

2013 Health Care Costs Survey

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The bottom of the page features a decorative graphic consisting of several overlapping, wavy lines in white, light red, and dark red, creating a sense of movement and depth against the solid red background.



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Report Prepared by
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EXECUTIVE SUMMARY

Background & Methodology

The purpose of this survey was to understand the public's awareness and concern about health care costs that they may incur during retirement. It also sought to determine whether or not non-retired adults are currently saving to cover health care expenses in the future because, while Medicare is the primary insurance program for individuals during retirement, it only covers approximately 51% of health care costs¹.

According to a recent study conducted by Fidelity, a 65-year old couple is estimated to need \$220,000 to cover out-of-pocket medical expenses throughout retirement².

Data was collected for this study via a nationally representative sample of 1,000 adults' age 50-64 who are not retired. Individuals age 65 and older were excluded as this study sought to examine non-retired individuals who are not current Medicare beneficiaries. Telephone interviews were conducted by SSRS, an independent research company, September 18 – October 9, 2013. A sample size of 1,000 respondents yields a margin of error of +/- 3% at the 95% confidence level. This means that in 95 out of 100 samples of this size, the results obtained in this sample would be within +/- 3 percentage points of the results obtained had everyone in the population been surveyed. The margin of error among subgroups (e.g., age, income, etc.) is higher. Results are presented using weighted data figures.

Key Findings

- **Most individuals have not taken steps to plan for health care costs in retirement.** Across age groups, only about one-third (36%) have tried to estimate how much money they will need to save and have set money aside to cover these expenses in the future. Adults age 60-64 (40%) are just slightly more likely than those age 50-59 (35%) to have money set aside although these differences are not statistically significant. Interestingly, those adults age 60-64 are significantly more confident than their younger counterparts that they will be able to afford these costs.
- **While most adults age 50-64 have given health care costs in retirement some level of thought, a smaller percentage is confident that they will be able to afford the costs.** Two-thirds of respondents have thought about the costs at least somewhat but only 52% are confident they can afford the costs. In fact, less than two in ten (16%) are *very confident* that they can afford the costs of health care in retirement.
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¹ Fronstin, Paul. (2008) *Savings Needed to Fund Health Insurance and Health Care Expenses in Retirement: Findings from a Simulation Model*. Employee Benefits Research Institute (EBRI), May, 2008.

² Fidelity Consulting Services, 2013. Based on a hypothetical couple retiring in 2010, 65 years or older with average life expectancies. Estimate are calculated for "average" retirees, but may be more or less depending on actual health status, area of residence, and longevity. This assumes individuals do not have employer-provided retiree health coverage, but do qualify for Medicare.

- **Estimates of the actual costs of health care in retirement vary significantly.** More than four in ten adults age 50-64 (42%) believe they will need to accumulate less than \$100,000 to cover out-of-pocket health care expenses during their retirement. In addition, sixteen percent believe it will cost less than \$50,000 and 15% say they simply do not know.
- **Income plays a major role in planning and saving.** Individuals reporting a household income of \$75,000 a year or more (62%) are much more likely to say they have money set aside than those with a household income of \$25,000-\$50,000 (29%) and <\$25,000 a year (11%). Not surprisingly, those with a higher household income are also much more likely to say they are confident they will be able to afford the costs.

Conclusions

The results of this survey suggest that most adults in their 50's and early 60's have not begun saving for health care costs they may incur during their retirement years. Many have given this some level of thought although it appears that, for the most part, no firm planning has taken place. Consequently, confidence in being able to afford health care costs in retirement is weak. When asked how much money one needs to accumulate to cover health care expenses in retirement, responses varied significantly. This lack of awareness, along with the incorrect assumption that Medicare pays for more health care than it actually does, may explain why the majority of adults in this age range do not have money set aside to cover health care costs.

DETAILED FINDINGS

Confidence in Paying Retirement Health Care Costs

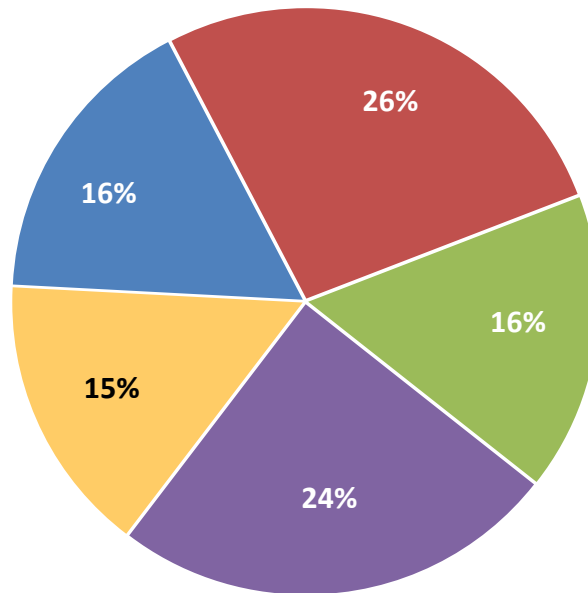
Two-thirds of adults age 50-64 (66%) have given at least some thought to health care costs they may incur when they are retired. However, only one-third (38%) have given it *a lot* of thought. Women (42%) are more likely than men (34%) to have given it *a lot* of thought. Interestingly, no significant age differences emerge.

Respondents were asked how much money they believe they will have to accumulate by the time they retire to cover health care costs in an effort to gauge whether respondents are aware of the costs they may incur. Figure 1 shows that responses varied from less than \$50,000 (16%) to more than \$200,000 (24%). It is also important to note that 15% of adults age 50-64 acknowledged that they do not know.

Figure 1

How much money, if any, do you think you will need to accumulate by the time you retire just to cover the cost of health care, nursing care, prescription drugs, and health insurance³?

■ Less than \$50,000 ■ \$50,000-\$100,000 ■ \$100,000-200,000
■ More than \$200,000 ■ Don't know



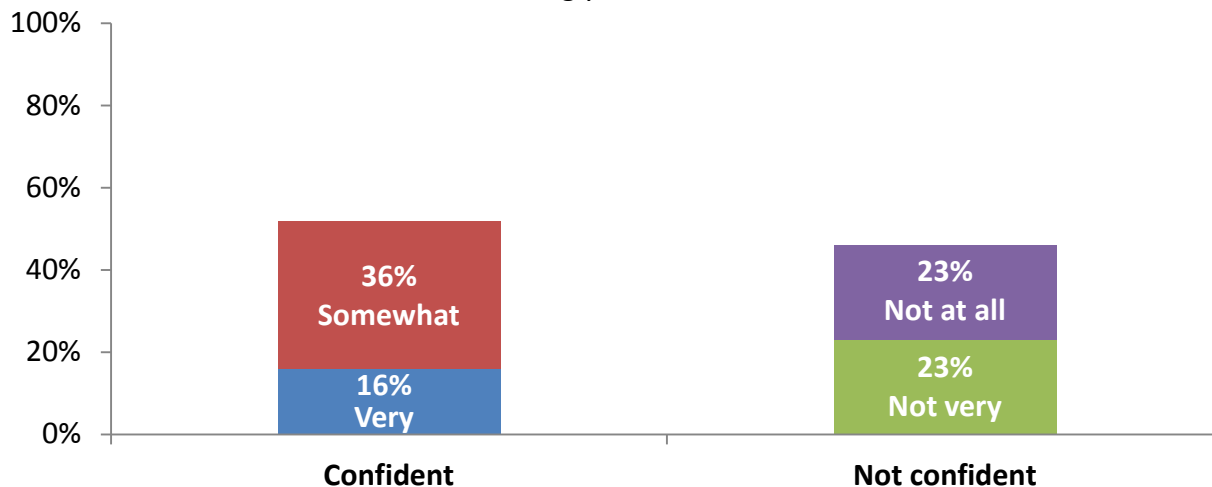
Base: n=1,000

³ It is important to note that this question asked about health care costs, in general, and did not ask respondents to specifically include long-term care services in their estimates.

While many adults have given some level of thought to health care costs in retirement, confidence in having enough money to pay for these costs is much lower. Roughly half of adults age 50-64 are at least *somewhat confident*, yet only 16% say they are *very confident* (see Figure 2).

Figure 2

How confident are you that you will have enough money to take care of your health care expenses during your retirement?



Base: n=1,000

Not surprisingly, confidence in having enough money varies by age and income with younger adults and those with a lower household income being less confident (see Table 1).

Table 1

How confident are you that you will have enough money to take care of your health care expenses during your retirement?
By age, gender, and income⁴

Confidence	Total	Age		Gender		Income		
		50-59 ^a	60-64 ^b	Male ^c	Female ^d	<\$50,000 ^e	\$50-75K ^f	\$75K+ ^g
Confident	52%	49%	62% ^a	52%	52%	40%	60%	72% ^{ef}
Not confident	45%	48% ^b	38%	45%	46%	59% ^{fg}	40%	28%

Base: n=1,000

⁴ **Bold face** percents in columns (which represent demographic subgroups) are significantly higher than percents in adjacent columns. Superscripts (^{a/b/, c/d, e/f/g}) indicate those columns in which there is a statistically significant difference.

Planning For Future Health Care Costs

Most adults age 50-64 (62%) have not tried to estimate how much money they will need to save to cover health care costs during their retirement. No age or gender differences exist; however, those reporting a higher household income are more like to say they have done this (53% of those reporting an income of \$75,000 or more have estimated costs compared to only 24% of those with a household income of \$50,000 or less).

Likewise, roughly one-third of adults age 50-64 say they have money set aside to cover health care expenses during retirement. This also varies significantly by income (see Table 2).

Table 2

Have you ever tried to figure out how much money you will need to save to cover health care expenses when you retired?

Do you have money set aside to cover health care expenses when you are retired?

By age, income, and education⁵

	Total	Age		Gender		Income		
		50-59 ^a	60-64 ^b	Male ^c	Female ^d	<\$50,000 ^e	\$50-75K ^f	\$75K+ ^g
% who have tried to estimate savings needed	36%	35%	38%	38%	33%	24%	36% ^e	53% ^{ef}
% who have money set aside	36%	35%	40%	35%	37%	19%	45% ^e	62% ^{ef}

Base: n=1000 adults age 50-64

Conclusions

The results of this survey suggest that most adults in their 50's and early 60's have not begun saving for health care costs they may incur during their retirement years. Many have given this some level of thought although it appears, for the most part; no firm planning has taken place. Consequently, confidence in being able to afford health care costs in retirement is weak. When asked how much money one needs to accumulate to cover health care expenses in retirement, responses varied significantly. This lack of awareness, along with the incorrect assumption that Medicare pays for more health care than it actually does, may explain why the majority of adults in this age range do not have money set aside to cover health care costs.

⁵ **Bold face** percents in columns (which represent demographic subgroups) are significantly higher than percents in adjacent columns. Superscripts (^{a/b/}, ^{c/d}, ^{e/f/g}) indicate those columns in which there is a statistically significant difference.

APPENDIX A: ANNOTATED QUESTIONNAIRE

Health Care Costs Survey

This study was conducted for AARP via telephone by SSRS, an independent research company. Interviews were conducted from September 18 - October 9, 2013 among a nationally representative sample of 1000 respondents' age 50 to 64 who are not retired. The margin of error for total respondents is + /-3.10% at the 95% confidence level.

More information about SSRS can be obtained by visiting www.ssrs.com

HC-1. As you may know, Medicare covers a portion of medical expenses for retired individuals; however there are out of pocket costs such as premiums and copays and some prescription costs that you may be responsible for. How much thought have you given to health care expenses you will be responsible for when you are retired?

	A lot/some			Not much/none at all			Don't know	Refused
	NET	A lot	Some	NET	Not much	None at all		
Total	66	38	28	31	16	14	3	1

HC-2. How confident are you that you will have enough money to take care of your health care expenses during your retirement?

	Confident			Not Confident			Don't know	Refused
	NET	Very	Somewhat	NET	Not very	Not at all		
Total	52	16	36	45	23	23	2	1

HC-3. Have you ever tried to figure out how much money you will need to save to cover health care expenses when you are retired?

	Yes	No	Don't know	Refused
Total	36	62	2	*

HC-4. How much money, if any, do you think you will need to accumulate by the time you retire just to cover the cost of health care, nursing care, prescription drugs, and health insurance in retirement? Do you think it will be?

	<\$50K	\$50K to \$100K	\$100K to \$200K	\$200K+	Don't know	Refused
Total	16	26	16	24	15	3

HC-5. Do you have money set aside to cover health care expenses when you are retired?

	Yes	No	Don't know	Refused
Total	36	59	2	3



APPENDIX B: DEMOGRAPHICS OF THE SAMPLE

- Respondents in this study are between the ages of 50-64, with 40% between the ages of 50-54, 35% between the ages of 55-59, and 22% between the ages of 60-64.
- Slightly more than half of the respondents are female (52%) whereas slightly less than half (48%) are male.
- Roughly six in ten (61%) are married or living with a partner, 23% are separated/divorced, 10% are single/never married, and 5% are widowed.
- Sixty-seven percent of respondents in this study are employed, 8% are homemakers, 9% are temporarily unemployed, and 13% are disabled.
- Roughly four in ten (45%) of respondents have a high school education or less, 24% have some college/technical school, and 31% have a college degree or more.
- Four in ten respondents (45%) report a household income of \$50,000 or less, 24% report an income of \$50,000-100,000, and 19% report a household income of \$100,000 or more.