Retiree Out-of-Pocket Health Care Spending: A Study of Consumer Expectations and Policy Implications

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UCLA & HARVARD LAW SCHOOLS

Financial Literacy Seminar Series

Board of Governors of the Federal Reserve System and the George Washington University School of Business

Washington, D.C.

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FLC Financial Literacy Center

A joint center of the RAND Corporation, Dartmouth College,

Context

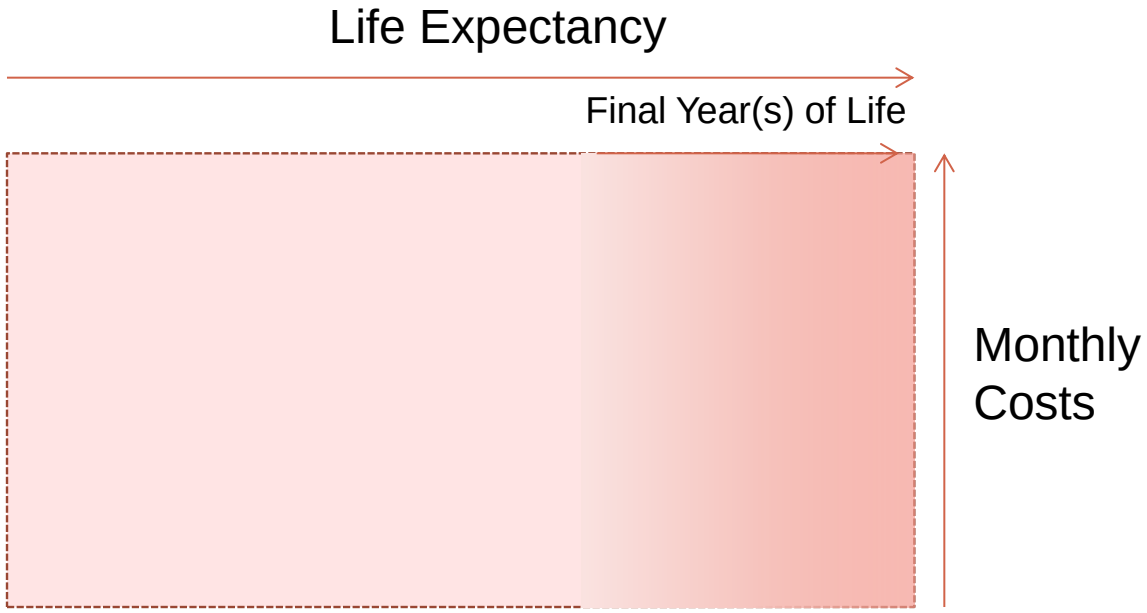
- Health care costs for retirees, including the amount retirees must pay themselves, are high and rising (Johnson & Mommaerts 2010)
- Evidence suggests retirees are struggling to afford expenditures; negative effects on financial security (VanDerhei 2010; Munnell, et al. 2008, 2009; Johnson & Mommaerts 2010; Himmelstein et al. 2005; Dranove & Millenson 2006)
- Not known why retirees are struggling
  - One (too?) simple explanation: unaware of future expenditures
    - Consistent with financial literacy research hypotheses and approaches to retirement savings more broadly (Lusardi & Mitchell 2011)
    - Equally true with respect to health care expenditures?
  - Critical to explore for policy interventions & Medicare reform

Focus on Out-of-Pocket Health Care Costs in Retirement

- "Out-of-pocket costs are any expenses that you pay yourself. In addition to any direct payments, these costs include insurance premiums for government programs and other health insurance plans. Out-of-pocket costs also cover deductibles and co-pays. Out-of-pocket costs do not include payments made on your behalf or reimbursed by government programs or other insurance plans. In all cases, we are asking about your own personal healthcare costs in retirement. Do not include healthcare costs of other members of your household. Unless otherwise indicated, please do not include in your estimates the cost of long-term residential health-care services (such as extended stays in nursing homes) or premiums for long-term healthcare insurance. . . . :

Estimating Retiree Health Care Costs is a Multifaceted Challenge

1. Estimating "Typical" Spending



2. Estimating Risk and Uncertainty

- Key Sources of Uncertainty
  - Personal Health Experience; Medical Needs
  - Unanticipated Inflation in Medical Costs
  - Policy Changes with Respect to Medicare and other Programs

Structure of Project

- Literature Review of Expert Views

Expert Benchmarks: Johnson & Mommaerts (2010) and Fronstin et al. (2010)

Table One: Annual Out-of-Pocket Spending Benchmarks				
	25th Percentile Annual Estimate (Monthly)	Median Annual Estimate (Monthly)	75th Percentile Annual Estimate (Monthly)	90th Percentile Annual Estimate (Monthly)
2010	$1909 ($159)	$2583 ($215)	$3934 ($330)	$5854 ($488)
2020	$2453 ($204)	$3284 ($274)	$4959 ($413)	$7272 ($606)
2030	$3398 ($283)	$4569 ($381)	$6855 ($571)	$10,053 ($838)
2040	$4595 ($383)	$6214 ($518)	$9455 ($788)	$13,971 ($1164)

Source: Johnson and Mommaerts (2010)

Note: Expressed in constant 2008 dollars. Excludes LTC spending. Uses Medicare Boards of Trustees 2009 intermediate growth rate of 2.8%. Estimates generated using Urban Institute DYNASIM micro simulation model and healthcare spending data in MEPS.

Table Two: Lifetime Out-of-Pocket Spending Benchmarks			
	Median Estimate	75th Percentile Estimate	90th Percentile Estimate
Man retiring in 2010	$65,000	$118,000	$187,000
Woman retiring in 2010	$93,000	$137,000	$213,000
Man retiring in 2020	$109,000	$198,000	$313,000
Woman retiring in 2020	$156,000	$230,000	$357,000

Source: Fronstin et al. (2010)

Note: Excludes long-term care spending and uses Medicare Boards' of Trustees 2011 intermediate growth rate. Based upon an individual with wraparound Medicare (Medicare Parts A, B, D, and Medigap Plan F).

Structure of Project

- Literature Review of Expert Views
- Survey from American Life Panel
  - 1700+ responses from Eight 5-year Age Cohorts: 40 to 80
  - Background Questions on Health, Financial Sophistication and Life Expectancies
  - Three Treatments
    - A. Three Simple Questions on OOP Health Care Expenditures
    - B. + Segmented Questions on Expected Insurance Coverage, Expected Premiums. Costs at 65, 75, and 85
    - C + Anchoring from Expert Views on Life Expectancies, Premiums, Ratios of Total Costs to Premiums
  - Two Assessments of Risk and Uncertainty
  - Long-Term Care Module; findings will be published separately

Overview of Findings

- On Some Dimensions, Respondent Estimates Were Surprisingly Reasonable

First, it Seems Many Respondents Understand Future Insurance Coverage, Increasingly with Age

		Medicare		Medicaid		Employer Sponsored	
	N	Mean	SD	Mean	SD	Mean	SD
40-44	128	55	28.53	40	31.86	33	31.51
45-49	157	61	29.96	44	35.34	24	32.11
50-54	156	68	29.13	45	34.32	29	33.98
55-59	173	74	22.17	47	34.21	35	38.00
60-64	158	82	25.97	30	37.32	36	42.93
65-69	176	89	22.03	26	36.94	41	46.24
70-74	106	88	24.42	25	37.63	33	45.84
75-80	75	92	22.25	28	40.97	29	43.83
All Respondents	1154	73	29.10	38	36.36	32	38.49
Coverage from Lit. Review		95 percent		15 percent*		33 percent *	

Insurance Premium Expectations Also Accurate Overall, Range Narrows with Anchoring

	N	p10	p25	Median	p75	p90	Mean	SD	Anchoring
Treatment B									
Total Medicare Premiums	573	30	98	120	250	500	211	253	*n.a.*
Medigap Premiums	568	0	0	50	150	206	106	173	*n.a.*
Employer –Spon. Premiums	566	0	0	55	200	450	149	255	*n.a.*
Treatment C									
Total Medicare Premiums	562	50	100	135	200	350	259	1019	*$96 to $115 Part B Premium + $40 for Part D Premium*
Medigap Premiums	229	25	50	100	185	250	135	141	*$50 and $200 per month*
Employer Sponsored Premiums	342	0	80	165	200	330	300	1579	*Avg. Retiree Costs = $167*

* Estimated Requested Only for Respondents Who Indicate Some Possibility of Maintaining Insurance Coverage at Some Point in Retirement.

** See Appendix B for Additional Detail on Anchoring.

Overview of Findings

- On Some Dimensions, Respondent Estimates Were Surprisingly Reasonable
- Monthly OOP Estimates are not Unreasonable, but Are More Complex to Interpret

Monthly OOP Cost Estimates are not Unreasonable, But More Complex to Interpret

Table Six: Average Monthly Cost Estimates

	N	p10	p25	Median	p75	p90	Mean	SD	Benchmark Ranges from Literature Review
All Respondents	1677	$27	$83	$200	$400	$700	$441	4011	*2020 Benchmarks: $204 at 25th percentile; $274 at the Median; $413 at the 75th percentile; and $606 at the 90th percentile.*
By Treatment									
Treatment A	535	$20	$75	$200	$400	$700	$598	6917	*See 2020 Benchmarks Above*
Treatment B	577	$33	$83	$200	$417	$717	$345	467	
Treatment C	565	$30	$98	$217	$400	$633	$389	1440	

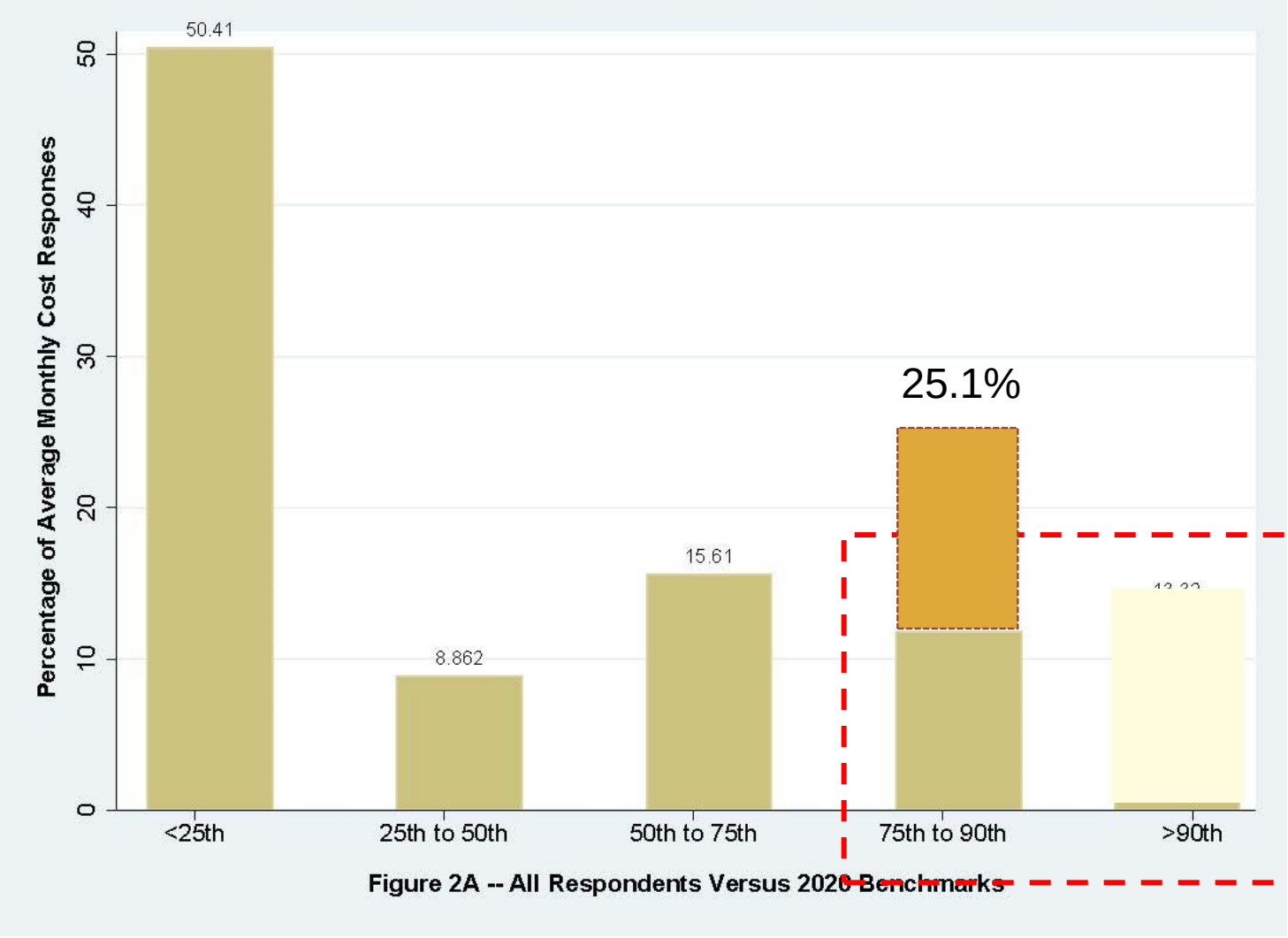
While anchoring had some effect on premium estimates, it didn't carry over to total OOP estimates

Monthly OOP Costs by Age Cohort

Figure Two: Average Monthly Cost Estimates by Age Cohort

Note: Vertical lines run from responses at the 25th to the 75th percentile; numbers indicate median and 90th percentile responses.

Monthly OOP Estimates Showed Bimodal Distribution, above Benchmark Median & Below 25th Percentile



View by Age Cohort Suggests Younger Cohorts Might be Underestimating More (With Caveats)

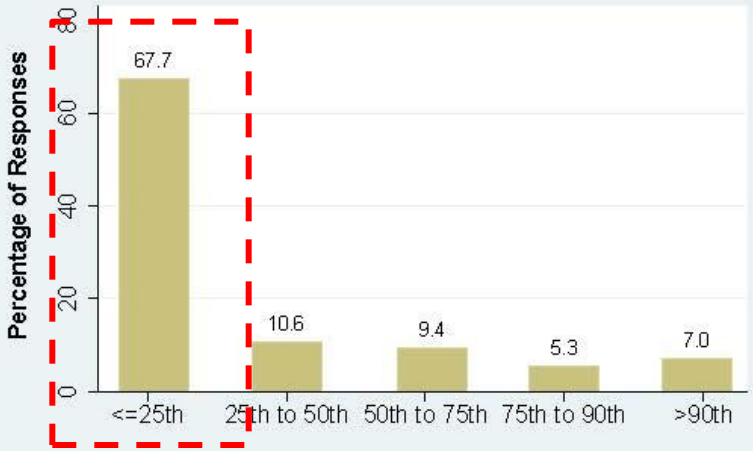


Figure 2C -- 40-Year-Old Respondents Vs. 2040 Benchmarks

Figure 2D -- 50-Year-Old Respondents Vs. 2030 Benchmarks

Figure 2E -- 60-Year-Old Respondents Vs. 2020 Benchmarks

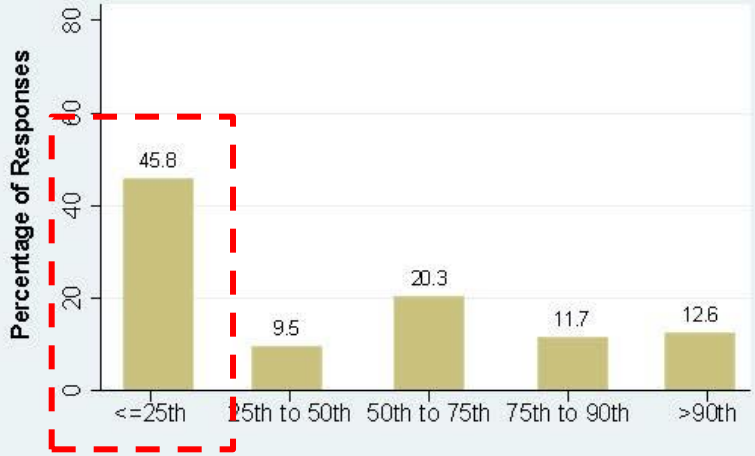


Figure 2F -- 70-Year-Old Respondents Vs. 2010 Benchmarks

Figures Two C-F: Comparison of Monthly Estimates to Benchmarks

Overview of Findings

- On Some Dimensions, Respondent Estimates Were Surprisingly Reasonable
- Monthly OOP Estimates are not Unreasonable, but Are More Complex to Interpret
- Lump Sum Estimates Show Similar but More Extreme Patterns , and Demonstrate Significant Gender Differentiation

Basic Lump Sum Results

Table Seven: Lump Sum Estimates								
	N	p10	p25	Median	p75	p90	Mean	SD
All Respondents	1660	$500	$10,000	$50,000	$150,000	$500,000	$1,384,054	49,818,364

By Treatment								
Treatment A	531	$650	$10,000	$50,000	$200,000	$500,000	$3,489,643	87,689,268
Treatment B	568	$500	$10,000	$45,000	$150,000	$500,000	$294,073	3,122,465
Treatment C	561	$500	$7000	$50,000	$150,000	$500,000	$493,404	6,339,326

Lump Sum Estimates by Age Cohorts

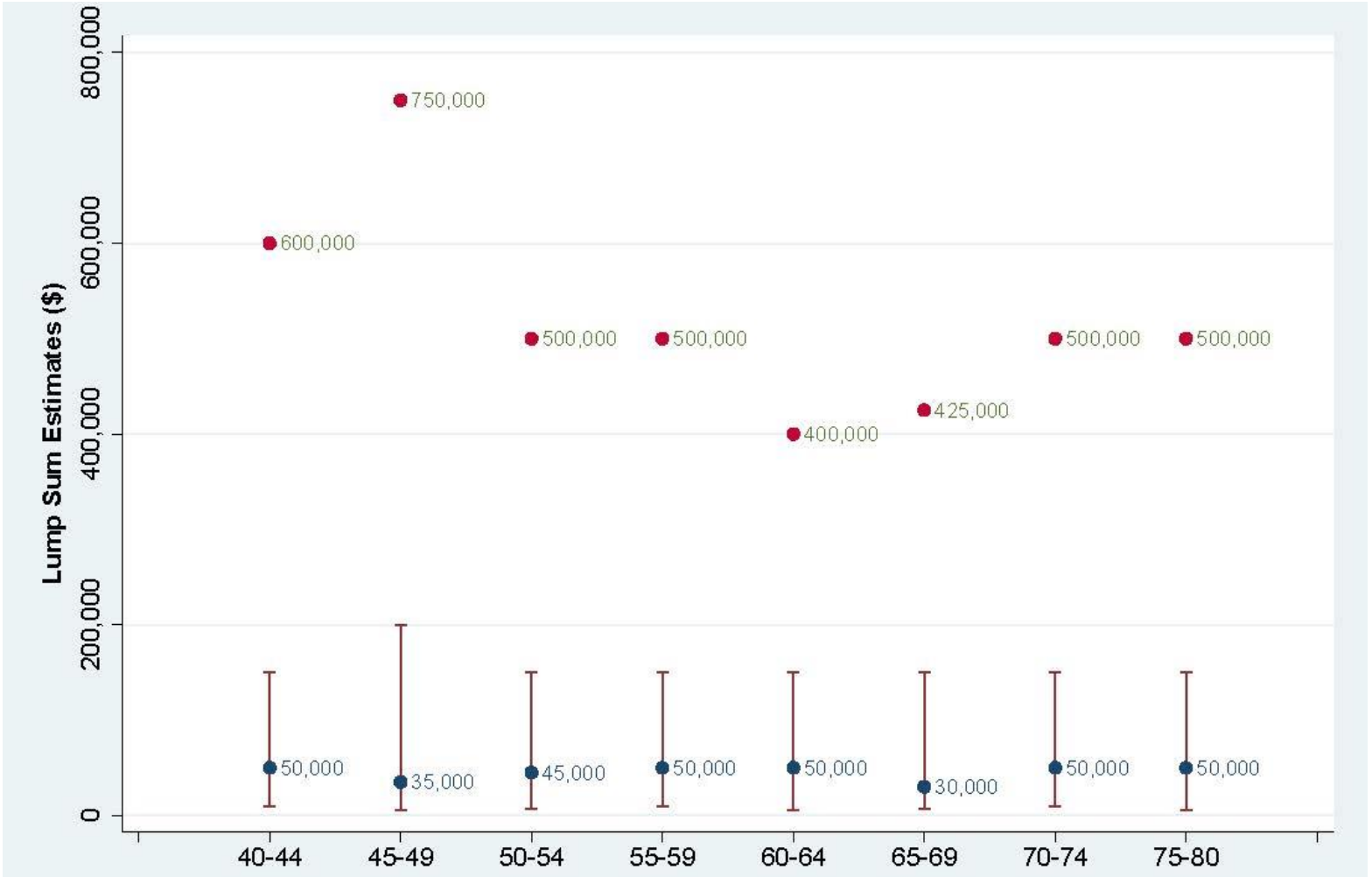


Figure Three: Lump Sum Estimates by Age Cohort

Note: Vertical lines run from responses at the 25th to the 75th percentile; numbers indicate median and 90th percentile responses.

Again Bimodal Distributions of Estimates, with More Women Below Benchmarks than Men

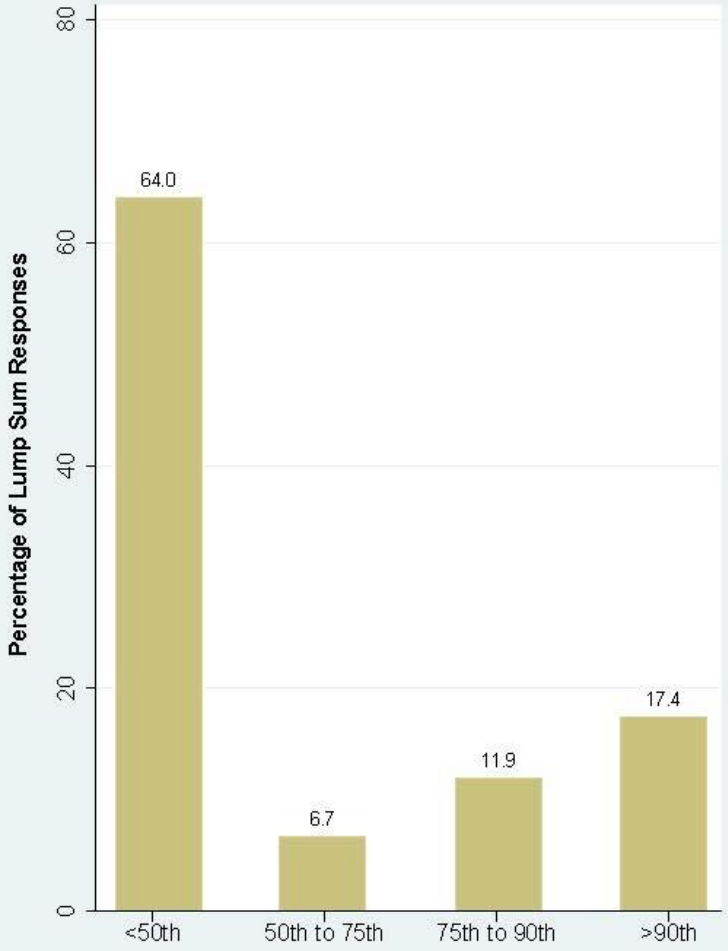


Figure 3A -- Male Respondents Vs. 2020 Male Benchmarks

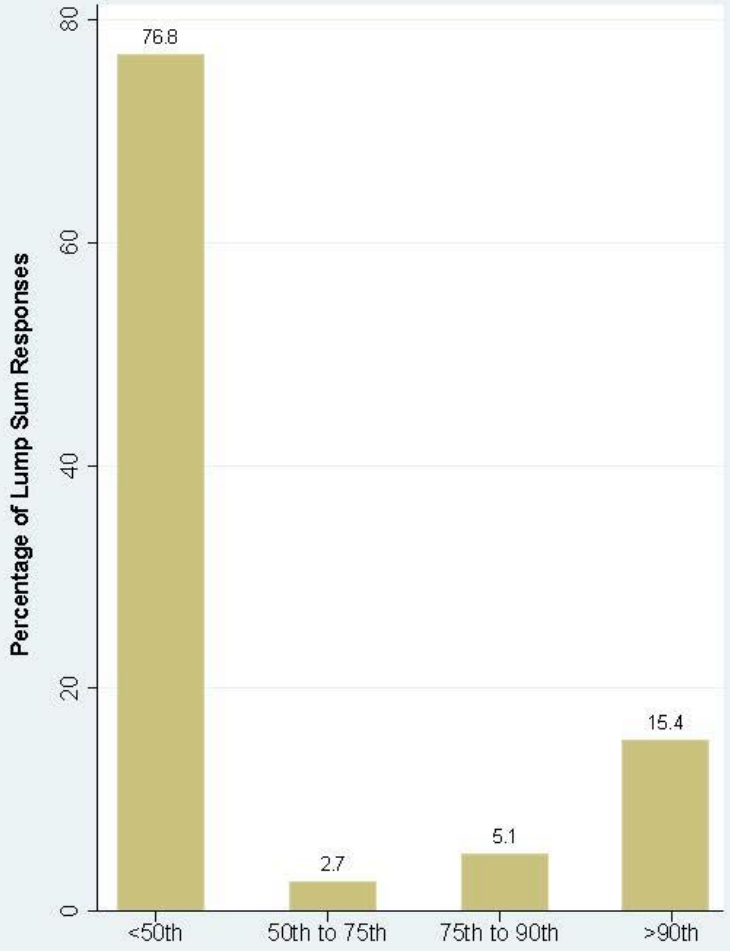


Figure 3B -- Female Respondents Vs. 2020 Female Benchmarks

Figures Three A-B: Comparison of Female and Male Lump Sum Estimates to Benchmarks

Overview of Findings

- On Some Dimensions, Respondent Estimates Were Surprisingly Reasonable
- Monthly OOP Estimates are not Unreasonable, but Are More Complex to Interpret
- Lump Sum Estimates Show Similar but More Extreme Patterns , and Demonstrate Significant Gender Differentiation
- A Significant Fraction of Respondents Exaggerate Lump Sum Estimates Compared to Other Answers

“Implied Lump Sum” Suggests Lump Sum Overestimation May Pose Challenges

Figure Four: Implied Lump Sum (1.5 Discount) Estimates by Age Cohort

Note: Vertical lines run from responses at the 25th to the 75th percentile; numbers indicate median and 90th percentile responses.

Actual Lump Sum Estimates

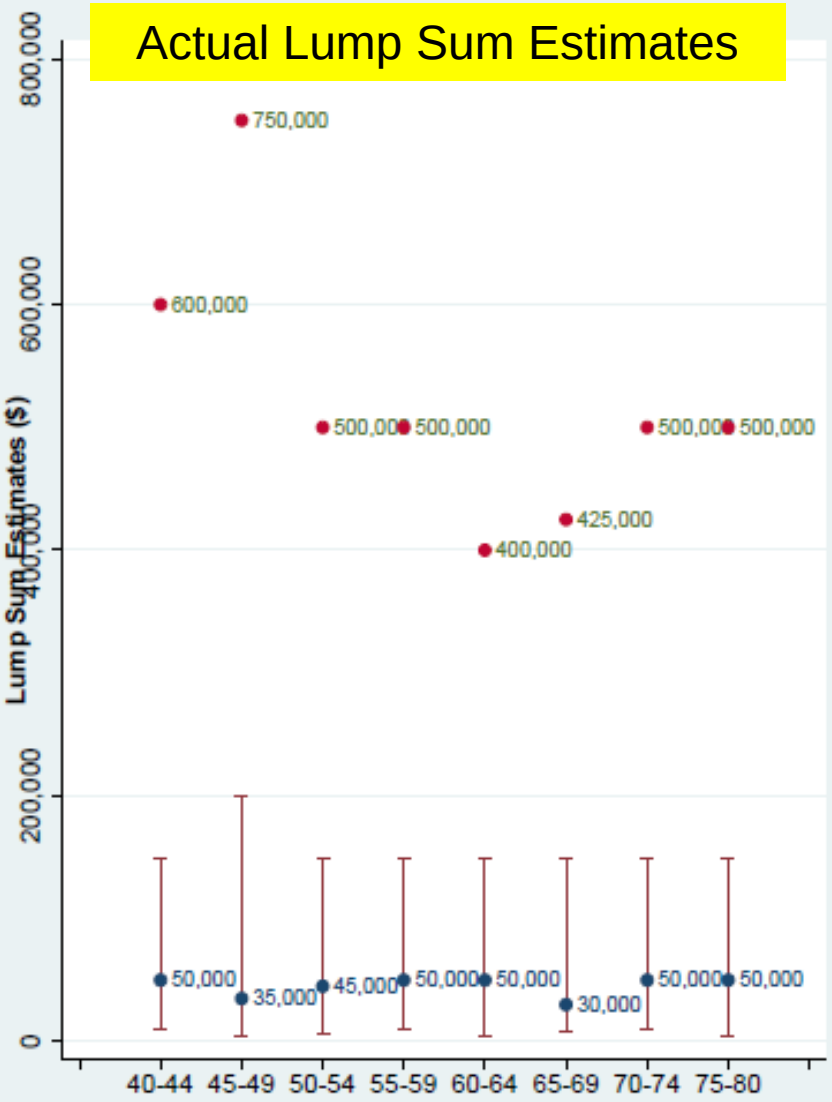


Figure Three: Lump Sum Estimates by Age Cohort

Note: Vertical lines run from responses at the 25th to the 75th percentile; numbers

"Implied" Lump Sum Estimates

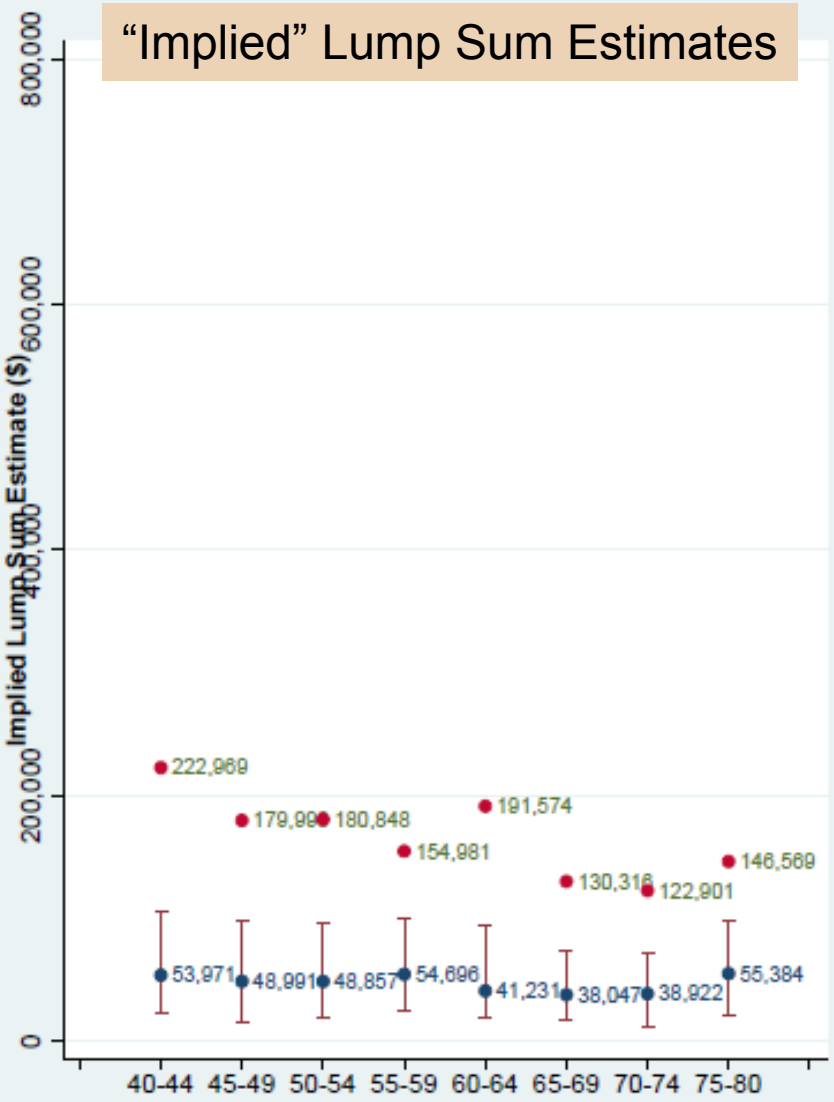


Figure Four: Implied Lump Sum (1.5 Discount) Estimates by Age Cohor

Note: Vertical lines run from responses at the 25th to the 75th percentile; numbers ind

Figures Three C and Four: Comparison of Actual Lump Sum Estimates and Implied Lump Sums (1.5

Overview of Findings

- On Some Dimensions, Respondent Estimates Were Surprisingly Reasonable
- Monthly OOP Estimates are not Unreasonable, but Are More Complex to Interpret
- Lump Sum Estimates Show Similar but More Extreme Patterns , and Demonstrate Significant Gender Differentiation
- A Significant Fraction of Respondents Exaggerate Lump Sum Estimates Compared to Other Answers
- Estimates Correspond to Some but Not All Correlates of Actual Retiree Healthcare Costs

Higher Income Respondents Make Higher Estimates, Reflective of Likely Actual Spending

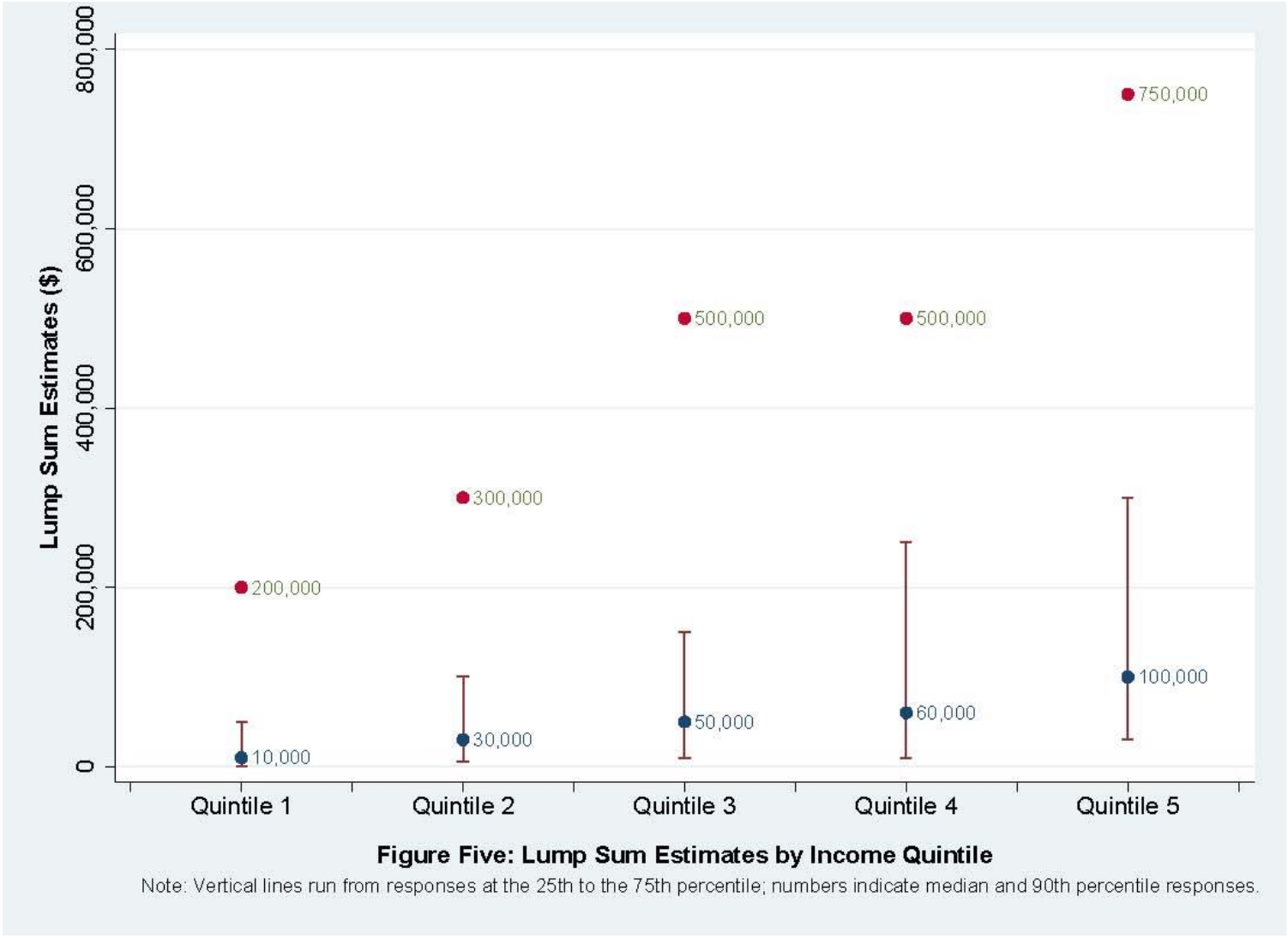


Figure Five: Lump Sum Estimates by Income Quintile

Note: Vertical lines run from responses at the 25th to the 75th percentile; numbers indicate median and 90th percentile responses.

Men Estimate More than Women on Monthly & Lump Sum Basis (Contrary to Observed Spending)

Table Eight: Average Monthly Cost Estimates by Gender, Health Status, Income Quintiles and Financial Sophistication

	N	p10	p25	Median	p75	p90	Mean	SD
By Gender								
Male	729	25	90	217	467	758	436.1	1267.7
Female	948	30	80	190	361	600	444.8	5431.2

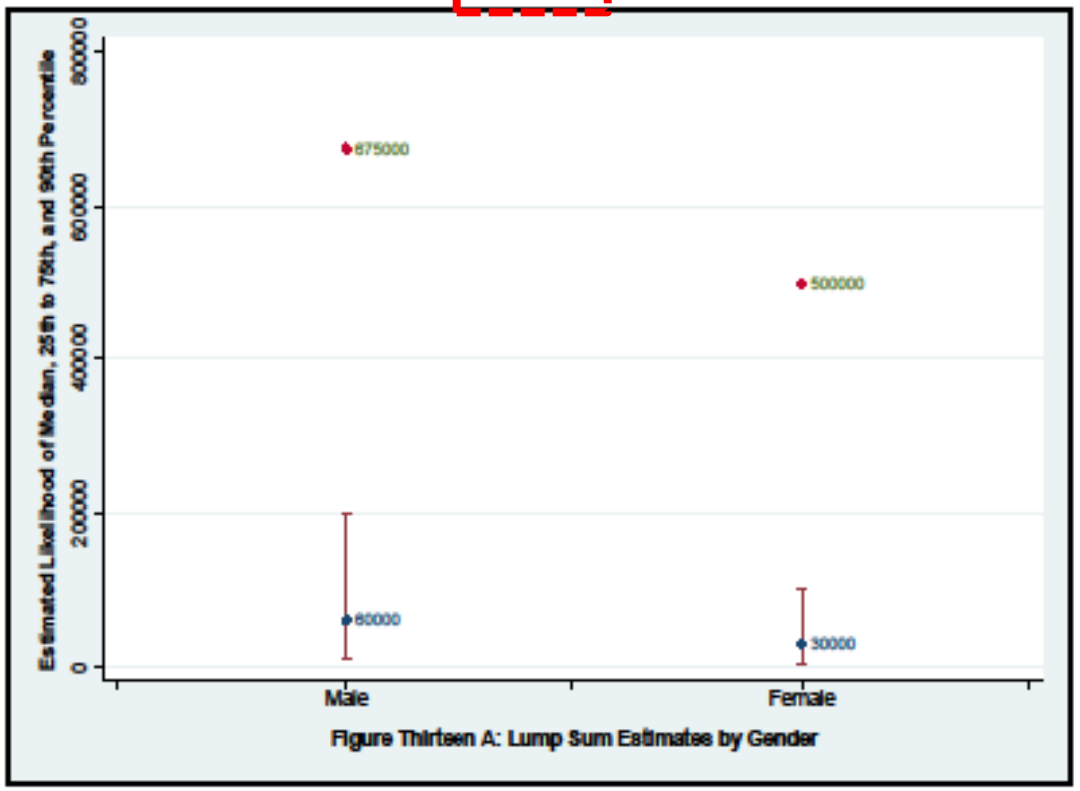


Figure Thirteen A: Lump Sum Estimates by Gender

Regression Analysis: Lump Sums

Table Nine B: Examining the Correlates of Lump Sum Estimates with Quantile Regressions and Trimmed Log OLS

	(1) 25th Percentile	(2) Median	(3) 75th Percentile	(4) Log OLS Trimmed
Female	-10007.407*** (2602.090)	-14545.455* (7534.554)	-49946.667*** (16920.906)	-0.094 (0.177)
Younger Three Age Cohorts	3709.259 (2673.710)	7272.727 (7741.934)	57005.714*** (17386.635)	0.199 (0.172)
Second Income Quintile	157.407 (4231.914)	8181.818 (12253.835)	64171.429** (27519.343)	0.903*** (0.280)
Third Income Quintile	7261.111* (4012.512)	34090.909*** (11618.539)	78556.190*** (26092.613)	1.443*** (0.358)
Fourth Income Quintile	5000.000 (4494.106)	32727.273** (13013.032)	149893.333*** (29224.329)	1.612*** (0.285)
Fifth Income Quintile	28231.481*** (4425.940)	66363.636*** (12815.652)	214144.762*** (28781.058)	1.682*** (0.366)
Health Status	-2261.111 (1452.695)	3636.364 (4206.390)	14251.429 (9446.601)	-0.055 (0.111)
Educational Attainment	-485.185 (651.335)	4090.909** (1885.991)	7139.048* (4235.510)	0.183*** (0.043)
Consultation with Financial Planner	11842.593*** (2900.927)	35454.545*** (8399.860)	57192.381*** (18864.187)	0.529*** (0.177)
Constant	18896.296** (9302.138)	-26818.182 (26935.062)	-49786.667 (60490.062)	7.064*** (0.612)
Observations	1656	1656	1656	1637
Adjusted R^2/Pseudo R^2	0.001	0.003	0.004	0.123
F				16.914

Standard errors in parentheses
Models One to Three utilize Quantile Regressions to estimate the coefficients; Model Four utilizes OLS. Quantile Regressions utilize unweighted data.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Overview of Findings

- On Some Dimensions, Respondent Estimates Were Surprisingly Reasonable
- Monthly OOP Estimates are not Unreasonable, but Are More Complex to Interpret
- Lump Sum Estimates Show Similar but More Extreme Patterns , and Demonstrate Significant Gender Differentiation
- A Significant Fraction of Respondents Exaggerate Lump Sum Estimates Compared to Other Answers
- Estimates Correspond to Some but Not All Correlates of Actual Retiree Healthcare Costs
- Respondent Calibrations of Risks Relatively Poor

Level of Concerns About Spending Risk Vary Little Based on Source of Uncertainty

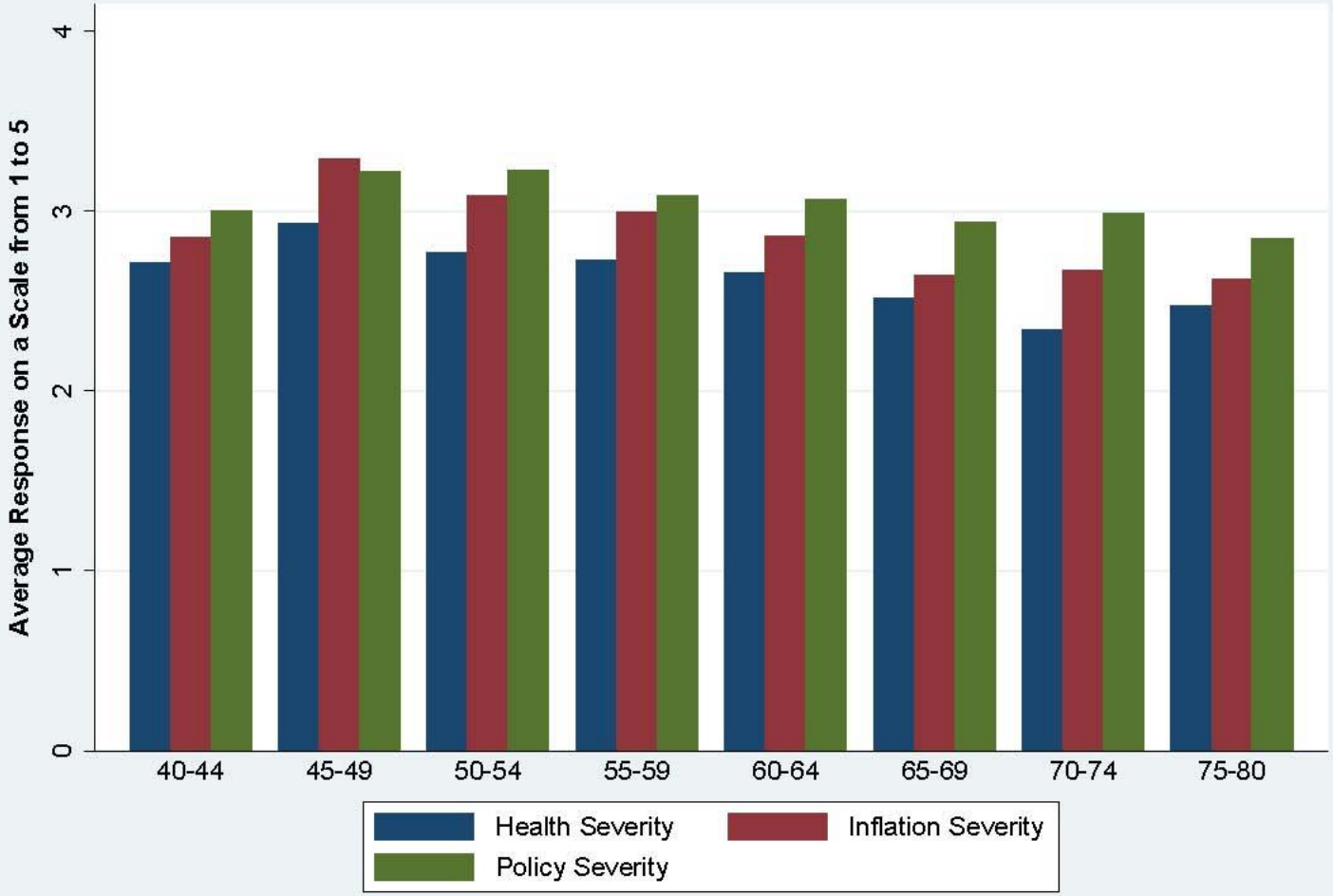
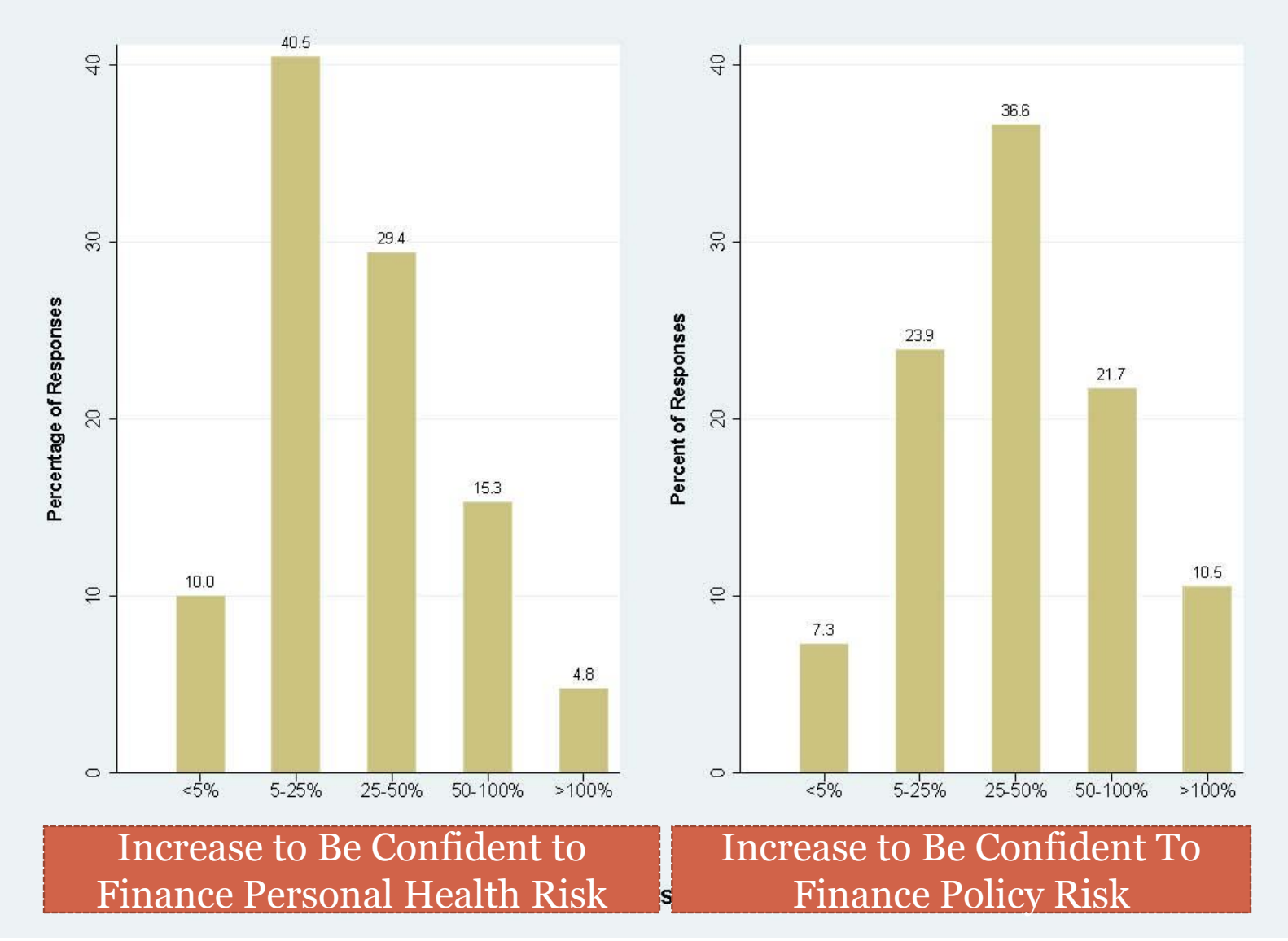


Figure Six: Self-Reported Concerns with Respect to Risks

Assessments of Risk Low Overall and Relatively Low for Personal Health Risks



Implications of Findings

- Financial illiteracy may explain some - but not all - of financial insecurity retirees experience from health care spending
  - Many respondents seem to understand components of costs (insurance coverage, premiums) and total out-of-pocket costs…
    - Respondents even showed sensitivity, in some regards, to variability in spending based on demographics
  - But we observe pockets of apparent underestimation
    - Over Half of Estimates under 25th percentile of Expert Benchmarks
    - Women and Younger cohorts Particularly Problematic
- Misperception of risk may drive a wedge between financial plans and actual spending, even for those who estimate typical costs well

Implications for Financial Literacy

- Certain Target Groups for Educational Efforts
  - Women
  - Younger Cohorts
- Broader Educational Needs
  - Projected Rising Levels of Retiree Health Care Costs
  - Potential Variation in Individual Costs from Medical Needs
  - Implications of Policy Changes for Individuals
- Topics for Further Investigation & Action
  - Significance of Financial Consultants in this Area
  - Exaggeration of Total Health Care Costs for Some Respondents
  - Targeting Monthly Costs versus Lump Sum Needs
- Limited Effect of Framing in Treatment Groups

Additional Directions for Research & Reform

- Insurance Reform
  - Better Disclosure of Residual Risks from Insurance Policies
  - Reforms to Promote uptake of Risk-Reduction Policies
    - Multi-Year Disclosures (cf catastrophic reform proposals)
    - Default Options
  - Extension of Hard Caps on OPP Costs for Retirees Similar to ACA limits and Medicare Advantage Provisions
- Medicare/Medigap reforms
  - Flag Reform Proposals That Improve Fiscal Gap by Increasing OOP costs, Especially in Less Transparent Ways
  - Improve Federal Disclosure of Retiree Healthcare Costs

Prevent identity theft—protect your Social Security number

Your Social Security Statement

www.socialsecurity.gov

Prepared especially for Wanda Worker

February 14, 2013

See inside for your personal information →

WANDA WORKER
456 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

What's inside…

Your Estimated Benefits 2
Your Earnings Record 3
Some Facts About Social Security 4
If You Need More Information 4

Your Estimated Benefits

***Retirement**	You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until…	
	your full retirement age (67 years), your payment would be about	$ 1,619 a month
	age 70, your payment would be about	$ 2,023 a month
	age 62, your payment would be about	$ 1,113 a month
***Disability**	You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about	$ 1,441 a month
***Family**	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.	
***Survivors**	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:	
	Your child	$ 1,131 a month
	Your spouse who is caring for your child	$ 1,131 a month
	Your spouse, if benefits start at full retirement age	$ 1,508 a month
	Total family benefits cannot be more than	$ 2,778 a month
	Your spouse or minor child may be eligible for a special one-time death benefit of $255.	
Medicare	You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.	

*** Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2033**

Social Security Administration

000855 1 AT 0.374 0005 LTR IM1 118 1115

[redacted]

Date: November 21, 2012
Claim Number: [redacted]

Your Social Security benefits will increase by 1.7 percent in 2013 because of a rise in the cost of living. The Social Security Act requires some people to pay higher premiums for their Medicare Part B (Medical Insurance) and their prescription drug coverage based on their income. Because of your income, your premiums will be increased. The information in this notice about your premium is for 2013 only.

If you currently do not have Medicare Part B or prescription drug coverage and enroll in 2013, those premiums will also be increased based on your income.

How Much Social Security Will I Get?

- Your new 2013 monthly benefit amount before deductions is: $2,663.70
- Your 2013 monthly deduction for the Medicare Part B Premium is: -$335.70
  - $104.90 for the standard Medicare premium, plus
  - $230.80 for the income-related monthly adjustment amount based on your 2011 income tax return
- Your 2013 deduction for prescription drug coverage income-related monthly adjustment amount based on your 2011 income tax return is: $66.60
- Your benefit amount after deductions that will be deposited into your bank account or sent in your check on January 3, 2013 is: $2,261.40

Further Research and Extensions

- Considerably more work can be done in this dataset
  - Assessing interactions with insurance coverage expectations
  - Alternative functional forms
  - Long-term health care findings
- Additional work modeling accuracy of estimates on an individual basis; mapping to actual savings behavior; understanding thought processes
- Exploring implications for insurance institutions and regulation; entitlement reform; thinking about how to protect retirees from risk without exacerbating budget crises

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Regression Analysis: Monthly

Table Nine A: Examining the Correlates of Average Monthly Cost Estimates with Quantile Regressions and Trimmed and Log OLS

	(1) 25th Percentile	(2) Median	(3) 75th Percentile	(4) Log OLS Trimmed
Female	3.556 (7.876)	-13.077 (13.271)	-61.248*** (21.524)	-0.016 (0.079)
Younger Three Age Cohorts	17.685** (8.083)	36.154*** (13.621)	82.438*** (22.091)	0.172** (0.082)
Second Income Quintile	44.333*** (12.780)	74.359*** (21.535)	148.657*** (34.926)	0.879*** (0.139)
Third Income Quintile	53.333*** (12.139)	89.744*** (20.455)	169.752*** (33.175)	1.053*** (0.156)
Fourth Income Quintile	80.796*** (13.583)	115.641*** (22.889)	208.905*** (37.122)	1.081*** (0.157)
Fifth Income Quintile	104.370*** (13.420)	177.949*** (22.613)	253.286*** (36.675)	1.410*** (0.156)
Health Status	4.056 (4.395)	12.821* (7.406)	12.886 (12.012)	-0.034 (0.056)
Educational Attainment	6.519*** (1.967)	8.205** (3.315)	12.686** (5.376)	0.027 (0.022)
Consultation with Financial Planner	31.611*** (8.788)	64.359*** (14.807)	116.914*** (24.015)	0.276*** (0.078)
Constant	-57.796** (28.104)	-23.333 (47.357)	29.962 (76.805)	3.821*** (0.303)
Observations	1673	1673	1673	1654
Adjusted R^2/Pseudo R^2	0.026	0.031	0.032	0.143
F				18.447

Standard errors in parentheses
Models One to Three utilize Quantile Regressions to estimate the coefficients; Model Four utilizes OLS. Quantile Regressions utilize unweighted data.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Basic Demographics of Sample and Subsamples

Table Three: Basic Demographics of Total Sample and Key Subsamples
(weighted data)

	N	Age	Female	Married	Income Levels*	Unemployment Rate	White	Highest Educational Achievement**
Total Sample	1704							
Mean		56.5	0.52	0.67	10.9	0.07	0.83	10.6
Standard Deviation		10.5	0.50	0.47	4.2	0.26	0.38	2.4
Gender								
Male	736							
Mean		56.2	0.00	0.74	11.3	0.08	0.84	10.6
Standard Deviation		10.0	0.00	0.42	3.9	0.26	0.35	2.3
Female	968							
Mean		56.6	1.00	0.60	10.6	0.06	0.82	10.5
Standard Deviation		11.0	0.00	0.51	4.4	0.25	0.40	2.5
Age Cohort								
40-44	210							
Mean		41.9	0.51	0.71	10.8	0.11	0.76	10.5
Standard Deviation		1.3	0.45	0.41	3.6	0.28	0.39	2.0
45-49	218							
Mean		47.2	0.51	0.66	11.1	0.11	0.76	10.1
Standard Deviation		1.2	0.45	0.42	4.0	0.28	0.38	2.2
50-54	237							
Mean		52.0	0.51	0.68	10.9	0.10	0.76	10.6
Standard Deviation		1.3	0.46	0.43	4.3	0.28	0.39	2.1
55-59	249							
Mean		57.0	0.52	0.66	11.5	0.07	0.85	11.0
Standard Deviation		1.4	0.50	0.48	4.0	0.26	0.36	2.2
60-64	258							
Mean		61.8	0.52	0.69	11.2	0.05	0.87	10.9
Standard Deviation		1.6	0.55	0.50	4.6	0.24	0.37	2.7
65-69	255							
Mean		66.9	0.60	0.64	11.0	0.03	0.92	10.8
Standard Deviation		1.7	0.56	0.54	4.4	0.20	0.30	2.8
70-74	168							
Mean		71.8	0.50	0.57	10.2	0.00	0.92	10.3
Standard Deviation		1.5	0.55	0.54	4.0	0.06	0.30	2.7
75-80	109							
Mean		77.2	0.53	0.65	9.4	0.00	0.90	10.0
Standard Deviation		1.7	0.54	0.51	3.9	0.00	0.32	2.8

Basic Demographics of Sample and Subsamples

*Income Quintile***								
First Quintile	354							
Mean		56.8	0.56	0.41	4.6	0.13	0.68	9.3
Standard Deviation		10.6	0.48	0.47	1.9	0.33	0.45	1.9
Second Quintile	438							
Mean		57.9	0.56	0.58	9.6	0.07	0.81	9.8
Standard Deviation		11.8	0.50	0.50	1.2	0.26	0.39	2.2
Third Quintile	267							
Mean		56.4	0.51	0.77	12.5	0.06	0.84	10.7
Standard Deviation		10.6	0.51	0.43	0.5	0.24	0.38	2.2
Fourth Quintile	451							
Mean		55.5	0.50	0.80	14.4	0.05	0.91	11.4
Standard Deviation		9.5	0.50	0.40	0.5	0.21	0.29	2.2
Fifth Quintile	191							
Mean		54.6	0.43	0.92	16.3	0.03	0.93	12.6
Standard Deviation		8.9	0.50	0.28	0.5	0.17	0.26	2.2

* Under the ALP income classification system. 4 represents household incomes of $10,000 to $12,499; 5 represents $12,500 to $14,499; 6 represents $15,000 to $19,999; 7 represents $20,000 to $24,999; 8 represents $25,000 to $29,999; 9 represents $30,000 to $34,999; 10 represents $35,000 to $39,999; 11 represents $40,000 to $49,999; 12 represents $50,000 to $59,999; 13 represents $60,000 to $74,999; 14 represents $75,000 to $99,999; 15 represents $100,000 to $124,999; 16 represents $125,000 to $199,999; and 17 represents $200,000 or more.

** Under the ALP education classification system, 9 reflects a high school graduate; 10 reflects some college but no degree; 11 reflects an associate degree in a college occupational/vocational program; 12 reflects an associate degree in a college academic program; and 13 reflects a bachelor's degree.

*** Respondents in the first income quintile had household incomes of less than $25,000; those in the second quintile household incomes between $25,000 and $49,999; those in the third quintile household incomes between $50,000 and $74,999; those in the fourth quintile household incomes between $75,000 and $124,999; and those in the fifth quintile household incomes $125,000 and higher.

Medicare Premium Expectations Higher for Younger Cohorts

Backup

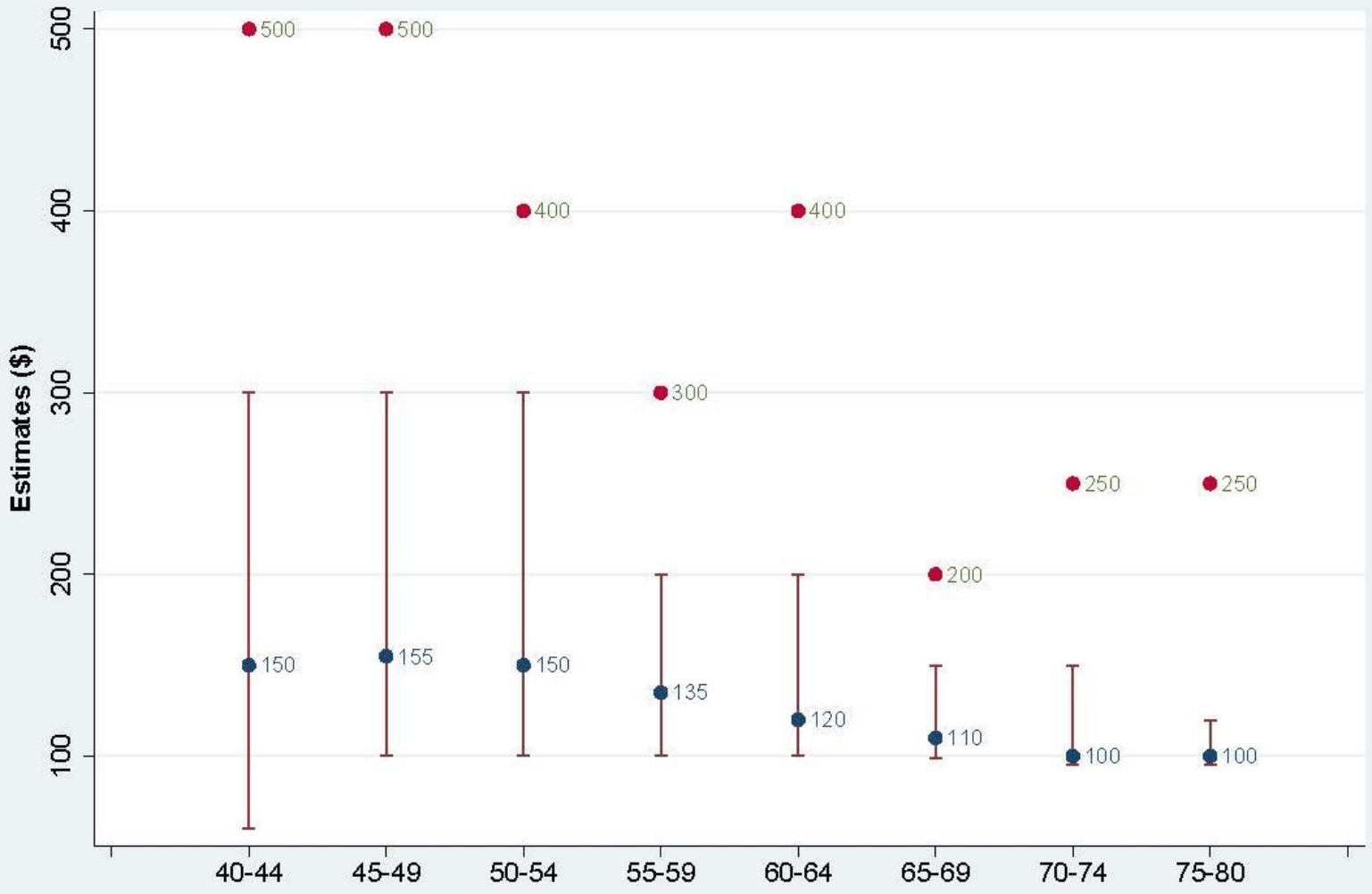

Figure One: Medicare Premium Expectations by Age Cohort

Note: Vertical lines run from responses at the 25th to the 75th percentile; numbers indicate median and 90th percentile responses.

Estimates of Average Monthly Costs Are Similar Across Treatments

Backup

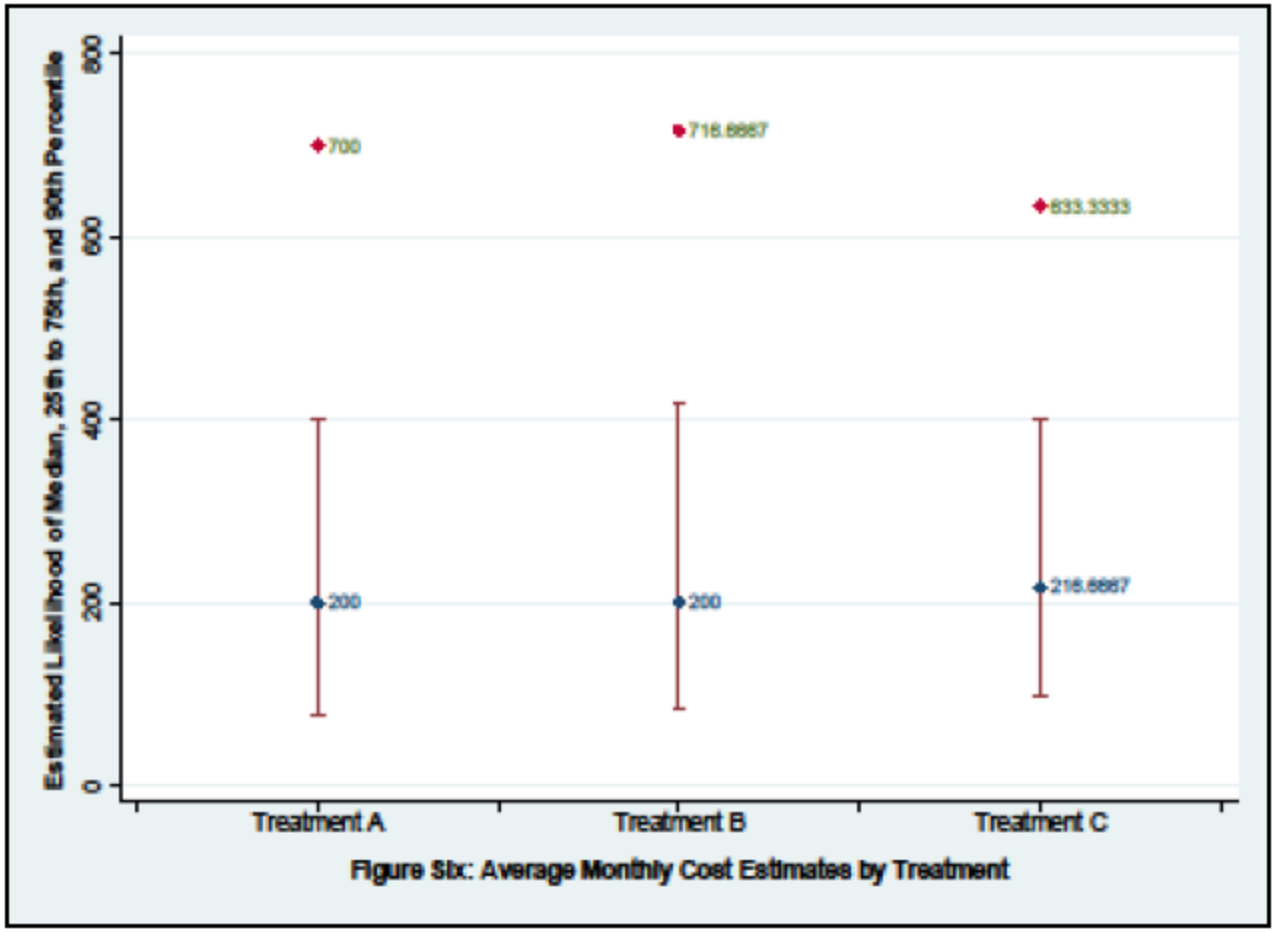

Figure Sbc: Average Monthly Cost Estimates by Treatment

Backup

Monthly Estimates Based on Demographics

Table Eight: Average Monthly Cost Estimates by Gender, Health Status, Income Quintiles and Financial Sophistication

	N	p10	p25	Median	p75	p90	Mean	SD
By Income Quintile								
Quintile 1	345	0	30	100	200	392	454.6	5266.7
Quintile 2	287	40	90	200	361	650	611.2	7560.2
Quintile 3	408	35	100	220	400	620	317.6	408.0
Quintile 4	278	50	100	250	467	700	361.3	508.4
Quintile 5	356	70	167	350	583	900	487.3	564.9
By Gender								
Male	729	25	90	217	467	758	436.1	1267.7
Female	948	30	80	190	361	600	444.8	5431.2
By Health Status (self reported)								
Excellent	151	40	100	300	500	1000	450.9	664.3
Very Good	646	40	100	220	400	667	619.2	6535.8
Good	601	33	90	200	400	658	324.0	484.9
Fair	222	10	45	150	361	650	291.3	431.4
Poor	56	0	33	150	417	767	352.6	617.7

Life Expectancy Estimates; Too Low at Younger Ages, Too High at Older

Backup

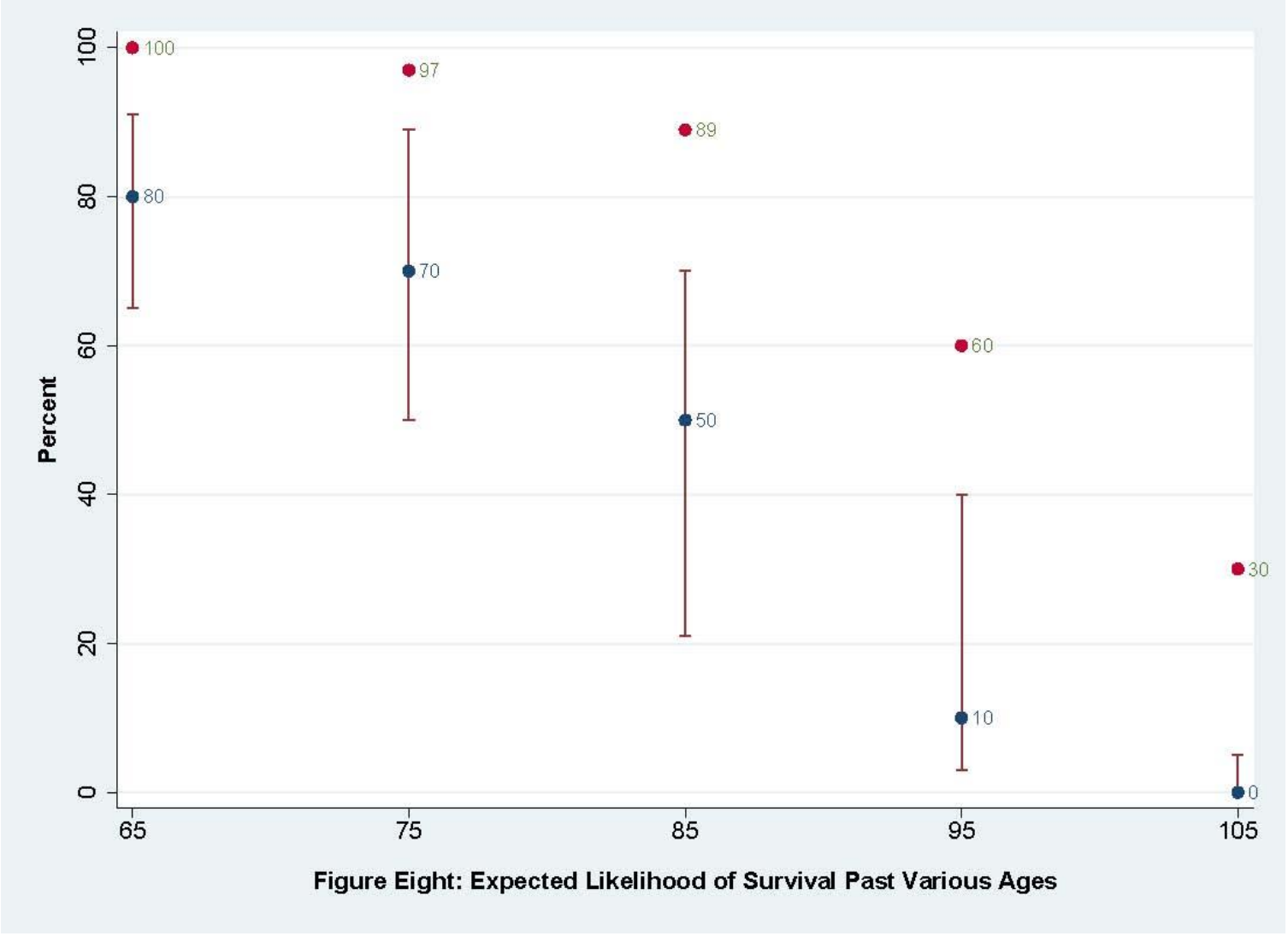

Figure Eight: Expected Likelihood of Survival Past Various Ages

Overly Optimistic Expectations of Private LTC Insurance Coverage, Particularly for Younger Cohorts

Backup

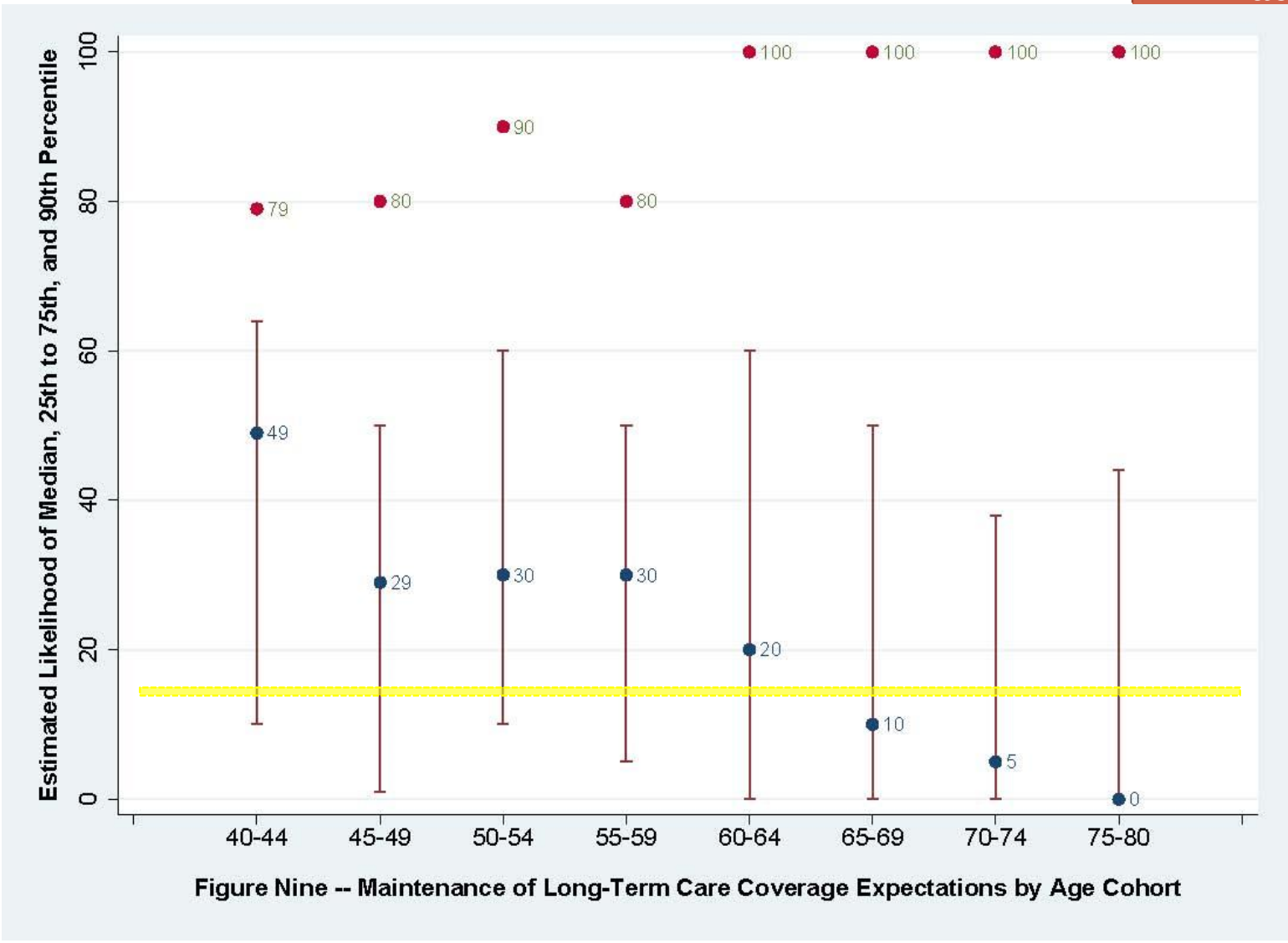

Figure Nine -- Maintenance of Long-Term Care Coverage Expectations by Age Cohort

Expectations of Nursing Home Costs Low, but improve with age

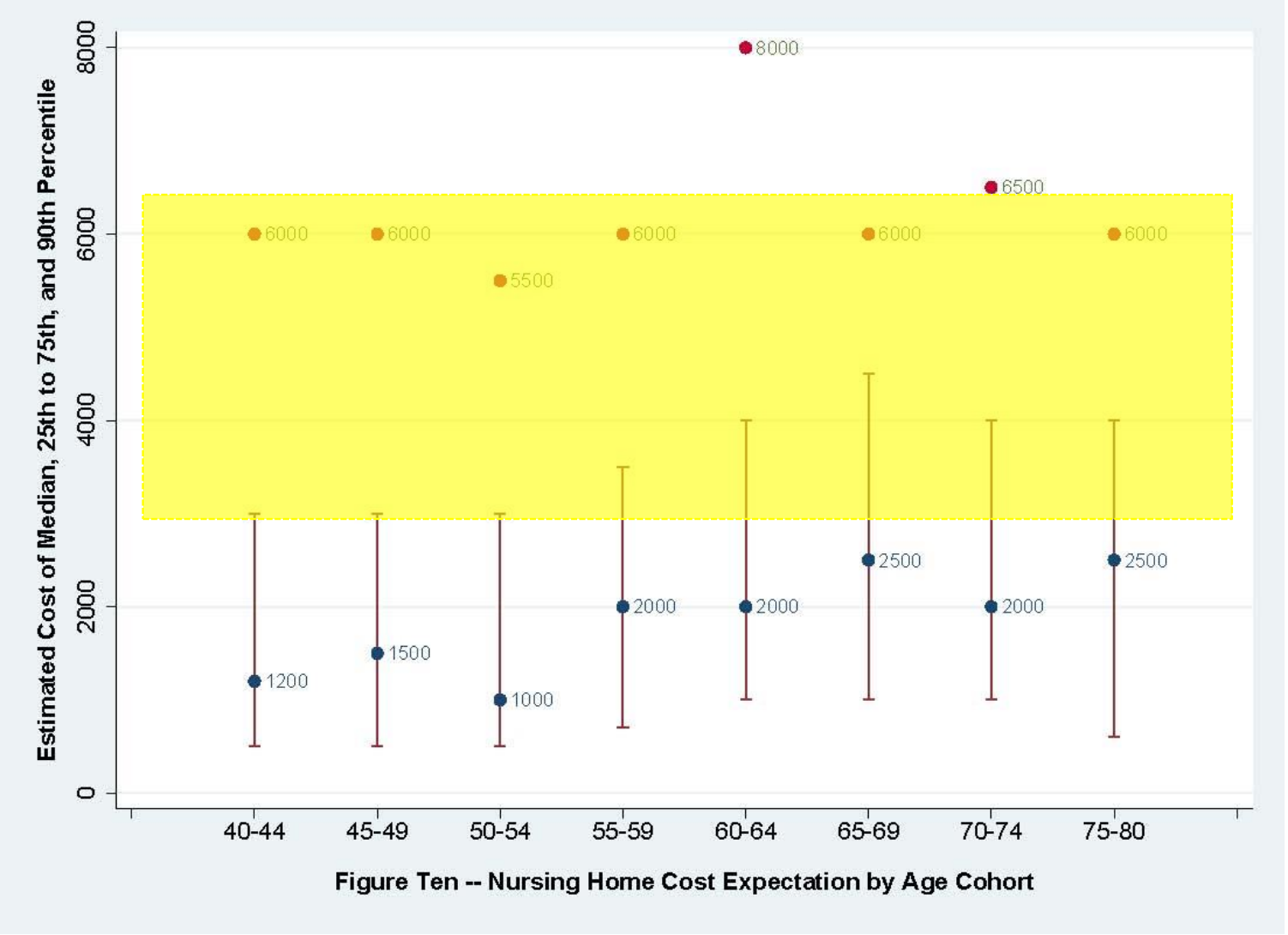

Figure Ten -- Nursing Home Cost Expectation by Age Cohort

Significant underestimation of LTC premiums for older cohorts, accurate estimate for younger ones

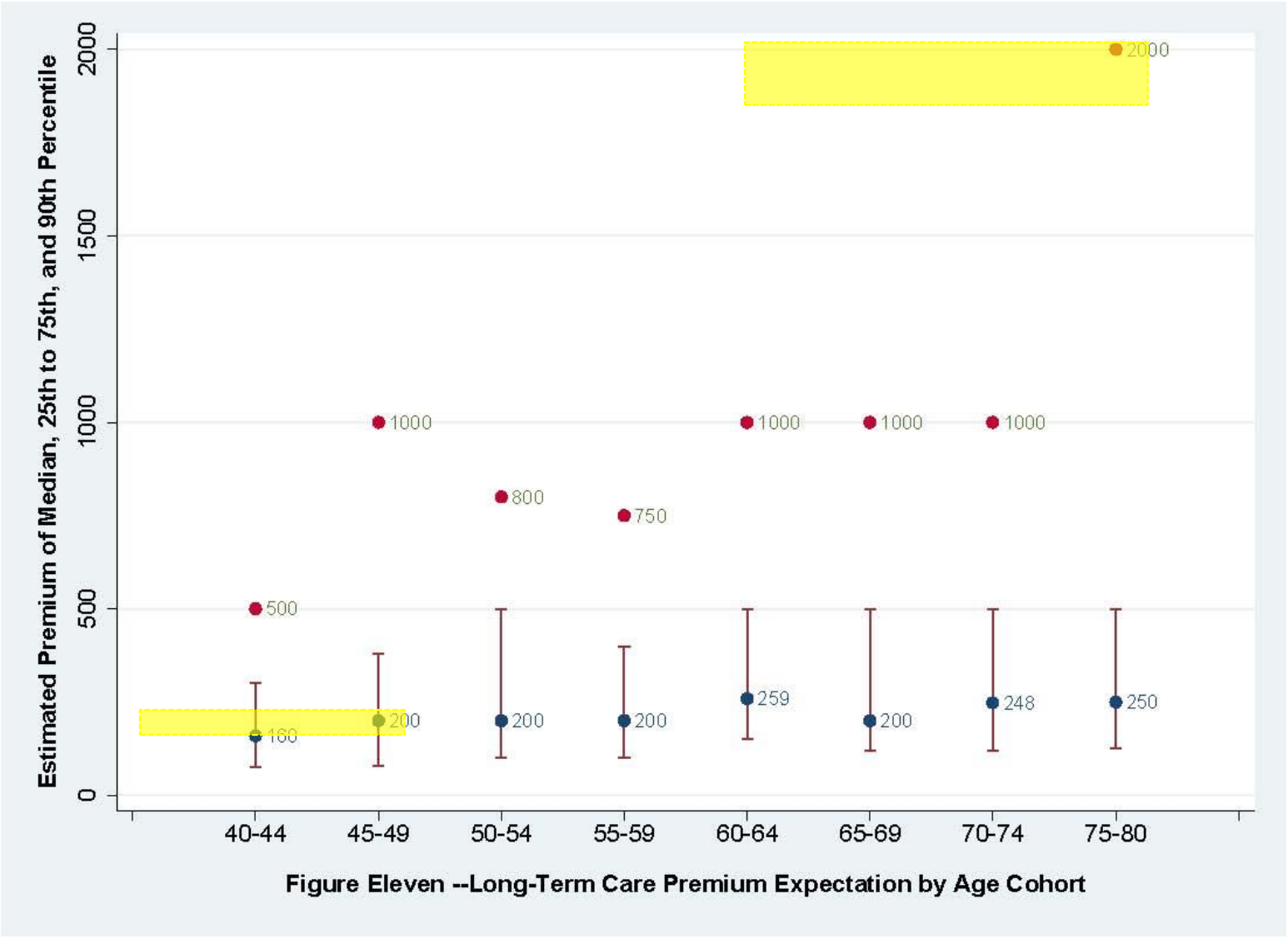

Figure Eleven --Long-Term Care Premium Expectation by Age Cohort