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Notes

E X E C U T I V E   S U M M A R Y

2011 Health Confidence Survey: Most Americans Unfamiliar With Key Aspect of Health Reform

THE LATEST HCS: Findings from the 2011 Health Confidence Survey (HCS) demonstrate that, despite the passage of health reform a year ago, most Americans are unfamiliar with health insurance exchanges, a key aspect of the health reform law (the Patient Protection and Affordable Care Act of 2010, or PPACA). Furthermore, dissatisfaction with the American health care system remains widespread; while confidence regarding various aspects of today's health care system is not high, it has neither fallen nor increased as a result of passage of health reform.

OWN PLANS ARE RATED HIGHLY: Americans' ratings of their own health plan are generally favorable. Sixty percent of those with health insurance coverage are extremely or very satisfied with their current plan, and 29 percent are somewhat satisfied, the HCS finds.

DOUBTS ABOUT FUTURE OF HEALTH BENEFITS: Confidence in the future availability of employment-based health benefits has increased compared with longer-term levels. In 2011, 57 percent of individuals with employment-based coverage reported that they were extremely or very confident that their (or their spouse's) employer or union would continue to offer health insurance. While this is up from 52 percent in 2010, the percentage who are extremely or very confident has not reached levels seen 10 years ago. Confidence was as high as 68 percent in 2000.

Is There a Future for Retirement?

EBRI'S 68TH POLICY FORUM: This article summarizes the presentations and discussions at the Employee Benefit Research Institute's May 12, 2011, policy forum, on the topic: "Is There a Future for Retirement?" This was EBRI's 68th policy forum and was attended by about 120 policy and professional experts.

WORKING LONGER: Various reports in recent years suggest that working an extra two or three years would solve the problem of inadequate retirement savings for most people, but this has not been well documented or quantified. New EBRI research presented at the policy forum addressed that question with comprehensive data from its Retirement Security Projection Model.®

IMPLICATIONS: A broad range of experts discussed a variety of key issues related to America's aging work force and the implications of working longer. These include such issues as whether financially feasible retirement ages can be kept within acceptable ranges, and the implications of Baby Boomers and Gen Xers working past age 65.

2011 Health Confidence Survey: Most Americans Unfamiliar With Key Aspect of Health Reform

By Paul Fronstin, Employee Benefit Research Institute

Overview

Findings from the 2011 Health Confidence Survey (HCS) demonstrate that one year after passage of health reform, familiarity with a key aspect of the law remains low. Furthermore, while confidence regarding various aspects of today's health care system is not high, it has neither fallen nor increased one year after the passage of health reform.

The 2011 HCS represents the 14th wave of an annual survey to assess the American public's attitudes regarding the U.S. health care system. Among its key findings:

- The HCS finds that dissatisfaction with the American health care system remains widespread. A majority of respondents rate the health care system as poor (27 percent) or fair (29 percent).

- Confidence about various aspects of today's health care system has remained fairly level regardless of passage of health reform. More than one-half of respondents report being extremely or very confident that they are able to get the treatments they need. Confidence in having enough choice about who provides medical care is largely unchanged from 2010 levels. The percentage of individuals who say they are extremely confident that they are able to afford health care without financial hardship decreased from 16 percent to 12 percent. The decrease was offset by increases in the percentage reporting that they were very or somewhat confident.

- Americans' ratings of their own health plan are generally favorable. Sixty percent of those with health insurance coverage are extremely or very satisfied with their current plan, and 29 percent are somewhat satisfied.

- Satisfaction with health care quality continues to remain fairly high, with 56 percent of Americans saying they are extremely or very satisfied with the quality of the medical care they have received in the past two years. In contrast, just 18 percent are extremely or very satisfied with the cost of their health insurance, and only 15 percent are satisfied with the cost of health care services not covered by insurance.

- Confidence in the future availability of employment-based health benefits increased, after dropping in 2010. In 2011, 57 percent of individuals with employment-based coverage reported that they were extremely or very confident that their (or their spouse's) employer or union would continue to offer health insurance, up from 52 percent in 2010.

- Many Americans see themselves as good consumers of the health care system. Three-quarters report that they always or often have their doctor or medical professional explain to them why a test was needed, and two-thirds say they ask their doctor about the risks of treatment or side effects of medications. Six in 10 indicate they ask about the success rate of the treatment option. Fewer say they always or often bring a list of medications, bring a list of symptoms, ask about less costly treatment options or medications, or ask for less invasive or easier treatment options.

- Many Americans have tried to find objective information about various aspects of health care. One-half tried to find information on the advantages and disadvantages of different treatment options, whereas 1

> in 3 tried to find information about a doctor's training and the costs of different treatments. Fewer had sought information on costs of doctors and hospitals, the number and success rate of hospital-based procedures, or disciplinary actions. Among those seeking information, between 13 percent and 36 percent found all of the information they sought, whereas between 47 percent–79 percent found some of the information being sought.

When it comes to the recently passed PPACA, most Americans are not familiar with the health insurance exchange aspect of the law. Only 3 percent report that they are extremely or very familiar with the exchanges, 15 percent are somewhat familiar with them, 19 percent (1 in 5) are not too familiar with them, and 62 percent are not at all familiar with them.

Under the health reform law (the Patient Protection and Affordable Care Act of 2010, or PPACA), each state is to set up an "exchange" (or marketplace) by 2014, where people not covered through their employer's health benefits would shop for health insurance at competitive rates (the federal government will step in if a state does not set one up). The provision is a key part of the law's goal to broaden health insurance coverage, in this case by creating an alternative to employment-based health benefits which currently cover the vast majority of Americans who have health insurance.

The American Health Care System

Health care is not the issue that the majority of Americans consider to be most pressing in America today. They are more likely to identify the economy (32 percent) when asked about the most critical issue; health care (12 percent) is in a statistical four-way tie with the federal budget deficit (14 percent), unemployment (14 percent), and education (11 percent) as the next-most frequently selected issue. Nevertheless, a year after passage of the PPACA and the Health Care and Education Reconciliation Act (HCERA), and implementation of a number of provisions in the legislation, dissatisfaction with the American health care system remains widespread.

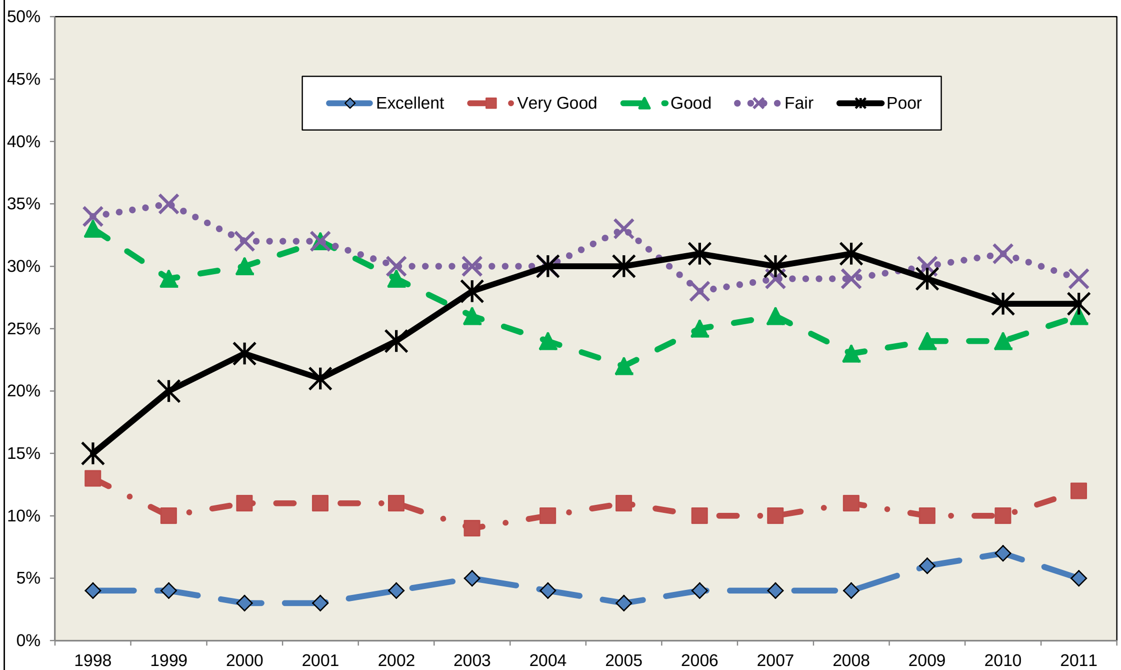
When asked to rate the health care system, a majority describe it as poor (27 percent) or fair (29 percent). One-quarter (26 percent) consider it good, while only a small minority rate it very good (12 percent) or excellent (5 percent). The percentage of Americans rating the health care system as poor doubled between 1998 and 2004 (rising from 15 percent to 30 percent), and while it appears to have dropped slightly, the decline is not statistically significant (Figure 1).

Confidence about various aspects of today's health care system has also remained fairly level so far in the wake of the passage of health reform. More than one-half (57 percent) of respondents report being extremely or very confident that they are able to get the treatments they need (Figure 2). The percentage who are very confident increased from 30 percent in 2010 to 34 percent in 2011, but the change was not statistically significant. There was no change in the percentage who are not too confident and a slight decrease in the percentage who are not at all confident.

Confidence in having enough choice about who provides medical care also shifted slightly, from extremely confident to very confident, yet the total of those who are extremely or very confident that they would have enough choice about who provides their medical care remains unchanged at nearly one-half (47 percent). Thirty-one percent are somewhat confident, and 20 percent are not too or not at all confident.

The percentage of individuals who say they are extremely confident that they are able to afford health care without financial hardship fell from 16 percent to 12 percent between 2010 and 2011, after increasing from 11 percent to 16 percent between 2009 and 2010. Again, between 2010 and 2011 there was a slight shift from extremely confident to very confident. There was an increase from 25 percent to 29 percent in the percentage who are somewhat confident, a slight increase in the percentage not too confident that was not

Figure 1
Rating of Health Care System in America, 1998–2011



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1998–2011 Health Confidence Surveys.

Figure 2
Confidence in Selected Aspects of Today's Health Care System, 2002–2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ability to Get Needed Treatments										
Extremely confident	21%	18%	17%	22%	20%	19%	19%	22%	25%	23%
Very confident	34	33	33	37	33	34	32	35	30	34
Somewhat confident	32	34	34	29	31	32	32	28	26	26
Not too confident	6	7	7	5	7	7	7	7	7	8
Not at all confident	6	6	9	6	8	8	9	8	11	8
Enough Choice About Who Provides Medical Care	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Extremely confident	20%	13%	15%	16%	14%	12%	16%	19%	21%	17%
Very confident	25	30	27	33	28	31	26	30	26	30
Somewhat confident	35	36	36	32	38	35	33	29	30	31
Not too confident	10	11	9	8	7	9	12	11	10	9
Not at all confident	8	9	12	9	11	11	11	10	12	11
Ability to Afford Health Care Without Financial Hardship	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Extremely confident	14%	13%	11%	12%	11%	12%	12%	11%	16%	12%
Very confident	21	19	23	21	18	19	19	20	18	20
Somewhat confident	33	31	31	33	32	31	26	29	25	29
Not too confident	13	16	11	13	13	15	16	12	12	14
Not at all confident	18	21	23	21	25	21	26	26	28	24

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2002–2011 Health Confidence Surveys.

Figure 3

Confidence in Selected Aspects of the Health Care System, Today, During the Next 10 Years, and Once Eligible for Medicare, 2011

	Today	During Next 10 Years	Once Eligible for Medicare (among those not currently eligible)
Ability to Get Needed Treatments			
Extremely confident	23%	11%	7%
Very confident	34	19	13
Somewhat confident	26	37	36
Not too confident	8	16	19
Not at all confident	8	17	22
Enough Choice About Who Provides Medical Care			
Extremely confident	17%	8%	6%
Very confident	30	17	11
Somewhat confident	31	38	34
Not too confident	9	15	19
Not at all confident	11	21	27
Ability to Afford Health Care Without Financial Hardship			
Extremely confident	12%	8%	6%
Very confident	20	13	8
Somewhat confident	29	32	33
Not too confident	14	20	22
Not at all confident	24	26	28

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2011 Health Confidence Survey.

Figure 4

Satisfaction With Current Health Plan, 1998–2011

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Extremely satisfied	16%	15%	14%	12%	13%	14%	16%	17%	18%	17%	17%	21%	25%	23%
Very satisfied	36	38	36	39	39	36	31	37	36	38	36	37	33	37
Somewhat satisfied	35	36	38	35	34	41	36	35	35	33	33	30	30	29
Not too satisfied	8	6	7	7	7	7	9	6	6	5	9	7	6	6
Not at all satisfied	3	3	4	3	6	2	6	4	3	7	5	4	4	5

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1998–2011 Health Confidence Surveys.

statistically significant, and a 4 percentage point decrease in the percentage reporting that they are not at all confident.

Confidence about the health care system decreases as Americans look to the future. While 57 percent of Americans indicate they are extremely or very confident about their ability to get the treatments they need today, only 30 percent are confident about their ability to get needed treatments during the next 10 years, and just 20 percent are confident about this once they are eligible for Medicare (Figure 3). Similarly, 47 percent are confident they have enough choice about who provides their medical care today, but only 25 percent are confident about this aspect of the health care system over the next 10 years, and just 17 percent are confident that they will have enough choice once they are eligible for Medicare. Finally, 32 percent of Americans say they are confident they are able to afford health care without financial hardship today, but this percentage decreases to 21 percent when they look out over the next 10 years, and to 14 percent when they consider the Medicare years.

In contrast to the ratings for the health care system overall, Americans' ratings of their own health plan are generally favorable. Sixty percent of those with health insurance coverage are extremely or very satisfied with their current plan, and 29 percent are somewhat satisfied (Figure 4). Only 11 percent say they are not too or not at all satisfied.

Dissatisfaction with the health care system appears to be focused primarily on cost. Indeed, satisfaction with health care quality continues to remain fairly high, with 56 percent of Americans saying they are extremely or very satisfied with the quality of the medical care they have received in the past two years (Figure 5). In contrast, just 18 percent are extremely or very satisfied with the cost of their health insurance (down from 22 percent in 2010), and only 15 percent are satisfied with the costs of health care services not covered by insurance (down from 19 percent in 2010).

Confidence in the future availability of employment-based health benefits has increased to longer-term levels. In 2011, 57 percent of individuals with employment-based coverage reported that they are extremely or very confident that their (or their spouse's) employer or union would continue to offer health insurance (Figure 6). While up from 52 percent in 2010, the percentage extremely or very confident has not reached levels seen 10 years ago. Confidence was as high as 68 percent in 2000. The increase in confidence levels between 2010 and 2011 was due to an increase from 21 percent to 29 percent reporting that they were extremely confident, which was offset slightly by a decline from 31 percent to 28 percent that were very confident, but the decline was not statistically significant. The percentage reporting that they were somewhat confident in the future availability of employment-based health benefits fell from 30 percent to 24 percent as well.

The Cost of Health Care

Nearly 3 in 5 Americans with health insurance coverage report having experienced an increase in health care costs in the past year (57 percent, up from 54 percent in 2009 and 2010— though not statistically significant—but down from 63 percent in 2007). In response, many of these consumers report they are changing the way they use the health care system. Seventy-four percent say these increased costs have led them to try to take better care of themselves, and 69 percent indicate they choose generic drugs more often. Substantial majorities also say they talk to the doctor more carefully about treatment options and costs (64 percent) and go to the doctor only for more serious conditions or symptoms (59 percent). Between 2010 and 2011, the percentage reporting that they are trying to take better care of themselves decreased slightly, from 80 percent to 74 percent (Figure 7). However, other items in this series of questions remained statistically unchanged.

Figure 5

Satisfaction With Selected Aspects of Health Care Received in Past Two Years, 1998–2011[a]

Quality of Medical Care Received

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Extremely satisfied	15%	13%	12%	13%	13%	15%	14%	15%	15%	14%	17%	19%	21%	20%
Very satisfied	37	35	37	40	39	37	38	42	37	36	32	37	38	36
Somewhat satisfied	30	31	35	32	34	31	31	31	30	35	36	31	27	30
Not too satisfied	4	6	5	4	4	5	5	4	4	5	6	5	5	5
Not at all satisfied	2	3	4	2	3	3	4	5	3	4	5	4	4	4
Don't know/ Refused	1	1	<0.4	<0.5	1	1	1	<0.5	1	1	1	1	1	1
Not applicable	11	11	6	9	6	8	8	3	11	4	3	3	5	4

Cost of Health Insurance

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Extremely satisfied	12%	7%	7%	10%	9%	6%	9%	7%	5%	5%	6%	5%	7%	6%
Very satisfied	17	17	15	19	17	16	16	21	11	13	11	16	15	12
Somewhat satisfied	29	30	29	28	27	24	26	32	27	28	29	28	26	30
Not too satisfied	16	17	18	15	15	19	11	14	16	18	16	18	17	17
Not at all satisfied	13	13	19	15	21	21	23	19	35	30	31	28	28	29
Don't know/ Refused	1	2	1	2	2	1	1	2	1	2	2	2	2	2
Not applicable	12	15	9	12	8	12	13	6	4	3	5	4	4	3

Health Costs Not Covered by Insurance

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Extremely satisfied	7%	5%	5%	7%	5%	4%	6%	7%	4%	5%	4%	6%	7%	5%
Very satisfied	13	15	14	17	15	15	13	14	11	11	11	12	12	10
Somewhat satisfied	27	28	28	28	26	25	26	30	28	29	26	23	21	26
Not too satisfied	16	18	18	15	18	21	15	16	16	18	18	19	14	17
Not at all satisfied	18	15	22	19	23	23	26	22	32	29	28	30	24	30
Don't know/ Refused	3	2	2	2	4	2	2	3	1	1	4	3	4	4
Not applicable	16	17	11	13	8	11	13	10	7	7	9	7	8	7

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1998–2011 Health Confidence Surveys.

[a] Statistics for 1998–2004 were recalculated and may not agree with previously published data. An intervening question screening out respondents who reported these questions were not applicable was omitted from the 2005–2010 HCS. These respondents have been added to the "not applicable" category to achieve rough compatibility with 2005–2011 data.

Figure 6

Confidence That Employer or Union Will Continue to Offer Health Insurance, Selected Years, 2000–2011

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Extremely confident	30%	28%	27%	29%	35%	-	-	28%	-	29%	21%	29%
Very confident	38	36	34	32	27	-	-	30	-	30	31	28
Somewhat confident	25	26	27	26	23	-	-	28	-	25	30	24
Not too confident	4	5	7	8	7	-	-	6	-	7	8	10
Not at all confident	3	4	4	5	6	-	-	6	-	8	8	8

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2000–2011 Health Confidence Surveys.

Figure 7

Changes in Health Care Usage Resulting from Cost Increases, Among Those Experiencing Increase in Costs, 2004–2011

	2004	2005	2006	2007	2008	2009	2010	2011
Try to take better care of yourself	74%	71%	80%	81%	76%	79%	80%	74%
Choose generic drugs when available	81	79	82	78	74	77	73	69
Talk to the doctor more carefully about treatment options and costs	58	57	57	66	63	67	69	64
Go to the doctor only for more serious conditions or symptoms	57	54	56	64	62	64	58	59
Delay going to the doctor	45	40	44	50	47	46	44	44
Switch to over-the-counter drugs	40	33	36	42	39	38	36	36
Look for cheaper health insurance	26	28	26	29	33	29	33	34
Look for less expensive health care providers	28	27	26	33	33	29	34	31
Not fill or skip doses of your prescribed medication	NA	21	22	28	20	25	25	26

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2004–2011 Health Confidence Surveys.

Figure 8

Shifts in Resources Resulting From Cost Increases, Among Those Experiencing Increase in Costs, 2004–2011

	2004	2005	2006	2007	2008	2009	2010	2011
Decrease your contributions to a retirement plan, such as a 401(k), 403(b), or 457 plan, or an IRA	25%	26%	36%	30%	29%	32%	31%	29%
Decrease your contributions to other savings	48	45	53	52	54	53	55	56
Have difficulty paying for basic necessities, like food, heat, and housing	18	24	28	29	27	29	28	25
Have difficulty paying for other bills	30	34	37	36	34	37	37	33
Use up all or most of your savings	26	29	33	28	27	29	29	27
Increase your credit card debt	NA	NA	22	20	22	25	24	19
Borrow money	15	18	21	16	15	20	21	14

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2004–2011 Health Confidence Surveys.

Figure 9

Reported Consumer Behaviors When Visiting Doctor, Among Those Visiting a Doctor, 2011

	Always	Often	Sometimes	Rarely	Never
Have your doctor or medical professional explain to you why a test was needed	59%	14%	14%	6%	7%
Ask your doctor about risks of treatment or side effects of medications	53	14	16	7	10
Ask about the success rate of the treatment option	43	14	17	9	17
Bring a list of symptoms	38	13	21	9	19
Bring a list of medications	46	6	11	9	27
Ask about less costly treatment options or medications	30	15	22	10	23
Ask for less invasive or easier treatment options	30	15	21	11	22

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2011 Health Confidence Survey.

The rising cost of health care also causes many Americans to encounter financial difficulties. Among those experiencing an increase in cost under their plan in the past year, 29 percent state they have decreased their contributions to a retirement plan, and more than half (56 percent) have decreased their contributions to other savings as a result (Figure 8). One-quarter also indicate they have had difficulty paying for basic necessities like food, heat, and housing, while 33 percent say they had difficulty paying other bills. Twenty-seven percent say they have used up all or most of their savings, 19 percent have increased their credit card debt, and 14 percent report borrowing money. These findings are in large part unchanged from the 2010 findings.

Consumer Issues

Respondents to the 2011 HCS were asked several questions about their involvement in decisions about their own health care and the extent to which they might use new tools to make better decisions about their care.

Many Americans see themselves as good consumers of the health care system. Three-quarters (73 percent) report they always or often have their doctor or medical professional explain to them why a test was needed, and two-thirds (67 percent) say they ask their doctor about the risks of treatment or side effects of medications (Figure 9). Slightly more than one-half (57 percent) indicate they ask about the success rate of the treatment option. Fewer say they always or often bring a list of medications (52 percent), bring a list of symptoms (51 percent), ask about less costly treatment options or medications (45 percent), or ask for less invasive or easier treatment options (45 percent). These findings were in large part unchanged from 2010 with three exceptions: There was an 6 percentage point increase in the portion of Americans reporting that they bring a list of symptoms or ask for less invasive or easier treatment options, and a 5 percentage point increase in the portion who always or often bring a list of medications.

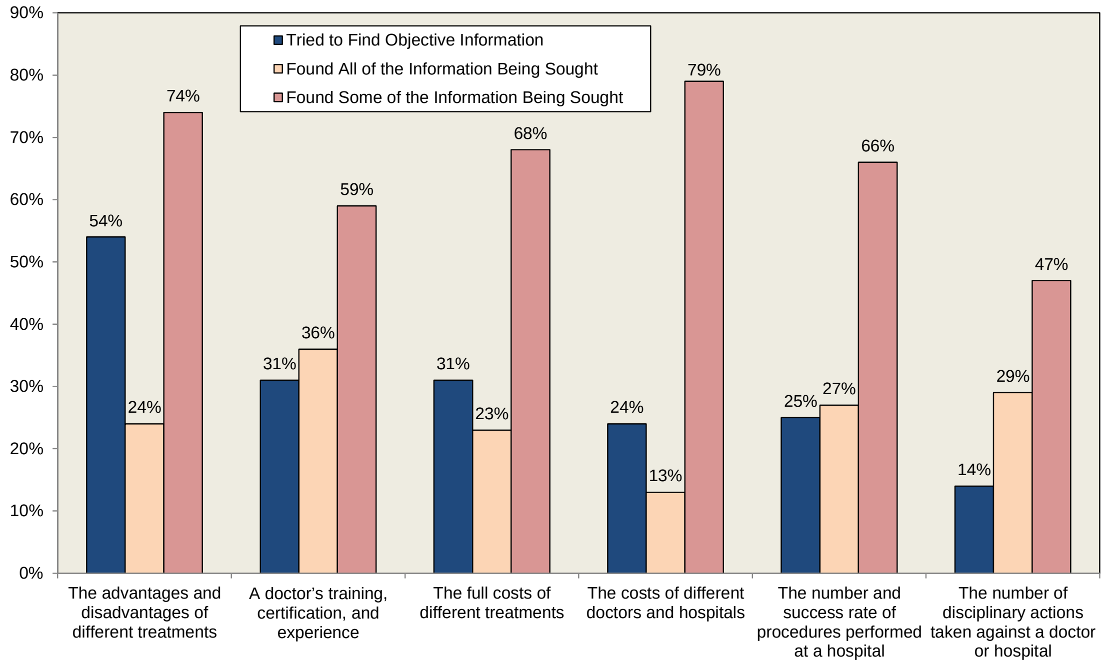
Many Americans have tried to find objective information about various aspects of health care. Nearly one-half tried to find information on the advantages and disadvantages of different treatment options (54 percent, up from 45 percent in 2010), whereas 1 in 3 tried to find information about a doctor's training (31 percent) and the costs of different treatments (31 percent) (Figure 10). Fewer had sought information on costs of doctors and hospitals (24 percent), the number and success rate of hospital-based procedures (25 percent), or disciplinary actions (14 percent). Among those seeking information, between 13 percent and 36 percent (depending on the specific question) found all of the information they sought, whereas between 47 percent and 79 percent found some of the information being sought. Between 2 percent and 8 percent of respondents did not find any of the information they sought (data not shown), except among those looking for information on disciplinary actions (23 percent did not find any of this information).

When it comes to choosing a more effective treatment, one-quarter (24 percent) think an incentive such as lower cost-sharing would be extremely useful in motivating them (Figure 11). Another 28 percent think lower cost sharing would be very useful, and 31 percent think it would be somewhat useful. Only 13 percent think it would be not too or not at all useful.

Health Care Policy

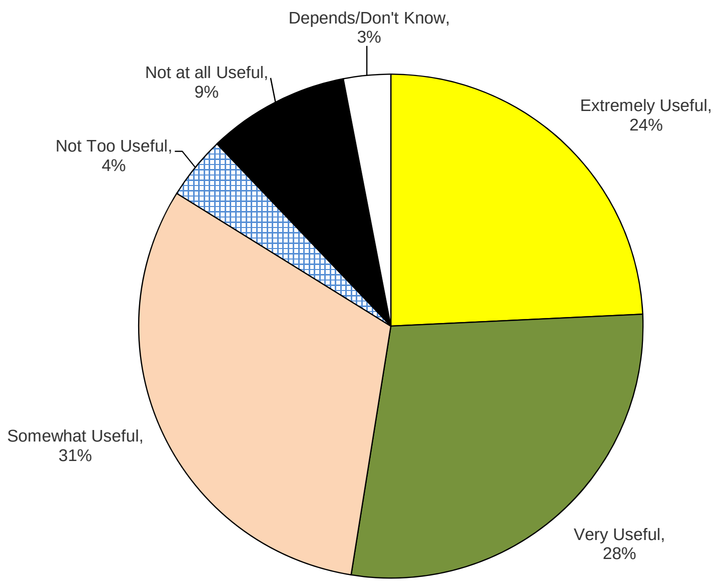
The 2010 HCS asked some basic questions to gauge reactions to questions on Medicare and Social Security, and knowledge of the recently passed PPACA. More than one-half (57 percent) of Americans think that policymakers should address Social Security reform before addressing Medicare. In contrast, 34 percent think that Medicare should be addressed first. Nine percent did not know which program should be addressed first. When it comes to raising the Medicare eligibility age for full benefits to 68 while at the same time lowering the age for partial benefits to 62, most Americans are against it. Nine percent strongly favor such a proposal

Figure 10
Percentage of Americans Seeking Objective Information and Finding It of Use, 2011



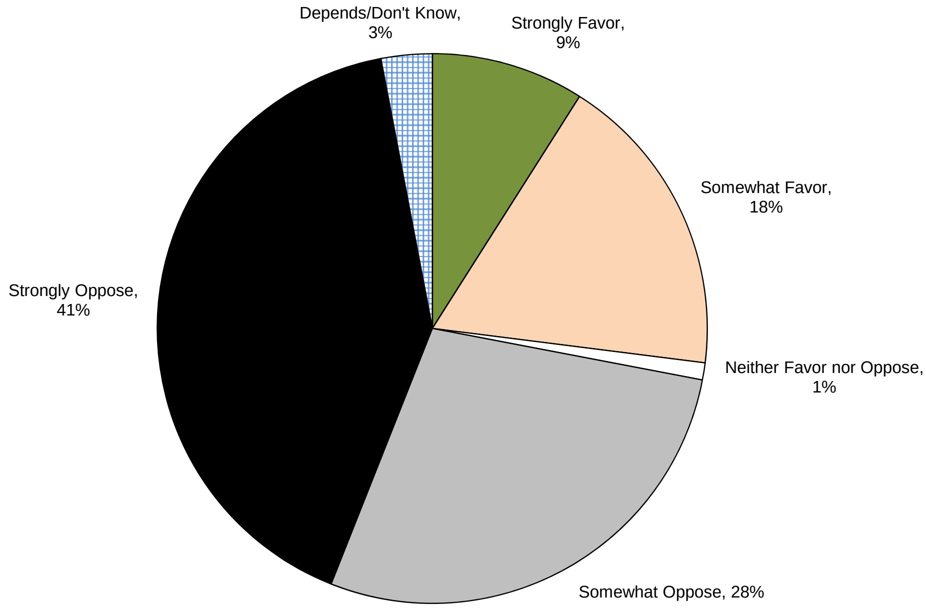
Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2011 Health Confidence Survey.

Figure 11
Usefulness of Incentives for Motivating Individuals to Choose a More Effective Treatment Option, 2011



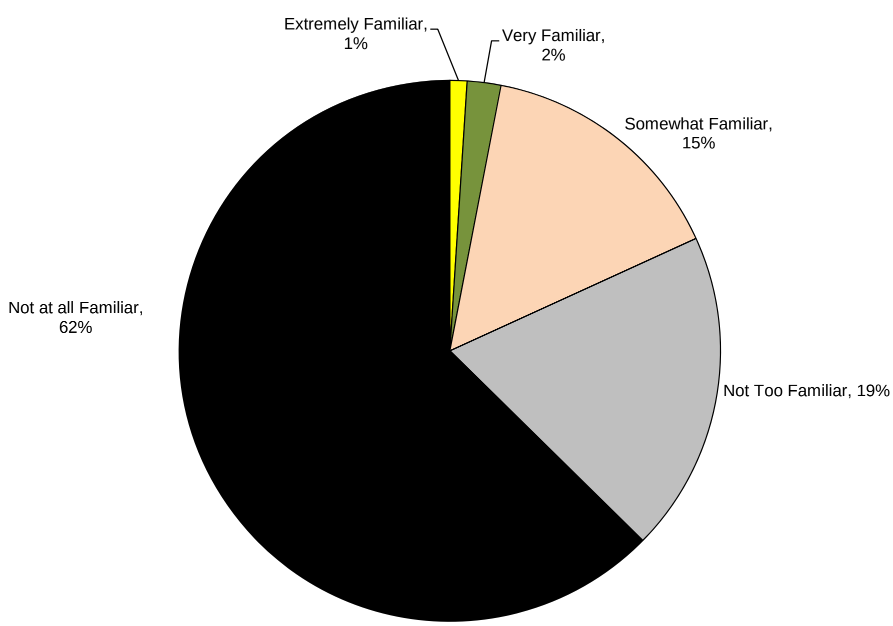
Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2011 Health Confidence Survey.

Figure 12
Support for Raising the Medicare Eligibility Age to 68 for Full Benefits and Lowering the Eligibility Age for Partial Benefits to 62, 2011



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2011 Health Confidence Survey.

Figure 13
Familiarity With Health Insurance Exchanges, 2011



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2011 Health Confidence Survey.

and 18 percent somewhat favor it. In contrast, 28 percent somewhat oppose the idea, and 41 percent strongly oppose it (Figure 12).

When it comes to the recently passed PPACA, most Americans are not familiar with the health insurance exchange aspect of the law. Only 3 percent report that they are extremely or very familiar with health insurance exchanges (Figure 13), 15 percent report that they are somewhat familiar with them, 19 percent (1 in 5) are not too familiar with them, and 62 percent are not at all familiar with them.

The 2011 HCS

These findings are part of the 14th annual Health Confidence Survey (HCS), which examines a broad spectrum of health care issues, including Americans' satisfaction with health care today, their confidence in the future of the health care system and the Medicare program, and their attitudes toward health care reform. The survey was conducted within the United States between May 13 and June 6, 2011, through 20-minute telephone interviews with 1,001 individuals age 21 and older. Random digit dialing with a cell phone supplement was used to obtain a representative cross section of the U.S. population. Interview quotas were established by sex of respondent and employment status, and the data were weighted by gender, age, and education to reflect the actual proportions in the population.

In theory, the weighted sample of 1,001 yields a statistical precision of plus or minus 3.5 percentage points (with 95 percent confidence) of what the results would be if the entire population age 21 and older were surveyed with complete accuracy. However, there are other possible sources of error in all surveys that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, interviewer bias, and screening. While attempts are made to minimize these factors, it is impossible to quantify the errors that may result from them.

The HCS is co-sponsored by the Employee Benefit Research Institute (EBRI), a private, nonprofit, nonpartisan public policy research organization, and Mathew Greenwald & Associates, Inc., a Washington, DC-based market research firm. The 2011 HCS data collection was funded by grants from 12 private organizations listed below. Staffing was donated by EBRI and Greenwald & Associates. HCS materials may be accessed at the EBRI website: www.ebri.org/hcs

Funders

The 2011 Health Confidence Survey was made possible with financial support from:

AARP	IBM
American Express	Mercer
Aon Hewitt	Merck
Blue Cross Blue Shield Association	Nationwide
Buck Consultants	Shell Oil Company
Deere & Company	The Commonwealth Fund

Is There a Future for Retirement?

By Stephen Blakely, Employee Benefit Research Institute

Introduction

An ever-growing number of older American workers are remaining in the work force. Data show the trend began in 1993, as more Americans over ages 55 and 65 began remaining on the job—a trend that continues today.

In the United States, Social Security and other pension programs are pushing up the age at which a retiree will be paid full benefits; more age increases are being debated in Washington and around family dinner tables. For years, the Retirement Confidence Survey® (RCS) has found that more and more workers expect to work to later ages. But even though many people say they always wanted to work into retirement, RCS and other data show that large numbers are forced to leave the work force early, due to health problems, layoffs, or economic changes—hardly the "dream retirement" most have contemplated.

The EBRI Retirement Readiness Rating™ finds that many individuals will need to keep working past normal retirement age in order to have sufficient resources to pay the bills; said another way, they have insufficient resources, even including Social Security and Medicare, to pay their bills. Many articles and papers have been written in recent years suggesting that working an extra two or three years would solve the problem for most people, but this has not been well documented or quantified. But will it be enough if workers simply stay on the job just a few extra years?

New EBRI research presented at this May 2011 policy forum addressed that question with comprehensive data from its Retirement Security Projection Model.® In addition, a broad range of experts discussed a variety of key issues related to America's aging work force and the implications of working longer.

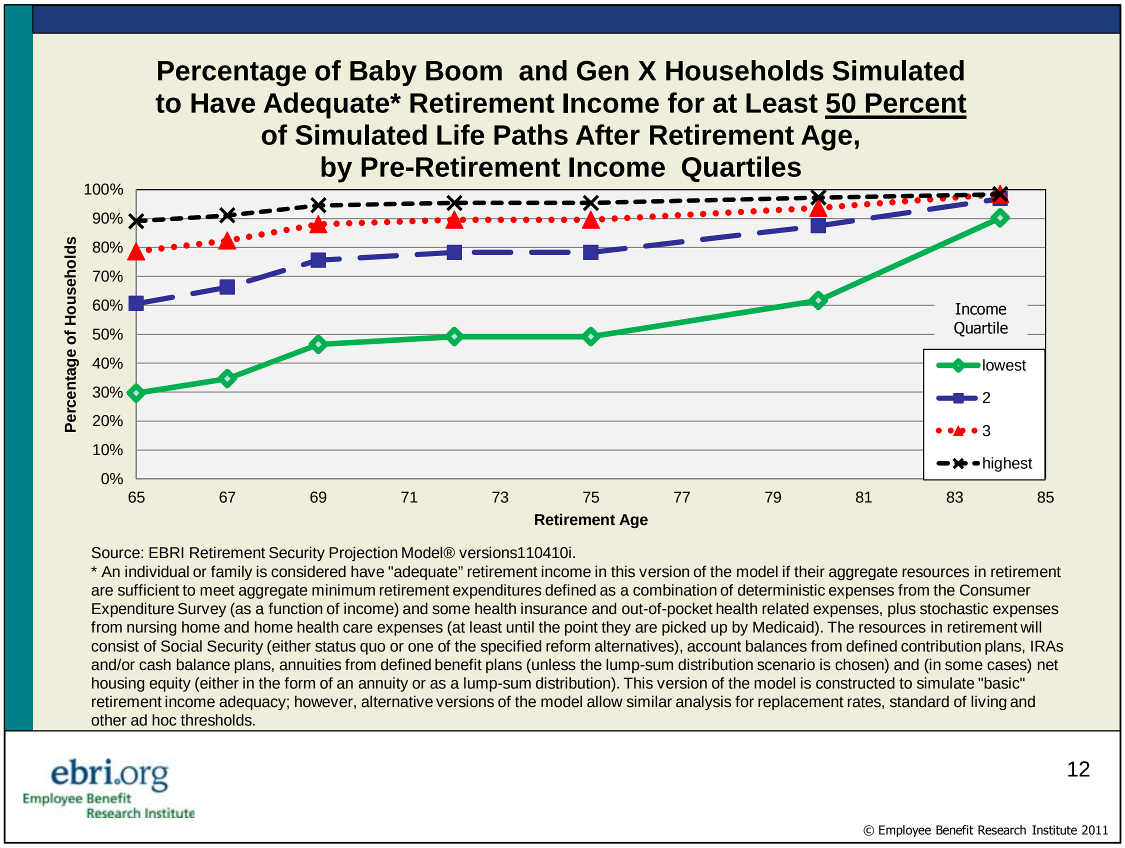
This article summarizes the presentations and discussions at the Employee Benefit Research Institute's May 12, 2011, policy forum, on the topic: "Is There a Future for Retirement?" This was EBRI's 68th policy forum held in Washington, DC, and was attended by about 120 policy and professional experts.

How Long Will Boomers and Gen Xers Need to Work?

Jack VanDerhei, EBRI research director, presented new findings about the impact of deferring retirement age past 65 on retirement income adequacy. Since preretirement income is such an important factor in predicting retirement income adequacy, VanDerhei breaks out results from EBRI's Retirement Security Projection Model™ by income group.

The analysis looks at Baby Boomers (the post-World War II generation born between 1948–1964, currently ages 47–63) and Generation Xers (those born between 1965–1974, currently ages 37–46), and provides results for achieving retirement income adequacy 50 percent of the time (1 in 2 chances), 70 percent of the time, and 80 percent of the time. "Adequacy" is defined as being able to cover basic costs of living, and also being able to cover uninsured health care costs.

The results, published in the June 2011 *EBRI Issue Brief,* show that if Baby Boomers and Gen Xers delay their retirement past the age of 65, many of them still would not have adequate income to cover their basic retirement expenses and uninsured health care costs—especially low-income workers. Even if workers delay their retirement age into their 70s, there is still a chance the household will be "at risk" of running short of money in retirement.



Specifically, for those in the lowest income group, only about 30 percent of low-income households would have sufficient resources to avoid running short of money in retirement 50 percent of the time at age 65; but this increases to about 35 percent if retirement is deferred until age 67 and about 47 percent if retirement is deferred until age 69. These rates go down if a higher chance of success is desired. Because higher-income households start with a much higher chance of success, working longer has less of an impact.

VanDerhei noted that a major factor in improving retirement income adequacy by working past age 65 is whether the worker continues to participate in a defined-contribution retirement plan (such as a 401(k)). The increase in the percentage of households that are predicted to have adequate retirement income as a result of defined contribution participation varies by several factors (such as retirement age and preretirement income level), but this factor makes at least a 10 percentage point difference in the majority of the retirement age/income combinations, VanDerhei said.

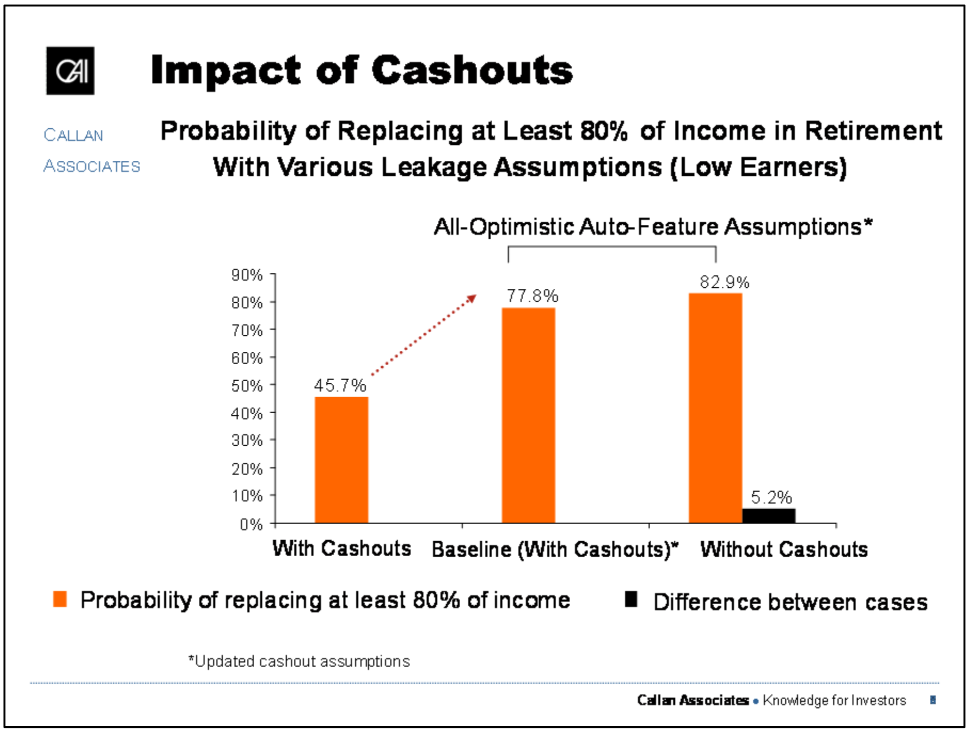
"Will deferring retirement age work? The answer is, obviously, it depends," VanDerhei said. "It depends on what probability of success you're looking for, where you were relative to everybody else in terms of preretirement income, and it certainly depends on whether you still are accruing benefits in a 401(k) plan."

Can Financially Feasible Retirement Ages Be Kept Within Acceptable Ranges?

Lori Lucas, executive vice president and defined contribution practice leader at Callan Associates, focused on ways both plan sponsors and policy makers could help workers save more in their 401(k) plans, through plan design changes and restricting withdrawals for non-retirement reasons.

She presented an expanded analysis from the November 2010 *EBRI Issue Brief,* and a joint publication that month by the Defined Contribution Institutional Investor Association (DCIIA) and EBRI, on the impact of automatic features in 401(k) plans on retirement income adequacy, how automatic enrollment and automatic contribution escalation are being implemented, and what improvements could be made. She also discussed "leakage" of savings in 401(k) plans (such as through cash-outs at job change, hardship withdrawals, and loans), which she said is an increasing area of focus for policymakers and plan sponsors.

Regarding plan design, analysis shows that retirement income adequacy could be greatly improved by setting the default contribution rate for workers who are auto-enrolled into 401(k) plans at 6 percent instead of 3 percent of salary, and increasing the annual auto-escalation rate to 2 percent instead of 1 percent, Lucas said. These changes would be especially helpful if also tied to a couple of other plan-design changes such as a ban on opting out of the 401(k) plan.



Even though many recently enrolled workers appear to be staying at the typical 3 percent default contribution rate, Lucas noted that employers typically recommend they contribute at least 10 percent in order to achieve retirement income adequacy. Since workers often do not take the initiative themselves to increase their savings rate, she warned that a low auto-enrollment default rate may hurt the chances of success for many participants.

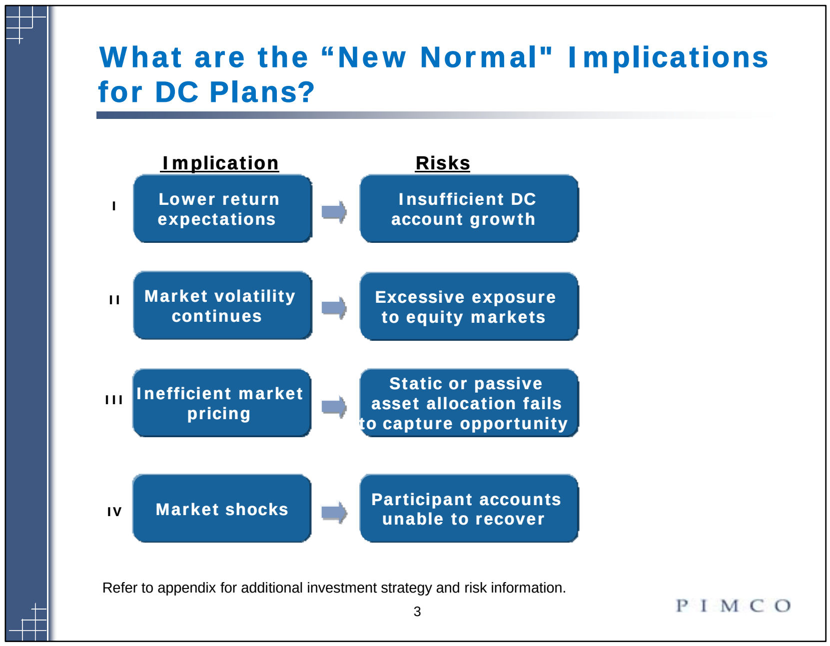
"There's a real disconnect there between how people are being defaulted into the plan and where plan sponsors actually think they need to be," Lucas said.

Regarding "leakage" from 401(k) accounts, Lucas cited EBRI research showing that participant loans appear to have a minimal impact on lowering retirement income adequacy, as long as they are repaid. She said the major threat to retirement income adequacy from leakage is from cash-outs, where workers leaving a job take out all their retirement savings in cash rather than rolling over the assets into an individual retirement account (IRA) or other tax-favored retirement account. She recommended that lawmakers focus on policies that would prevent this from happening.

Stacy Schaus, senior vice president of the Defined Contribution Practice at PIMCO, focused on ways to improve 401(k) participants' investment behavior, with help from plan sponsors, given the fundamental changes that have occurred since the recent recession.

Schaus described "the new normal" for defined contribution plans as lower investment return expectations, continued market volatility, greater regulation, slower growth, inefficient market pricing, and market shocks. Her remedies for dealing with these problems: Lowering return expectations, increasing savings, and greater investment diversification.

Plan sponsors also need to make sure they continue to evaluate volatility, the need for diversification, and how to protect their participants from market shocks, she said, which means their models have to be updated to incorporate the current economic realities—since many have not been.



Schaus noted there are three key factors that will determine whether workers reach their retirement goals or not: saving more, investing better, or retiring later. Since many people may not be able to save more, and may not be able to work later, "investing better is what we usually focus on," she said. That means plan sponsors should provide workers with more help in investing. She presented some modeling results and research from PIMCO on such factors as market volatility, market shocks, and inefficient market pricing.

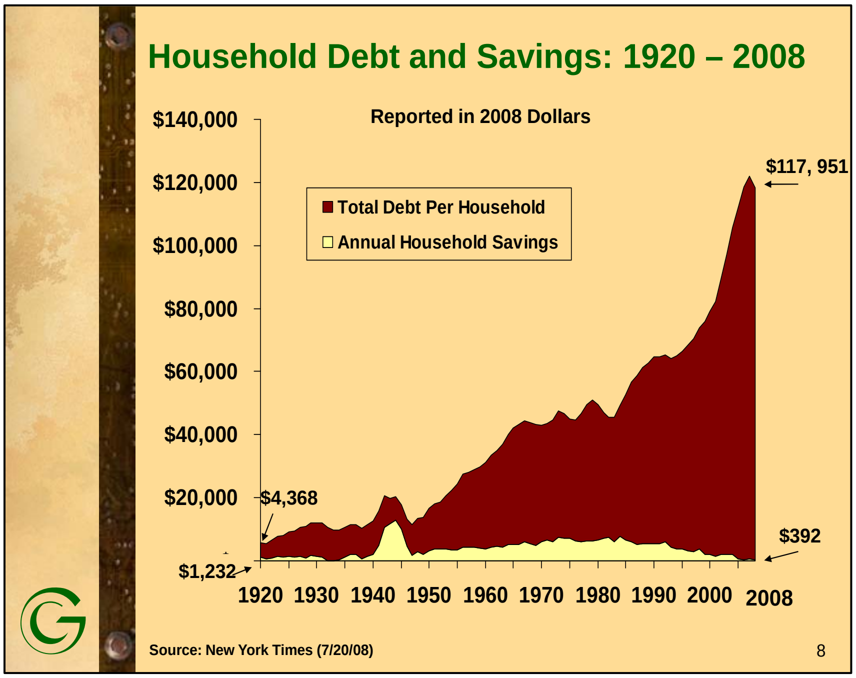
"We can't have unprotected, undiversified investment management and have any real confidence that we're going to get people to where they need to be. We need broader diversification of risks and we need to look at ways to reduce risk, such as through hedging or insurance," Schaus said.

Mathew Greenwald, president of Mathew Greenwald & Associates, focused on how better asset management in retirement can increase financial security.

With the decline of employer-financed defined benefit pensions in the private sector, and the rise of self-directed 401(k) retirement plans that participants are responsible for managing themselves, Greenwald said workers need more help in managing the assets they accumulate over a working career.

"Sometimes when I'm in a bad mood, I say that the goal of defined contribution plans is to help people attain an amount of money they can't understand and they don't know how to manage," Greenwald said. "There are gains we can make if we help people do a better job of managing the money that they've been able to accumulate."

One sign of financial mismanagement is the frightening levels of debt and small savings most Americans have accumulated, he noted. This is especially worrisome given current trends that are weakening retirement security—such as the decline of guaranteed retirement income from fewer defined benefit pensions, likely

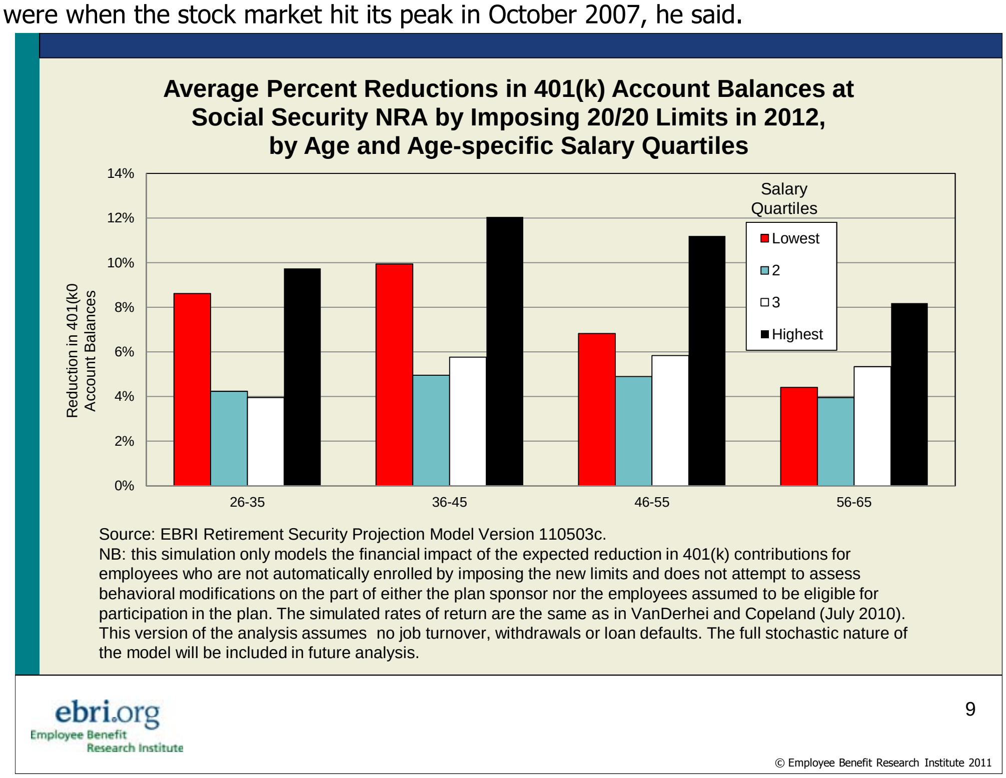


declines in entitlement program income, greater longevity, ever-higher health care costs, and higher lifestyle needs, he added.

Greenwald said financial advice currently given by many financial planners is often "suboptimal," because it fails to address longevity risk (clients outliving their money), automatically assumes people will live to 90−92 without assessing individual health conditions, and does not assess the risk from current spending levels. He also said life annuities are the most cost-effective way for most retirees to cover longevity risk and guarantee they will not outlive their assets.

Jack VanDerhei, EBRI research director, highlighted research from the EBRI/ICI 401(k) database, showing how the average account balance fared during and after the recent recession.

Among consistent 401(k) participants, the vast majority of accounts have more than recovered from investment losses suffered during the recession, he noted. Even in the worst-case scenario (workers with the longest job tenure), EBRI projections show that at least 3 in 4 participants have a nominal account value at least as great as where they were when the stock market hit its peak in October 2007, he said.



VanDerhei also presented new analysis showing that the National Commission on Fiscal Responsibility and Reform's proposed tax reform for 401(k)-type retirement plans would cause the greatest reduction in retirement savings for both the highest- and lowest-income workers.

EBRI's research verified that highest-income workers would be most affected by the Commission's recommendation to "cap the annual tax preferred contributions to (the) lower of $20,000 or 20 percent of income" for 401(k)-type plans (known as the "20/20 cap") starting in 2012. This is not surprising, since those with high income tend to save the most in these kinds of retirement plans. However, VanDerhei said the cap also would cause a big reduction in retirement savings by the lowest-income workers as well.

The analysis finds that for each age group (except for the oldest), the lowest-income group would have the *second-highest* average percentage reductions in 401(k) balances at retirement. Primarily, this is because their current or expected future contributions would exceed 20 percent of compensation when combined with employer contributions, he noted.

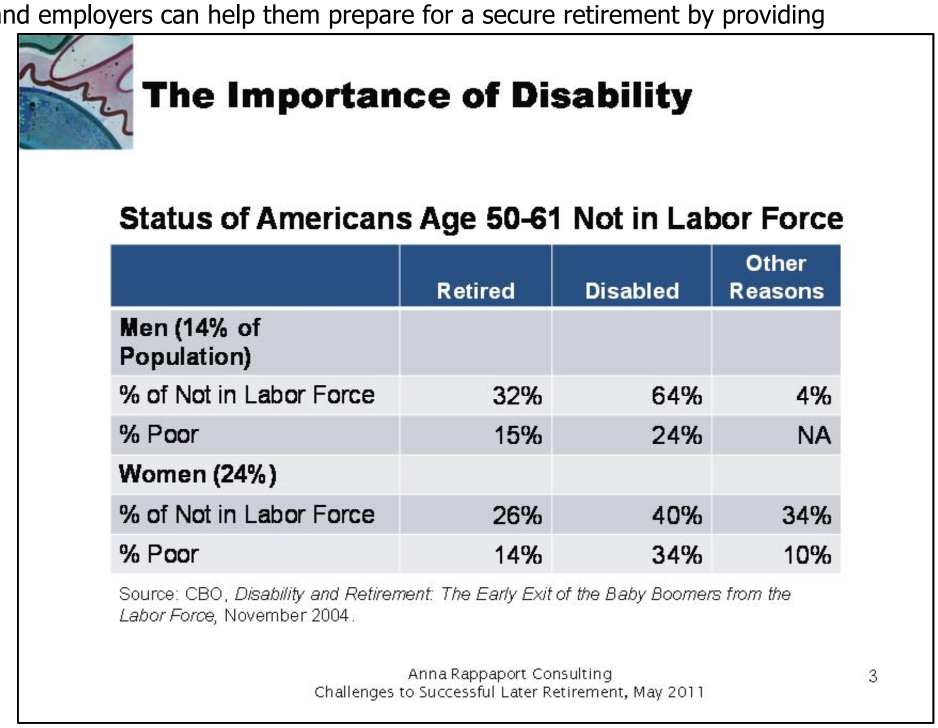
Implications of Boomers and Gen Xers Working Past Age 65

Sandra Timmermann, vice president and director, Mature Market Institute, MetLife, highlighted research that indicates many people now plan to work longer than traditional retirement age, but noted that they often find themselves unemployed due to mergers, layoffs, poor health or age discrimination. Many older Baby Boomers in particular are financially vulnerable to these events and have little time to recover from a financial derailment, she said.

Timmermann questioned what a realistic working life is, noting there is a sharp decline in workers from age 65–69, and even sharper after age 70. "The older people who have higher assets and income are the ones who remain in the work force, often mainly for psychological rather than financial reasons, while the ones who need the money are most likely to be unemployable," she said.

Since many workers will stay on the job at least a few years longer than they anticipated, Timmermann said employers can avoid generational conflict by tapping the expertise and loyalty of older employees while also adopting phased retirement and retirement income planning, finding part-time jobs for older workers, and recognizing that workers of different ages tend to have different priorities—such as the fact that younger Gen Xers tend to be far more interested in flex time and telecommuting than are older Baby Boomers who would prefer to phase into fewer hours. She added that younger employees are well aware they will be working longer than previous generations, and employers can help them prepare for a secure retirement by providing opportunities for continuous training so as to avoid job obsolescence and remain employable.

Anna Rappaport, principal of Anna Rappaport Consulting, discussed how disability benefits and disability issues are crucial to a later retirement but are largely ignored by workers and retirees. She presented data from a 2008 study from the Council for Disability Awareness showing that 3 in 10 workers who enter the work force today will be disabled sometime before they retire; 1 in 7 will be disabled for at least five years


The Importance of Disability

Status of Americans Age 50-61 Not in Labor Force

	Retired	Disabled	Other Reasons
Men (14% of Population)			
% of Not in Labor Force	32%	64%	4%
% Poor	15%	24%	NA
Women (24%)			
% of Not in Labor Force	26%	40%	34%
% Poor	14%	34%	10%

Source: CBO, *Disability and Retirement: The Early Exit of the Baby Boomers from the Labor Force*, November 2004.

Anna Rappaport Consulting
Challenges to Successful Later Retirement, May 2011
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before they retire; and 85 percent aren't particularly concerned that they'll suffer a disability lasting for three months or more.

The economic damage from disability is devastating, Rappaport noted. She cited data from the Congressional Budget Office showing that of people age 50–61 not in the labor force, 14 percent were men, and of those, 64 percent were disabled, while 32 percent were retired. A quarter of the disabled 64 percent were poor. The numbers are considerably worse for women.

Rappaport said far too many retirees' planning horizons are too short, and that their preparations for retirement are often incomplete or nonexistent and often ignore key issues. She cited a Society of Actuaries study showing that people nearing retirement and retirees have a less-than-10-year planning horizon. "Retirement ages, expectations, and reality are out of step," Rappaport said.

Rappaport noted there is huge variation in normal retirement ages by country, with the highest (74) in Mexico and the lowest (59) in France. She raised the question of whether retirement ages should be automatically adjusted to reflect the increase in longevity, going up periodically as people live longer.

Sue Meisinger, director of the National Academy of Human Resources, focused on steps employers can take to deal with an aging work force and the issues that attend to that reality. She noted that highly skilled and more highly compensated workers are more likely to be able to retire, which means those with fewer skills are more likely to be "staying on board and aging in place." That creates various problems for employers, especially related to age-related disability.

A crucial factor is whether current senior management decides to deal with the aging work-force issues now, or leave them to their successors, she said. "In corporate America, folks in leadership roles and executive positions tend to be older, more highly compensated. They're seeing their own finish line ahead of them and they simply are not dealing with it," Meisinger said.

Among the factors she said employers should focus on:

- Work-force planning, understanding the demographics of a company's work force, and—carefully—sounding out workers on their retirement plans. "It's not illegal," she said. "You have to do it carefully, because if you use the information inappropriately, you can make yourself vulnerable."

- Job design that accommodates older workers and provides more flexibility (such as telecommuting, part-time work, "snowbird" jobs, temporary labor pools, phased retirement), while also focusing on job engagement for all workers (such as technology training).

- Play to generational differences: Younger workers tend to be happy dealing with computers, while older workers more likely want to work with people. Change corporate vocabulary, such as referring to "corporate lattices" (moving around in an organization) rather than "ladders."

- Prepare for more litigation and age-discrimination complaints—something she said "is already happening."

- Help to educate the work force about financial security, Social Security benefits, retirement planning, so employees have a realistic picture on what they'll need for retirement income security.

Meisinger said it would help if Congress provided more flexibility in the Fair Labor Standards Act, which forces hourly workers to be paid overtime if they go over 40 hours a week. This is a major obstacle for private-sector employers who want to provide more flexible work schedules to hourly workers, she said.

Is There a Future for Retirement?

The final segment of the policy forum included brief comments by various experts on the presentations and their thoughts on what lies ahead for the U.S. retirement system.

Dan Rosshirt, principal of Retirement Services Consulting at Deloitte, said the far more difficult question is "how are we going to structure a retirement policy that will allow people to retire?" Given the way the U.S. retirement system is engrained in the nation's tax system and capital markets, Rosshirt said "what worries me about the future of retirement is the unintended consequences of what we do and decisions that we're making today."

As an example, he cited the growing cost of compliance with regulations being imposed by the federal government to make employers' 401(k) plans better retirement savings vehicles. Employers are faced with the decision of passing these costs onto their employees or paying the compliance costs themselves. Considering that rising costs were a major factor in the decline of defined benefit pension plans, he noted, employers may now face "the same question of whether they can afford to offer a retirement plan to their workers." He suggested that private-sector employers and retirement providers make the cost of regulatory compliance explicit both to policymakers and workers in a hope that it will instigate a streamlining of the regulations and make administration of 401(k) plans more cost-efficient.

Deb Cohen, chief knowledge development officer, Society for Human Resource Management, (SHRM) noted that in the aftermath of the economic recession most employers have been focused on survival and keeping their doors open, and not on "how to help people think about retirement." Recent SHRM surveys have shown a sharp rise in workers' worries about their retirement preparation, especially since many workers are also reducing their 401(k) contributions and extending their planned retirement date.

Cohen said employers—especially small and mid-sized ones—face a big challenge managing and engaging their work force, especially when it includes several generations that have significantly different interests and skills. She predicted retirement in the future "is going to look very different and feel very different" for both workers and employers.

Randy DeFrehn, executive director, National Coordinating Committee for Multi-employer Plans, described the nature of his sector: About 1,500 multi-employer retirement plans (mostly defined benefit pension plans) that cover about 10.4 million workers in highly mobile work forces, such as construction.

He noted that the demanding physical nature of these jobs prohibits workers from being able to stay on the job into their 70s and 80s. Since many of these workers are employed in seasonal or temporary jobs with high turnover, they have little disposable income and it's difficult to provide them with secure retirement benefits. DeFrehn said leakage of retirement assets—workers cashing out their accounts as they move from job to job—is "an enormous problem for people who are in these kinds of employment relationships."

He said a key feature of multi-employer plans is portability, or having one common retirement fund that employers pay into and that allows workers to still be mobile and work for many employers. DeFrehn noted that despite recent market growth, multi-employer plans have regained only about a third of their losses since the 2008−2009 recession, partly because hourly jobs "are not participating in the recovery." Despite the burden of higher pension funding requirements imposed by Congress, he said most multi-employer plans are financially healthy and are meeting their funding requirements.

Tom Johnson, senior vice president, Retirement Income Security, New York Life Insurance Company, noted that with the decline of traditional pensions and the growth of 401(k)-type retirement plans, workers "will need to recreate their own defined benefit plan." Some employers and plan providers are starting to roll out solutions that "basically assemble a DB plan for an individual, including managing multiple risks in retirement," he said.

The trend, he believes, will be retirement income planning that greatly simplifies what is now a very complex process for calculating and executing on retirement income, and employers that offer the retirement income planning (including income guarantees) and do so through or alongside their 401(k) plan.

Josh Cohen, director of Russell Investment's Defined Contribution Practice, said his firm has done a lot of work trying to simplify the highly complex process of setting a retirement savings target rate for workers. They have developed what they call "the Rule of 30"—meaning that workers should be consistently contributing 30 percent of their salary (including the employer match) in order to obtain a 60 percent income replacement rate from their 401(k) upon retirement.

As a consultant who works closely with corporate plan sponsors, Cohen said he believes employers genuinely want to help their workers obtain financial security, but that "plan sponsors face a lot of roadblocks in trying to do the best thing for their individual participants." Specifically, he said, regulatory and fiduciary requirements restrict sponsors' ability to try something new or innovative, as do cost pressures from senior management and the threat of lawsuits.

Regulations and costs will have a big impact on the future of employment-based retirement plans, he suggested. "It's going to be a real interesting several years to see what role the employer is going to play in this whole thing, especially as the budget discussions are coming up," he said.

Laurie Nordquist, executive vice president, Institutional Retirement and Trust at Wells Fargo, suggested a balance is needed between worker and employer responsibility for retirement savings. While plan sponsors can (and are) helping to simplify the retirement plans through auto-enrollment and auto-escalation, and are expanding retirement planning tools, ultimately participants need to make their own decisions, she said. "We are not going to be able to take over all the decisions for the employee that's in the plan."

Nordquist said employers could do more to help workers make those decisions, by explicitly translating how much a seemingly large lump-sum distribution will actually generate on a monthly basis for life, and helping to dissuade younger workers from cashing out their retirement account on job change.

Steve Utkus, principal, Vanguard Center for Retirement Research, outlined his "more and less" view of the future of retirement: More savings before retirement and less medical intervention after retirement, to control the ever-rising expense of retiree health care.

Utkus said the key to successful retirement savings "is consistent and ongoing contributions over the life-cycle" of a worker, so as to maximize the effect of compound interest. The only two ways to get higher savings rates, he added, was for people to either devote a higher fraction of their earnings now to their retirement plan, or work longer. And given the exploding costs of health care, he suggested developing ways to limit the number of medical interventions people tend to receive after retirement.

"If you think that the future of retirement is early out in your 50s and a health plan that will pay for pretty much anything that comes along, the answer is, 'There is no future for retirement,'" Utkus said. "If, on the other hand, you think it's working longer into your 60s or late 60s and accepting some reduction in the level of medical interventions in your life before you die, then there's very much a sustainable future for retirement in America."

New Publications and Internet Sites

[Note: To order U.S. Government Accountability Office (GAO) publications, call (202) 512-6000.]

Employee Benefits

Aon Hewitt. *SpecSummary™: United States Salaried, 2010*. $700. Benefit SpecSelect Team, Aon Hewitt, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 295-5000, email: BenefitSpecSelect@AonHewitt.com

Health Insurance

U.S. Government Accountability Office. (1) *Pre-Existing Condition Insurance Plans: Program Features, Early Enrollment and Spending Trends, and Federal Oversight Activities*. (2) *Private Health Insurance: Early Experiences Implementing New Medical Loss Ratio Requirements*. Order from GAO.

Vogenberg, F. Randy. *Pharmacy Benefits: Plan Design and Management*. IFEBP members, $35; nonmembers, $46. International Foundation of Employee Benefit Plans, Publications Department, 18700 W. Bluemound Rd., Brookfield, WI 53045, (888) 334-3327, option 4, www.ifebp.org/bookstore

Pension Plans/Retirement

Great-West Retirement Services. *401(k) Answer Book*. 2011 Edition. $309. Aspen Publishers, 7201 McKinney Circle, P.O. Box 990, Frederick, MD 21705-9727, (800) 638-8437, www.aspenpublishers.com

Profit Sharing/401k Council of America. *2011 Non-Qualified Survey*. PSCA members, $395; nonmembers, $795. Profit Sharing/401k Council of America, 20 North Wacker Dr., Suite 3700, Chicago, IL 60606, (312) 419-1863, fax: (312) 419-1864, email: psca@psca.org, www.psca.org

Rosen, Corey. *ESOP and 401(k) Plan Employer Stock Litigation Review 1990–2011* [43 photocopied pages, not a bound book]. NCEO members, $75; nonmembers, $150 + S&H (a digital edition is available with no shipping charges). National Center for Employee Ownership, 1736 Franklin St., 8th Floor, Oakland, CA 94612, (510) 208-1300, fax: (510) 272-9510, email: customerservice@nceo.org, www.nceo.org

Turner, John A. *Longevity Policy: Facing Up to Longevity Issues Affecting Social Security, Pensions, and Older Workers*. $40 cloth, $18 paper. W.E. Upjohn Institute for Employment Research, 300 South Westnedge Ave., Kalamazoo, MI 49007, (269) 343-5541, fax: (269) 343-7310, email: wyrwa@upjohn.org

Web Documents

America's Health Insurance Plans: *Small Group Health Insurance in 2010: A Comprehensive Survey of Premiums, Product Choices, and Benefits,* www.ahipresearch.org/pdfs/SmallGroupReport2011.pdf

American Academy of Actuaries *Issue Brief*: "Actuarial Value under the Affordable Care Act," www.actuary.org/pdf/health/Actuarial_Value_Issue_Brief_072211.pdf

Center for Retirement Research at Boston College: *What Is the Average Retirement Age?* http://crr.bc.edu/images/stories/Briefs/IB_11-11_508.pdf

Center for Studying Health System Change *Tracking Report*: "Mixed Signals: Trends in Americans' Access to Medical Care, 2007–2010," www.hschange.org/CONTENT/1233/1233.pdf

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