Social and Policy Implications of an Aging Society

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The Meyer and Renee Luskin Lecture Series
UCLA Luskin School of Public Affairs
Los Angeles, CA
March 21, 2013 at 7:00 p.m.

Good evening, everyone. It's a pleasure to be here this evening. I want to thank Dean Gilliam for inviting me and especially Dr. Fernando Torres Gil, the Director of the UCLA Center for Policy Research on Aging—and a member of AARP's all-volunteer Board of Directors—for suggesting that we get together to discuss the social and policy implications of an aging society.

For me, as CEO of AARP coming to LA to talk about the aging of society is like a homecoming. AARP was founded here in Los Angeles 55 years ago by Dr. Ethel Percy Andrus, a retired school principal at Lincoln "High School."

That was a time when a new life stage was beginning to emerge in America called "Retirement." Today, we take it for granted. For many of us, it defines "The American Dream."

But, it wasn't always that way.

In the years following World War II older people in this country were seen as a huge societal problem. Historian Lewis Mumford wrote that at <u>no</u> point in society had any group been so rejected as older people were then.

Beginning in the 1950s, the plight of older people began to change. As the concept of retirement began to take hold, old age began to be transformed from a "life in purgatory" to a much desired destination.

Dr. Andrus and her band of "useful citizens" in AARP led the way. She not only helped older-people <u>imagine</u> a better life, she helped them <u>obtain</u> the health and financial security they needed to build it—and she engaged them to live it.

This was also a time of tremendous demographic upheaval in the United States—brought on by the birth of the baby boom generation. The nation responded by investing in "school construction," "teacher education," housing, highways and "public health."

It's no coincidence that we also began to see the dramatic rise of the "middle class" during this time. Business, government, private citizens and organizations like AARP functioned under a social compact—America's social compact—that saw America as a place where everyone had an opportunity to achieve the American Dream.

The benefits of this "social compact" were felt by people throughout society, including older Americans.

- The promise of Social Security was beginning to provide more and more people with a foundation for income in retirement.

- In 1965, we added Medicare to assure that older Americans would also have basic health care, and Medicaid to protect and "lift up" the poor.

- And, the number of Americans covered by guaranteed pensions rose steadily from 10.3 million in 1950 to 35 million in 1970. By 1980, 28 percent of the workforce was covered by a defined benefit pension plan.

Before long, we began to see older adult communities spring up with names like "Sun City" and "Leisure World." And, what had always been "thought of" as "old age hell" was being transformed into what became known as "The Golden Years."

A leisured retirement became the reward for a life well-spent—the cornerstone of the American Dream. Moreover, the sooner you got there the better. To be able to retire was the ultimate symbol of success—and for many people, it still is.

As we meet here tonight, America is going through another time of dramatic change—both in terms of its demographics and its aging population.

The Census Bureau reported in May of 2012 that for the first time in our nation's history, minorities—including Hispanics, African Americans, Asians and those of mixed race—accounted for over half of all births in the 12 month period ending the previous July.

This marks the tipping point of a trend we've seen coming for many years. This trend is affecting our work at AARP as the growing 50-plus population becomes more diverse. By 2015, African Americans and Hispanics will each represent over 10 percent, and Asians will represent just over 4 percent.

By 2030, racial and ethnic minorities will be 42 percent of the U.S. population, and one in five Americans age 65-plus will be Hispanic.

This new demographic—along with the economic and cultural forces that are inherent within it—is creating what author Guy Garcia calls "The New American Mainstream"—where minorities make up the new majority.

While the nation and the 50-plus population are becoming more diverse, the 50-plus population itself is changing in dramatic fashion.

We're quickly approaching a time when the number of people 65 and over will outnumber children 15 and under for the first time in history. Here in the US, 10,000 people a day are turning 65, and that trend will continue for the next 19 years. This has led the Director-General of the World Health Organization, Margaret Chan, to observe that this is becoming "*the new normal*."

Today, tens of millions of people in their 50s, 60s, 70s and 80s are leading longer, healthier, more productive lives. They're beginning "to wake up" to this new longevity—and what it means to their lives.

This transition into what we used to call "old age" is creating a new stage of development in our life cycle—much like "retirement" did in the 1950s and 60s and adolescence did at the turn of the 20th century. And, its impact is being felt not by a relative few, but by millions.

It's occurring because, today, tens of millions of people reach their so-called "Golden Years" and discover they still want to make a difference in the world. And because of increased longevity, and generally better health, they still have a lot of years left to do it. They still aspire to retire, but they want more.

This new life stage is still being defined. It's been called "The Third Age," "The Third Chapter," "The Encore Stage," and many other names.

At AARP, we think of this new life stage as "The Age of Possibilities." People entering this period of their lives don't want to be defined by age, and they don't want to live in fear that their possibilities become more limited as they get older.

These are people who believe that their life experience has tremendous value.

They see their 50+ years as much more than the residue of youth. It is a chance to grow in new and rewarding ways—to discover new roles—to redefine themselves in ways that would not have been thought possible a few short years ago—to unleash their passions— to find and fulfill their purpose in life… to live the American Dream.

In other words, to discover and achieve the "real possibilities" for living their best lives. Possibilities for financial security… good health… meaningful work… romance… discovery… and the list goes on.

At the same time, many of these same people find themselves struggling to navigate economic, health, social, and technological realities unlike any generation before them.

And many of them don't know where to turn for help or guidance. They find that many of society's institutions are stuck in a mind-set designed for a 20th century "life course."

Society is not prepared for them, and they are not prepared to adapt, thrive and prosper in this new “age of possibilities.”

Navigating life’s realities in today’s volatile, uncertain, chaotic and world is like exploring uncharted waters—there are no maps.

What are some of these realities? Let me cite just a few:

- The latest Census data show that the typical American family got poorer during the last decade. 15 percent of Americans now live in poverty—the highest level since 1993. And, in 2012, the number of Americans living under 125 percent of poverty reached an all-time high of 66 million.

- More Americans are reaching their 60s with so much debt that they can't afford to retire.

- More low- and middle-income households are turning to credit cards to help meet daily living expenses.

- And the number of uninsured—16 percent of the population—now exceeds the combined population of 25 states and the District of Columbia. And most of them are part of the New American Mainstream.

Even though people are, by and large, optimistic, the possibility of downward mobility in retirement is a looming reality for all workers. In fact, the ranks of America's poor are on track to climb to levels unseen in nearly half a century, erasing gains from the war on poverty in the 1960s.

This is hitting the middle class especially hard. In fact, unless we are able to reverse these trends, many of today’s middle-class workers will not have a middle-class retirement. A full 30 percent of those currently in the middle class, will become “low income” retirees.

Empowering people to adapt and thrive in the “age of possibilities” requires a concerted effort on two fronts.

We have to help society adapt to the millions of people entering this new life stage—and we have to empower individuals as well.

Our challenge is to re-imagine the traditional model of “aging” in the context of the "21st" century life course—and the new “age of possibilities”—to take advantage of the wisdom, experience, interests and contributions that people 50+ make to the social capital of the nation.

At the same time, we have to “catch up” to the demographic realities of “The New American Mainstream” and “the new normal.” We need to define the proper roles of government, business and social organizations in helping and empowering people to live their "best lives" as they get older.

So, where do we start?

Financial <u>insecurity</u> is a major concern for many people as they get older.

The Great Recession hit people in their 50s and 60s especially hard with loss of jobs, falling home values and foreclosures and reduced savings. Their retirement savings and home values plummeted at the worst possible time—just before they had to begin to cash out. And for those who lost their jobs, the average period they remained unemployed was 53 weeks—nearly three times as long as teenagers.

African-American and Latino households lost over half of their wealth between 2005 and 2009.

At the same time, many of the things society did to help people achieve the American Dream when the “retirement” life stage emerged have been reversed today.

- Instead of a <u>social compact</u> where different segments of society worked together, today we have a <u>social conflict</u> that seems to pit these segments against one another with people and their families caught in the middle.

- Instead of a middle-class on the <u>rise</u>, we have a middle-class in <u>demise</u>.

- Instead of creating and strengthening programs like Medicare, Social Security and Medicaid, we find these programs under attack.

- Instead of creating pensions that help people maintain a decent standard of living as they get older, we're seeing pensions erode or disappear altogether.

75 percent of Americans nearing retirement age in 2010 had less than $30,000 in their retirement accounts.

Roughly half of all workers don’t have access to an employer retirement plan at all. And, for most of those that do, the amount in their 401(k) would pay them a retirement benefit of less than $80 a month— <u>for life</u>. How do you live on that?

Continuing to work will obviously be one of the key ways of maintaining security in retirement. But these trends place even more importance on Social Security as a source of retirement income. In fact, Social Security will be the main source of retirement income for future retirees at virtually all income levels.

And, for the nearly one-third of "middle-class workers" who will become low-income retirees, Social Security will represent over 80 percent of their retirement income.

For everyone, but especially Latinos and African Americans—young and old alike—preserving Social Security is a top priority. Indeed, more than half of older Latinos rely on Social Security for at least 90 percent of their income.

Many Latinos also face a different problem. Latinos have the lowest percentage of seniors on Social Security of any ethnic group. Many arrived in the U.S. too late to qualify for benefits.

Many others are undocumented and will likely reach retirement without a secure source of income because they are not eligible for Social Security benefits. They will be highly dependent on the goodwill of their children, grandchildren or spouses, which will put even more pressure on future generations.

The simple fact is: Social Security remains the critical foundation of income security for the overwhelming majority of people. And because of low savings rates and high health care costs, future retirees will rely on it even more.

Social Security solvency is a major concern. But how we achieve solvency matters. It matters to government…to business…to the economy. <u>And, it matters to people.</u>

But, we can't address solvency without also taking into consideration—<u>adequacy</u>. The typical person 65+ has an income of only about $20,000 a year, with the largest chunk of that coming from Social Security.

So, simply looking at solvency without considering adequacy misses the larger goal of shoring up the income security needs of the nation.

Social Security was designed more than 75 years ago at a very different time. But given current trends, Social Security is just as important today—and will be even more important in the future. We need to make sure that the program serves the needs of our changing demographics for the next 75 years.

That's why we need a full-blown national discussion of how to ensure that Social Security continues to contribute to the retirement security of older Americans in the future—not in the context of reducing a federal deficit it did not create, but with the goal of helping people achieve retirement security.

Now, let me turn to health care.

There is no question that we have to tackle the high cost of health care. It is one of the most significant factors driving people out of the middle class into poverty.

While it affects everyone, there are huge disparities in the health care received by those in the "New American Mainstream"—especially as they pertain to race, ethnicity, income, education and where you live.

Rising costs also have a negative impact on federal programs such as Medicare and Medicaid, as well as on the costs for state governments, employers and individuals. A fact you know only too well here in California.

The percentage of our nation's GDP dedicated to health care has nearly doubled from 10 percent to almost 20 percent over the last generation, and is still rising. That's more than any other developed nation—with no better outcomes.

We cannot sustain an ever-increasing share of the nation's output going to health care, especially when the Institute of Medicine estimates that as much as one-third of health care spending is wasteful or inefficient.

The Affordable Care Act begins to set in motion what needs to be done to reduce health care costs—but we need to do more.

Policy makers must not simply reduce the federal share of health costs by <u>shifting</u> costs from the federal government to individuals and other payers. One prominent example of this type of ineffective approach is raising the Medicare eligibility age.

Quite frankly, this is pure folly…and very dangerous.

And, it will not solve the problem. In fact, it will make it worse because it fails to tackle the real underlying issue of reining in high growth in health costs throughout the system and the percentage of GDP that goes to health care, while increasing total costs for everyone else.

A better approach would be to lower the growth in health care spending "system-wide." This will also lower the cost of Medicare and Medicaid.

We can't just cut Medicare benefits or raise the eligibility age to reduce the deficit. We have to make it work more efficiently— and we have to lower the growth in costs to keep it sustainable for generations to come.

The Affordable Care Act puts us on that path. But, more needs to be done. Moving forward, if we pursue additional reforms in Medicare and Medicaid, such as

- Expand payment innovations to promote value, not volume—including better care coordination;

- Implement measures to lower drug costs;

- Provide consumers with better information on cost and quality;

- And, Continue efforts to make the programs more efficient and to reduce waste—

We will bring significant savings to these programs, spur innovative cost reductions in private insurance—and most importantly, help people get healthier and stay healthier.

We also have to address the high cost of long-term care in this country, and that means shoring up the Medicaid program. Medicaid is generally regarded as a program for the poor. But in reality, Medicaid has a huge impact on the middle-class, as well.

Whether we like to admit it or not, Medicaid is our country's long-term care program. In fact, Medicaid pays for roughly two-thirds of the beds in nursing homes nationwide. The cost of long-term care is so expensive, that many middle-class Americans—after spending all of their own savings—end up relying on Medicaid to pay for their care.

This is an issue we have to face. It affects us all. That's why we were glad to see that the fiscal cliff legislation created a "bi-partisan commission" on long-term care. It's a positive step.

But it's not the only step we need to take. We also have to find a way to help family caregivers. Now, I have to admit this is a personal issue for me. I was my father's primary caregiver for the last eight years of his life.

While Medicaid may be our nation's federal and state long-term care program, family caregiving is the backbone of long-term care in this country. The family is the first place we turn. Family caregivers provide a staggering $450 billion dollars worth of unpaid care each year.

This is an especially important issue for older boomers in communities that comprise the New American Mainstream. Yet, there are marked differences in how they approach and are impacted by caregiving issues.

For example, our research shows that African Americans are more apt to obtain help from a church and to enlist the support of siblings.

Asian Americans, on the other hand—have the least support from family members, because those family members are often living in other countries. This community holds high expectations for caregiving, and they work hard to meet those expectations. While Asian Americans are the most likely to have responsibilities for providing care to both children and parents, they also express the most guilt over not doing enough.

Hispanics tend to be the most family-focused. Fully one-third of those between the ages of 45 and 55 have taken responsibility for the care of their elders—a figure much higher than the norm.

Much of this care is substantial—such as supporting older family members financially, giving them personal care, and helping them obtain medical attention. And, as with other groups, the combination of high expectations and intense efforts creates an increased level of stress.

At AARP, we're addressing this problem with our AARP Caregiving Resource Center. Our goal is to be an essential resource where caregivers can find experts, advice, local agencies and the information they need. It's also a place caregivers can communicate with other caregivers and gain support from others who are on a similar journey.

I urge all of you who are facing these challenges to visit the AARP Caregiving Resource Center at aarp.org/caregiving.

Now, I've talked a lot about the importance of addressing issues related to health and financial security in empowering people to live their best life and thrive in this new "age of possibilities." But there is another issue that I think we have to address.

In order to thrive and take advantage of the "real possibilities" that life has to offer, people need to live in environments and communities that are "age-friendly."

Now, notice I didn't say "old age-friendly," I just said, "age-friendly."

By "age-friendly" I mean that optimize the well-being of all residents, from the youngest children to the oldest seniors.

Everyone needs access to housing, transit choices and health care services. But the concept of "age-friendliness" goes deeper.

Age-friendly communities make "land-use" decisions that emphasize convenience and access. They work to keep the environment clean, and public spaces safe and free of crime.

They also recognize the dangers of isolation. Age-friendly communities find ways to promote engagement and help people stay connected.

"Age-friendly" principles make communities more economically competitive. They become more desirable places to live, to visit, and to spend time in. Consumers of all ages feel welcome and secure.

This is a message that business—and governments that want to spur economic growth—should take to heart.

A hotel, restaurant, pharmacy, grocery store—practically any retail business—can use age-friendly principles to enhance the experience of their patrons. Companies can market themselves as age-friendly to attract customers and boost sales.

Last year, working with the World Health Organization, we launched the AARP Network of Age-Friendly Communities. Our goal is to highlight and encourage the adoption of innovative ideas and best practices to improve communities—and the Network is growing.

So, what are some of these ideas and best practices? They include:

- Access to outdoor spaces and buildings and safe recreational facilities;
- Choices for transportation, housing and health care services;
- Opportunities for social participation, such as cultural, civic and public service activities; and
- Access to “information technologies” that help people stay connected, including people with impaired mobility.

Please let me tell you one quick story related to technology and mobility. Last year, we brought our Board out to Silicon Valley to focus on the role of innovation and technology in our mission to help people live their best lives.

As part of the trip, we visited Google where they showed us a prototype of their “driverless car.” Well, we got Fernando in the car for a test-drive.

And he came out all excited. He said this would change my life, where I live, how I get around, everything. He became an advocate for the car and helped pass legislation in California to legalize driverless cars.

I want to leave time for some questions, so let me close by saying that we live today in a very interesting time. The demographic changes represented by the “New American Mainstream” and “the New Normal” challenge us to capture—as AARP’s founder, Dr. Ethel Percy Andrus put it—“the accumulated experience, knowledge, wisdom and skills of all older adults.”

If the “age of possibilities” teaches us anything, it is that our potential and our possibilities are not depleted by age any more than they are limited by youth.

We must reimagine America by adapting our social structures, institutions, and public policies and programs to meet the challenges and take advantage of the opportunities that lie in our midst.

In the end, we have to ask ourselves this question: What kind of America do we want? What kind of life do we want for our kids and grandkids?

For us at AARP, the answer is clear:

We want a society in which everyone lives with dignity and purpose and fulfills their goals and dreams, a life with access to affordable, quality health care and the opportunity to achieve lifelong financial security—a life where everyone has a realistic chance to pursue and achieve the American Dream, whether they are young, or whether they are old.

Thank you.