

# ILC Policy Report

*Longevity News and Trends in the U.S. and abroad*

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## New ILC Report Debunks Myths About High Medical Costs and Aging

The ILC has released a new report “Myths of the High Medical Cost of Old Age and Dying,” which identifies and dispels seven myths about caring for older people at the end of life. The report draws upon numerous studies to indicate that health care costs associated with aging are much more limited than people believe. The first myth debunked in the report is that the growing number of older people has been the primary factor driving the rise in America’s health care costs. According to the report, population aging is not the principal determinant of rising health care costs, rather, medical price inflation, greater resource intensity of treatments (e.g. new technologies), and overall population growth have been

responsible for the majority of the rise in health care costs. Another myth debunked is that as the population ages, health care costs for older Americans will overwhelm and bankrupt the nation. The report points to several surveys indicating that the health status of older Americans is improving and that a longer healthy life may not cause a significant increase in health care spending. In addition, the myth that many older people receive heroic, high-tech treatments at the end of life is also discussed, and the report presents evidence showing that the older people are, the less likely they are to receive aggressive care when dying. Additional myths and the evidence to debunk them can be found in the report on the ILC’s redesigned website at [www.ilcusa.org/](http://www.ilcusa.org/).

## News from the U.S. Government

**Census Bureau:** The U.S. Census Bureau has issued a report “Income, Poverty, and Health Insurance in the United States: 2006,” which presents data on the aforementioned topics for all age groups. The report finds that both the poverty rate and the number of people in poverty decreased for people aged 65 and older (9.4 percent

and 3.4 million in 2006, down from 10.1 percent and 3.6 million in 2005). It should also be noted that the poverty threshold remains lower for older people, however, meaning that older people need to be more poor than the rest of the population in order to be considered impoverished. For example, an individual under age 65 with an

## News from the U.S. Government (cont'd)

income of \$10,488 is considered to be living in poverty, while an individual 65 and over would be living in poverty with an income below \$9,669. More information and the report is at [www.census.gov/prod/2007pubs/p60-233.pdf](http://www.census.gov/prod/2007pubs/p60-233.pdf).

### **Centers for Disease Control and Prevention**

**(CDC):** The CDC's National Center for Health Statistics has released its annual morbidly-entitled report "Deaths: Preliminary Data for 2005." The good news included in the report is that life expectancy at birth rose to a record high of 77.9 years, up from 77.4 years in 2003 and 77.8 years in 2004. Life expectancy for females was 80.4 years and for males 75.2 years. The black population had a lower life expectancy of 73.2 years, compared to 78.3 years for the white population. The data also indicate that a person aged 65 years in 2005 could expect to live an average of 18.7 additional years for a total of 83.7 years. Overall, there were 2.45 million deaths in the U.S. in 2005. More

information is at [www.cdc.gov/nchs/pressroom/07newsreleases/lifeexpectancy.htm](http://www.cdc.gov/nchs/pressroom/07newsreleases/lifeexpectancy.htm).

**Government Accountability Office (GAO):** The GAO has issued the following reports and testimonies pertinent to population aging: "Social Security: Costs Associated with the Administration's Efforts to Promote Program Reforms"; "Health Care 20 Years From Now—Taking Steps Today to Meet Tomorrow's Challenges." These are at [www.gao.gov](http://www.gao.gov).

**Hearings:** The Senate Special Committee on Aging held a hearing "Advising Seniors About Their Money: Who Is Qualified - and Who Is Not?" on September 5<sup>th</sup>. Hearing information is at [http://aging.senate.gov/hearing\\_detail.cfm?id=281760&](http://aging.senate.gov/hearing_detail.cfm?id=281760&). The Senate Finance Committee held a hearing "Carried Interest Part III: Pension Issues" on September 6<sup>th</sup>. Hearing information is at [www.senate.gov/~finance/sitepages/hearing090607.htm](http://www.senate.gov/~finance/sitepages/hearing090607.htm).

## International News

**Census Bureau:** The U.S. Census Bureau has recently posted on-line a report "Population Aging in Sub-Saharan Africa: Demographic Dimensions 2006," which notes that there were 35 million people aged 60 and older in Sub-Saharan Africa in 2006, which represents less than five percent of the population, but will increase to over 69 million by 2030, although still representing less than six percent of the population. The report discusses how there is a more limited understanding of demographic trends in Africa than elsewhere in the world, due to a smaller proportion of older individuals relative to the total population coupled with a lack of knowledge and data about the demographics of aging in this region. The report also notes how a cut-off of age 60 in analyzing demographics of older people may not be appropriate, given that in 2006, over four-fifths of the Sub-Saharan countries had a life expectancy at birth of 55 years or less. Nevertheless, the number of older people in Africa will grow in absolute terms over the next 50

years, and these individuals are a particularly vulnerable social group made more vulnerable because of the HIV/AIDS pandemic that is affecting many of the African countries, as well as the lack of social security systems and the related infrastructure needed to help assist increasing numbers of older people. More information is at [www.census.gov/prod/2007pubs/p95-07-1.pdf](http://www.census.gov/prod/2007pubs/p95-07-1.pdf).

**European Union:** Eurostat, the EU's statistical office, has published a brief, "Social Protection in the EU," which presents data on social protection program spending (e.g. old age and survivor's pensions, sickness/health care benefits, unemployment, etc.). It finds that social protection expenditures account for 27.3% of GDP in the EU, and vary significantly between countries, from 32.9% in Sweden to 12.6% in Latvia. The primary component of social protection spending is on old age and survivor's pensions, which comprise 46% of total spending on average. Pension

## International News (cont'd)

spending is highest in Italy, where it accounts for 61% of total spending, and lowest in Ireland at 23%. The brief also notes that different countries have different systems for financing social protection, depending primarily on either social security contributions (59.5% of total receipts in 2004) or general government funding (37.3%). The brief is at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-SF-07-099/EN/KS-SF-07-099-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-07-099/EN/KS-SF-07-099-EN.PDF).

**New Zealand:** The New Zealand Ministry of Social Development has issued a report “Positive Ageing Indicators,” which provides a picture of older people’s quality of life in the areas of income, health, housing, transport, access to facilities and services, levels of cultural engagement among older Māori, attitudes to aging and older people, older people living in the community, and their employment and opportunities. The report notes that the population in New Zealand aged 65 years and over was 519,940 in December 2006, representing 12 percent of the population, an increase from 275,030 people in 1976. The report finds that most older New Zealanders are well-equipped to participate positively in society, with adequate incomes that provide them with a reasonable standard of living, as well as longer and healthier lives than their predecessors. The data in the report indicates that older people have high home ownership rates and most are satisfied with the quality of their housing, with increasing numbers of older people living at home and receiving the support to do so. The report also notes that paid employment among the older population is increasing, with a large increase in the proportion of older people in paid employment for at least one hour per week (from 5.9 percent in June 1994 to 12.2 percent in June 2006). More information and the report is at [www.msd.govt.nz/work-areas/social-research/older-people/positive-ageing-indicators.html](http://www.msd.govt.nz/work-areas/social-research/older-people/positive-ageing-indicators.html).

**United Kingdom (UK):** The UK Inquiry Into Mental Health and Well-Being in Later Life highlights that over 3.5 million older people who experience mental health problems do not have satisfactory services and support. The report reveals that mental health problems affect many more people in later life than previously believed

– and that the nature of the problems such as depression is wider than often recognized. The Inquiry makes 35 recommendations for ways to improve mental health services for older people, including eliminating age discrimination in mental health; challenging stigma, ageism and defeatism; working on preventing problems; supporting older people and their caregivers to help themselves and each other; and improving housing, health and social care services. More information is at [www.mhilli.org/](http://www.mhilli.org/).

**United Nations (UN):** The UN has published a report “World Population Ageing 2007,” which reviews population aging for the whole world, for more and less developed regions, for major geographic areas and regions, and for individual nations. The report highlights the scope of population aging, indicating that there are over 700 million people aged 60 and over in 2006, which will increase to 2 billion by 2050. The report also notes that population aging affects nearly all nations in the world, resulting from the near-universal reductions in fertility, and has major consequences and implications for all facets of humanity, including economic growth, savings, pensions, labor markets, taxation, health care, family composition, housing, migration trends, etc. The report presents a wide variety of data in these areas, reflecting the pervasiveness of aging. The report states that population aging is enduring and irreversible, and that the proportion of older people will continue to increase as long as old age mortality continues to decline and fertility remains low. More information is at [www.un.org/esa/population/publications/WPA2007/wpp2007.htm](http://www.un.org/esa/population/publications/WPA2007/wpp2007.htm).

**U.S. Social Security Administration:** The U.S. Social Security Administration has issued its latest “International Update,” which covers recent developments in foreign private and public pensions, social security, and retirement. This issue includes news from Canada, Chile, and Japan, as well as the recent World Bank report on aging in Eastern European nations and a Social Security totalization agreement between the U.S. and Denmark. The publication is at [www.socialsecurity.gov/policy/docs/progdesc/intl\\_update/2007-08/index.html](http://www.socialsecurity.gov/policy/docs/progdesc/intl_update/2007-08/index.html).

## Special Interest to the ILC (cont'd)

### **HEALTHY AGING**

**Population Reference Bureau (PRB):** The PRB has issued a brief on Disability and Aging, which discusses how the rates of old-age disability have declined in recent decades, and it is expected that Americans will live longer before disability sets in than is true today. It also notes that a similar trend has been documented in some Europe countries, such as Denmark, Finland, Italy, and the Netherlands. The brief notes that the decrease in old-age disability has come as chronic diseases such as heart disease and diabetes have increased, which is a seemingly contradictory trend. However, the brief explains that disability is determined by other factors in addition to health, noting that many chronic illnesses are not as disabling as they were in the past and assistive technologies (such as wheelchairs or hearing aids) have enabled many older people to stay active or enhance their physical abilities. The brief also notes that rising obesity in the United States could halt or reverse the decline in old-age disability, because older, obese people have more chronic illnesses, more limited activity and

higher health care costs. More information is at [www.prb.org/Articles/2007/DisabilityandAging.aspx](http://www.prb.org/Articles/2007/DisabilityandAging.aspx).

### **NEWS FROM THE BUSINESS WORLD**

**Fidelity Research Institute:** The Fidelity Research Institute, a policy and research organization sponsored by Fidelity Investments, has issued a report “Structuring Income for Retirement: Addressing America’s Emerging Guaranteed Income ‘Gap,’” which outlines a framework to manage the complex interplay between the uncertainties of future investment returns and life expectancy, and the role that guaranteed income can play in helping retirees secure sustainable retirement income. It offers several suggestions for lifetime income solutions so individuals do not outlive their savings, including retirement planning that includes longevity insurance (such as annuities), and balancing such income products with asset and investment values. The report is at [www.fidelityresearchinstitute.com/pdf/structuring\\_income\\_for\\_retirement.pdf](http://www.fidelityresearchinstitute.com/pdf/structuring_income_for_retirement.pdf).

## News from the Not-for-Profit Sector and Beyond

**Center for Retirement Research at Boston College:** The Center has issued several new publications. One brief “Should Public Plans Engage in Social Investing?” discusses the growing pressure on some public pension funds to engage in social investing and divest pension funds from companies doing business in the Sudan and Iran for example. The brief notes that such trends are confined to public pension funds, as the laws that govern private funds essentially prevent such practices. The brief then explores the effects of social investing, finding that it does not effect stock prices nor the firm’s financial status, and that its effect on returns of the pension plans is mixed. The brief then discusses how public plans are not well-suited to social investing for many fiduciary and fund management issues, as well as the fact that the retirement benefits of future retirees

should not be used as a foreign policy tool. The brief is at [http://crr.bc.edu/images/stories/Briefs/ib\\_7-12.pdf](http://crr.bc.edu/images/stories/Briefs/ib_7-12.pdf). Another brief is entitled “Promoting Work: Implications of Raising Social Security’s Early Retirement Age,” which notes that the early retirement age of 62 was established in 1961 and that over 50 percent of men and women now claim Social Security at such an age. The brief explores the question of whether today’s workers would be able to work longer without undue hardship if the early retirement age was raised. It finds that raising Social Security’s early retirement age of 62 to 63.5 would encourage longer worklives, thereby improving retirement security, and that trends in health and the physical demands of work make raising the early retirement age feasible. Lastly, it highlights studies that have found only 10 percent or less of the population would likely be placed at risk by a hike in the early

## News from the Not-for-Profit Sector and Beyond (cont'd)

retirement age. The brief is at [http://crr.bc.edu/images/stories/Briefs/wob\\_12.pdf](http://crr.bc.edu/images/stories/Briefs/wob_12.pdf). The last brief “The Role of Private Insurance in Financing Long-Term Care,” discusses the benefits and limitations of long term care insurance. It finds that long-term care insurance would allow people to preserve their assets and maintain choice over long term care providers as well as relieve pressure on Medicaid spending. However, the brief notes that such insurance has not been widely popular due to high costs, misperceptions that Medicare may cover long term care, and the availability of Medicaid as a payer for nursing home cost. It concludes that without major structural changes and an expansion in the pool of buyers so that risk can be spread more widely, the prevalence of long term care insurance will remain modest. The brief is at [http://crr.bc.edu/images/stories/Briefs/ib\\_7-13.pdf](http://crr.bc.edu/images/stories/Briefs/ib_7-13.pdf).

**Kaiser Family Foundation:** Kaiser, in collaboration with the Commonwealth Fund and Tufts-New England Medical Center, has published a progress report on the new Medicare prescription drug benefit, finding that the number of seniors without coverage dropped significantly due to the new benefit. The survey finds that in 2006, 8% of seniors lacked drug coverage, compared to about 33% of seniors without drug

coverage in 2005, prior to the new Medicare Part D benefit. The report also finds that those who lacked drug coverage in 2006 fell into two groups: those who are potentially vulnerable but hard to reach, including those age 75 and older, African American, income at or below 150% of the federal poverty level, no education beyond high school, or rural residence, as well as seniors in good health, including those who did not take any prescription drugs and those with no chronic conditions. More information is at [www.kff.org/medicare/med082107nr.cfm](http://www.kff.org/medicare/med082107nr.cfm). Kaiser has also published a report “Learning From History: Deinstitutionalization of People with Mental Illness As Precursor to Long-Term Care Reform,” which examines what policy lessons can be learned from the deinstitutionalization of people with mental illnesses, given the increased emphasis on refocusing long term care services from nursing homes to home and community-based alternatives. The report discusses several issue areas that need to be considered in redesigning long term care services, based on the experiences of mental health policymakers, including service planning, management of resources, living situations and the role of families, workforce retraining issues, and political implications. The report is at [www.kff.org/medicaid/7684.cfm](http://www.kff.org/medicaid/7684.cfm).

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See the website at [www.ilcusa.org/pages/get-involved/ilc-shop.php](http://www.ilcusa.org/pages/get-involved/ilc-shop.php).