AGE *EXPLOSION:* BABY BOOMERS AND BEYOND

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The Age Explosion: Baby Boomers and Beyond is a *pro bono* public service publication whose mission is to develop and implement creative, intergenerational national policies that will prepare the country for the aging of its baby boomers.

2011 in America: A Blueprint for Change

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American history is marked by watershed years that bring great change; 2011 looms over us as one of those momentous years. It is the year when the first members of the 76-million baby boom generation will turn 65, the beginning of traditional "retirement." This is causing policy makers, pundits, and others to contemplate how the coming deluge of aging boomers will affect our society.

The *birth* of the baby boom generation created a demographic upheaval in our society, so it should come as no surprise that the *aging* of the boomers will cause similar disruption. As Richard Hobbs of the American Institute of Architects observed,

> The impact of the aging population on markets, employers, and culture cannot be overstated. Just as the baby boom flooded maternity wards, ignited school construction, and made 'youth' the cultural icon of the 1950s, '60s, and, '70s, the 'senior boom' of this century will shape the 2010s, '20s, and '30s.[1]

The changes beginning in 2011 will be substantial as the largest generation in American history

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begins to leave one stage of life, work, for another, retirement. Of course, the current, typical retirement age in the US, although creeping upward, is about 62 or 63 and not all boomers turning 65 will retire. But 2011 is a focal point of the transformational change and useful shorthand, rather than a single magic year. And it is certainly much nearer than it seems.

These changes will exert enormous pressures on our nation's social structure, and some will not wait until 2011 to boil over. This demographic shift is already triggering changes in work, retirement, health, education, community, and family life. Baby boomers' concerns about three primary issues—*security* (financial well-being; not being rich, but self-sustaining), *health*, and *quality of life* (or, more specifically, maintaining long-term independence)—will increasingly dominate our social agenda.[2] How can we work through the boomer phenomenon to benefit not only the boomers but also successive generations and society as a whole? More pointedly, how do we adapt, as individuals and as a society, to longer life expectancy?

These are questions we have been contemplating at AARP for many years. We have concluded that America has to change—and change substantially—before the upheaval begins in 2011. We need a new vision of 2011 and beyond, framed by productive, high quality of life and active engagement throughout the human life span. We need to change the partnership among government, private institutions, and the public to help our nation cope with the realities of not just aging, but longer life in the twenty-first century.

In mapping out this social change and formulating adequate policies to address it, our national challenge is to improve the quality of people's lives while finding ways to keep America's pension, health care, and other systems affordable and sustainable so they will endure and remain for generations to come. While there is a clear need to motivate individuals to take more personal responsibility for their own well-being, we must also recognize that strengthening our universal institutions—Social Security, Medicare, community service, and education—is more important than ever. These are the foundations upon which to build.

As we build on these foundations, we must make sure that changes in public policy are aligned with social attitudes and practices. To begin with, attitudes toward retirement are changing and how people prepare for retirement is changing as well.

Redefining Retirement

I come from a family of steelworkers in Pittsburgh, and when they retired, they *really* retired. My Uncle Andy came home one day, put his lunch pail down on the front porch, and said, "That's it. I'm retired." Except for his afternoon walk down to the Italian club, he sat on the front porch.

At that time, the economic foundation for retirement was the traditional three-legged stool. One paid into Social Security and received a guaranteed income upon retirement. Most workers were enrolled in a company pension plan and maintained a savings account at the local bank. Preparing for retirement was fairly passive and predictable, with a role for government, business, and the individual—Social Security, company pension, and personal savings.

That model is out-of-date and rickety. Today, boomers, and those slightly older, view retirement not as a termination, but as a transition. In response, we need to rethink work and retirement together. Moreover, a secure retirement can no longer rest on a three-legged stool. Now it must be built on four strong pillars: combined pension and savings, continued earnings from work, Social Security, and health insurance.[3]

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Today, retirement planning calls for active engagement. Defined contribution plans such as 401(k)s require employees to make their own savings and investment decisions. So, for practical purposes, corporate pensions and personal savings have become one.

Currently, people have far more personal savings options and investment opportunities. These additional choices should encourage more people to save, but they also mean that people need more help to be able to do that. Should government guide individuals toward wise savings and investment choices? How well can it regulate investment information? What is the responsibility of the corporation, which may have an interest in employees investing in company stock or in its own financial products? Employee choice and employee protection are difficult to balance, as we have seen in recent corporate disasters that have demolished retirement plans and savings. We

need to get this right, and help people navigate these difficult waters, for the good of the individual and of society.

We also need to make the option to continue working viable. Many baby boomers see continued earnings from work as part of their so-called "retirement" future, and retirement is becoming an integration of education, work, and leisure. But for this to become real, individuals must be willing and able to learn new skills and adapt to changing work environments. Likewise, for employers to get the most out of an aging workforce, they must refine such strategies as flexible work schedules, telecommuting, training and education, phased retirement, and "bridge jobs" that offer new experiences and work-life flexibility.

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Government must support a new vision of continued earnings from work in retirement as well. Congress outlawed most forms of age discrimination at work in 1967 with the Age Discrimination in Employment Act (ADEA), yet the Equal Employment Opportunity Commission (EEOC) reports that age discrimination complaints are increasing as the workforce grows older. The ADEA covers workers beginning at age 40, well below traditional retirement age or the qualifying age for Social Security. So this is not just an "elder issue," but one that requires broader social acknowledgement and policies.

There is no magic age at which someone can no longer work. Given generally better health and longer life expectancies, many people of "retirement age" have another ten or 20 or more vigorous years ahead of them. Why waste this human capital? Why, in an economy that needs brain more than brawn, should we fail to offer employment—including new training—to people who are willing to learn and to work? Some industries are begging for workers, even in hard times. It is poor vision and poor policy to ignore older people. If, in order to live decently, they still need to work, it is unjust to deny them the opportunity.

The third of the four pillars, Social Security, is the only portion of retirement income that is guaranteed and remains the foundation—in many cases, the only source—of retirement income. It also provides disability and survivor benefits for all ages. Although Social Security can pay full benefits until

2042, now is the right time to work on long-term solutions. We must think about measures that improve *overall* retirement savings and security, especially at a time when Americans face greater risk for all their other sources of retirement income. We need to recognize Social Security's role in the retirement income framework and strengthen it for future generations, as well as to help people achieve greater savings in addition to Social Security. Making Social Security solvent for the long term requires difficult choices and, the longer we delay, the tougher the choices.

The fourth and final pillar is health insurance. The need for medical insurance throughout life has become painfully obvious. Around 1960, a "major medical policy" was a cheap way to insure against hospitalization, and the rest of medical care could largely come out-of-pocket. The middle class, at least, could afford to go to the doctor and pay for needed care. That is no longer true for many. Since older people tend to consume more medical services, it is an increasingly important pillar of economic security in later life. Moreover, medical coverage must also protect the assets of young people so that they may save and build them.

Essentially, all four pillars of security must be built early in life. While we refer to them as the means of support in retirement or later in life, we also must look at their role over the life span, and not just in the later decades of an individual's life. Yes, Social Security and Medicare come into play late, but contributing to them through work begins early, just as personal saving and work itself must begin early in life. Preparation for old age does not start at the last minute, nor should public policies focused on aging affect only older people.

Health

In addition to improved policies on savings and work and a strengthened role for Social Security, we need better national policies on health. Older Americans are generally healthier than previous generations, but as people advance in age, they spend more time, energy, and money on their health—caring for it and paying for it.

AARP has identified five primary factors and associated challenges that will continue to drive the health security of 50+ Americans:[4]

1. There is growing reliance on prescription drugs and other new health technologies. This has brought about major changes in the delivery of

health care and has increased health-care costs and coverage structures. Our challenge is to make sure that the increasing number of people who require prescription drugs or new health technologies have access to them and can afford them.

2. The systems that serve the chronically ill remain oriented largely toward *acute* medical care even though *chronic* diseases and conditions are more common among people over age 50, especially in the oldest age segments. Increasingly, the health-care needs of this population require a new model encompassing a range of services that span physician, inpatient, outpatient, and long-term care.

3. Greater longevity and the functional limitations that often accompany old age have highlighted the need to improve elders' ability to live independently. We need increased awareness of the significance of quality of life, including during the last stages of life.

4. There is increasing recognition among those who provide and/or pay for care that informed decision-making among patients and caregivers is an increasingly important—yet often missing—dimension in health security. Especially for those needing long-term care, the challenge lies in navigating an uncoordinated patchwork of public and private programs.

5. High and rising health-care costs make care less accessible for many 50+ Americans. Average spending per person over age 50 has increased, fueled largely by the increase in chronic conditions and spending for prescription drugs. Out-of-pocket spending on prescription drugs and long-term care represent the greatest health-related financial risks for older Americans.

Clearly, the above list demonstrates that we need to transform our health-care system to address these trends. Yet the American health-care *system* is a mess—and not just for individuals. Employers and government also struggle with its costs and complexities. Although, in many ways, our health care is the best in the world, for those who can afford it, it is fragmented, wasteful, and as many have said, not really a system at all. We have the world's preeminent medical research enterprise with voluminous information about specific diseases, but very little about maintaining good health in general. Some have described ours as a "disease-care system," because that is our focus. Our

remarkable, publicly funded, medical research is largely focused on combating disease. Privately funded pharmaceutical research and development is based on creating profitable interventions for disease and disorders. This non-system is set up to pay for intervention after disease strikes rather than health promotion and disease prevention.

All the drugs, all the medical devices, all the advanced therapies are important—*once something is wrong with you*. But where are the interventions when nothing is wrong with you—and you want to keep it that way? Health promotion for most sectors of the health-care industry has simply not been high enough on our national agenda. And it needs to be.

Furthermore, to set the system right, both for quality of life and to save money, we need to think about the role of health care—not just for older people, but for our whole society in which younger generations will be living longer than ever before. That means children will need to get a healthy start in life and maintain healthy habits over a lifetime. And we will need to continue support for medical research—especially government and pharmaceutical industry research and development, particularly that which supports healthy living.

We also must deal with utilization—that is, how and how often, people use health care. We can reduce over-utilization with better health education, with more preventive programs, with more focus on the effects of aging and how to counter them, and a greater role for non-physician professionals, such as nurse practitioners.

And finally, we have to accept the economic facts. Health care is expensive—for individuals, for government, and for business. We all have to share in its costs. But we cannot sustain current levels of cost increases as baby boomers age and greater stress is put on the system. So where will we find the efficiencies and the money to make health care affordable for future generations? As discussed above, it seems clear that investing in health promotion can help reduce costs in the long term. Additionally, experience has shown that effective chronic disease management can save huge amounts of money and improve the quality of people's lives. Investing in technology can also help make health care more affordable, for example, in the form of a National Health Information Infrastructure. We can also contain costs by improving services for those with disabilities to help them achieve long-term independence.

In Medicare, we already have a potential model for universal medical coverage. And given what we already know about promoting health rather than merely combating sickness, we have at hand the makings of a transformation in our national health policy. We need the political will and courage to create change. We need to do it before we have a meltdown and certainly before 2011.

Long-term Independence and Quality of Life

Affordable, quality health care is a key to keeping people living independently for as long as possible. Yet within the next two decades, the oldest of the large baby boomer population, now in their late 50s, will begin to swell the ranks of those who will require long-term care services and other accommodations for disability.

Affordable, quality health care is a key to keeping people living independently for as long as possible.

AARP's *Report to the Nation on Independent Living and Disability* raises concerns that America is not prepared to sustain the future needs of our aging population and those with disabilities.[5] Although the vast majority of persons aged 50 and older do not require long-term assistance at any given time, most people will require assistance at some point in their lives, and most families will face these issues with their older members. Yet they and the families who care for them will be frustrated by the absence of a coherent, easily accessible, and affordable "system" to help them retain their quality of life and independence.

Most tellingly, the report indicates that, more than anything, Americans with disabilities fear losing their independence and mobility. In a recent survey of 1,100 people over 50 with a disability, half of them said that in the last month they had been unable to do something on their own that they wanted to, including: getting out of bed, going for a walk, going fishing, going to the grocery store, taking their grandchildren to the park. What is striking about these limitations is that they are so ordinary—activities that most of us take for granted. The fear of losing independence is matched, not surprisingly, by a fear of losing mobility. The ability to get around—to walk, to drive a car, to get up or down the stairs—has a lot to do with our independence. And that,

in turn, has a lot to do with how we see ourselves individually and within our families and society.

While losing one's sense of independence is very difficult, we have learned that there is a related factor that is equally dismaying. It is a sense of "not being in charge." This relates to two things. Obviously, it has to do with being in charge of one's own life on one's own terms: *I want to go to the grocery store now, and not when someone is ready and kind enough to drive me there.*

Secondly, persons with disabilities want to regain more control over their own lives. Those who receive home and community-based services from public programs like Medicaid also want a role in the delivery of those services. They want a say in which services they have, how they are administered, and when and where. Many, for example, would prefer to manage publicly funded services in their homes themselves, and a majority would prefer cash payments so they could buy their own services rather than receive them from agencies. This is a policy issue that must be addressed.

We need innovative ways beyond work, and through work, to capture the accumulated experience, knowledge, wisdom, and skills of Americans as they get older.

Even as we focus on disability, we must remember that age does not equal disability. We already see some promising new trends: the percentage and number of people in nursing homes is declining; the percentage (although not the number) of people 65+ with disabilities is declining; the percentage of people ,who retire early is declining as labor force rates for the 55+ and 65+ are up slightly and "normal" retirement age is edging upward. Americans are coming to understand that, contrary to popular belief, not all older people suffer from disabilities. They don't all live in nursing homes or with their adult children, and most will not get Alzheimer's disease. Many of these negative stereotypes will change as baby boomers move into their older years, because they have always been transformers of US culture.

In fact, about 80 percent of Americans 65 and over have no limitations to their daily activities and are capable of fully contributing to society. We offer

support to the remaining 20 percent who are limited—as we should. But what do we offer to the majority who want to contribute and stay engaged? We need innovative ways beyond work, and through work, to capture the accumulated experience, knowledge, wisdom, and skills of Americans as they get older—what has been called the true wealth of nations. For example, our research tells us that older people want to volunteer even more than they already are and that many of them want to interact with children. This creates opportunities in communities for older people to become involved with schools, with organizations such as Big Brothers/Big Sisters, and with other community organizations. Additionally, in the work world, there must be options such as flexible schedules, retraining, and "bridge jobs" to attract older workers.

Conclusion

The year 2011, the beginning of a new era, is almost tomorrow. We are not ready:

- Baby boomers have not prepared adequately for their long futures.
- Companies are rapidly shifting financial risks and responsibilities to workers and retirees without sufficient preparation and safeguards.
- Government programs are not working as well as they should, and many need to be modernized, better financed, and more engaging to the public.
- We have a health-care system that is designed to pay bills, but doesn't promote health and wellness.
- We have a growing older population that, by and large, is vital and active and possesses great intellectual wealth. Yet we have not structured a social model to optimize their continued involvement.

We need policies and strategies to encourage wealth accumulation, health promotion, opportunities for older workers, and support for long-term independence. We need a new vision of active engagement for elders. We need these along with the social insurance programs—especially Social Security, Medicare, and Medicaid—that have served us so long and so well.

We are now close enough to see what is coming, and we must create a future to address the new realities of 2011 and beyond. To evolve the new

ideas and structures to get the best from all our citizens at every age requires an awakening—an understanding of American social and demographic change. As Kevin Kelly has noted, "Our ability to solve our social and economic problems will be limited primarily by our lack of imagination in seizing opportunities rather than trying to optimize solutions."[6]

This is something we must keep in mind as we create change—as we help our fellow citizens (particularly the aging baby boomers and those younger generations who, inevitably, will age) understand the choices available, take hold of opportunities, reach their chosen goals, and make the most of their lives, from the earliest youth to the greatest old age. 2011 is imminent. America must prepare to meet it.

NOTES

[1] Richard W. Hobbs, FAIA Resident Fellow American Institute of Architects. "Expanding Value Society Horizons," presentation at SAVE International, 41st Annual Conference, May 6, 2001.

[2] *Boomers at Mid-Life: The AARP Life-Stage Study* (Washington, DC: AARP, 2002).

[3] *Beyond Fifty: A Report to the Nation on Economic Security* (Washington, DC: AARP, 2001).

[4] *Beyond 50.02: A Report to the Nation on Trends in Health Security* (Washington, DC: AARP, 2002).

[5] *Beyond 50.03: A Report to the Nation on Independent Living and Disability* (Washington, DC: AARP, 2003).

[6] Kevin Kelly, "New Rules for the New Economy," *Wired* Magazine (September 1997): 12.