

Baby Boomers at Mid-Life

The Future of Aging in North Carolina

**A Report Prepared for
the NC Division of Aging**

by the

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“Talking ’bout My Generation”

Baby Boomers Face the Future

Demographics * Economics * Health Care * Planning the Future

Why Worry Now?

At each stage of life, “baby boomers”—people born between 1946 and 1964—have challenged existing structures and resources. They put pressure on hospital maternity units when they were born. They overflowed the public school system, leading to record construction, overcrowded classrooms, and double shifts of classes. They gave a huge boost to college enrollment, and they created an “echo boom” of births when they reached child-bearing ages. They have provided a huge supply of labor that has contributed to national productivity, but they may also have contributed to the stagnation of wages since they entered the job market.

As the oldest boomers began to turn 50 in 1996, we began to ask the question, “What is going to happen when the boomers reach retirement age?” We need to ask this question now, if we want to shape the answer.

“The sooner we start, the easier it is to help shape our future, rather than simply react.”

—Robert B. Friedland, Director, National Academy on Aging

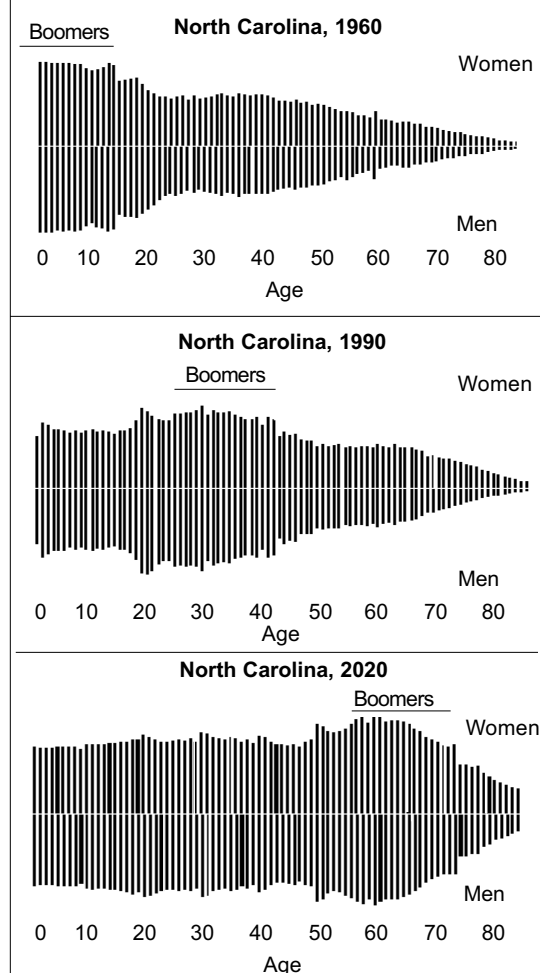
The generation that came of age in World War II—the boomers’ parents and grandparents—redefined what it means to grow old and, for practical purposes, invented retirement. They were children in the New Deal and were the first generation to start their work lives paying Social Security and expecting to retire at a set age. They lived longer, swelling the numbers of older adults in North Carolina and the nation. Now they are enjoying healthier, more financially secure, and more active later lives than any previous generation.

Like their parents, boomers will arrive at later life in record numbers with relatively good health and some resources. Like their parents, they entered the work force paying Social Security. They were children during the War on Poverty, and they are the first generation to have paid into Medicare for their entire working lives.

In fact, both generations grew up with strong values of individuality, but with the expectation of an intergenerational covenant. Young people would pay into the system that helped provide security for the older generation; in turn, they would receive that support in their old age.

At the same time, the two generations have experienced some important historical differences. In giving birth to the boomers, the World War II generation

“Like a Pig through a Python”



Baby boomers progressing through the life course of the state and nation have been described as “a pig through a python,” creating a bulge of people at each stage of life. These three charts illustrate the principal reason for planning now. Even though the number of older people in our society had been growing constantly this century, until now, the ratio of younger people to older people has been high. In 1950 there were 16 working age people to each retiree. Now there are about 3 to 1, and by 2020, the ratio will be 2 to 1 or less. This change affects public and private decision-making alike. The other salient factor is the absolute number of people we can expect to use public and private services in the future—in some cases double the current capacity of providers.

created a huge younger generation. They paid for this as individuals (in shoes and braces) and as taxpayers (in school taxes and subsidized college loans). On the other hand, they have a large group of people to support them if they experience problems in their later years as individuals (through caregiving and other assistance) and as taxpayers (through Social Security and Medicare). The boomers had fewer children to support; but, in turn, they have a much smaller pool, per person, paying into the public programs that they hope will support them in their later years.

The aging of the boomers invites us to reevaluate what it means to be “old” and what we expect of ourselves, our families, communities, and institutions. What is the interaction between personal and public responsibility for the well-being of older adults? Is public responsibility linked to an age or a state of vulnerability? What is owed to people who entered an intergenerational contract?

If we reach consensus on the answers to these questions now, we will have time to make relatively easy, incremental changes that will bring us to the future we want. If we wait, the changes will be ill-considered and drastic and may lead to a future by default rather than by design.

This report aims to raise questions and stimulate the discussions that will help us find answers. It explores the coming wave of older adults and its impact on North Carolina. Section 1 presents a basic demographic profile of North Carolina boomers. Section 2 looks at issues of financial security, including the future of Social Security and the ways that boomers need to plan for retirement. Section 3 looks at boomers’ health now and as they get older, including current health behaviors, potential medical breakthroughs, funding, and long-term care. Each section begins with key facts and implications and ends with questions for thought and discussion. Finally, the last section summarizes and invites a vision of what may be.

1 “What’s Going On?”

Boomer Demographics

**Numbers * Diversity * Income
Education * Living Arrangements**

Facts and Implications

☛ In 1990 there were more than 2 million boomers in North Carolina—about one third of the population and almost half of those of working age.

As boomers reach retirement age, their sheer numbers will force us to rethink how individuals, families, communities, and government will define and deal with aging issues.

☛ One of the stereotypes of boomers is that they are well educated, but more than half reached ages 25 to 34 with a high school diploma or less.

Boomers are better educated than their parents, but many still face occupational limitations because of their lack of education. Some boomers are continuing their education past the traditional ages (see section 2), and many more will need to do so if they are to hold the new jobs coming into North Carolina.

☛ Boomers have higher average incomes (in real terms) than their parents did at comparable ages. This is because personal income has increased and because two-income families are more common. However, 17 percent of NC boomers are poor or near-poor.

Many boomers have the potential to arrive at retirement better prepared to provide for themselves, if they can be encouraged and educated to do so. Still, plans must include a sizable minority of those too poor to have reasonable chances of saving.

☛ The income gap between African American and White boomers is smaller than it was in their parents’ generation. Still, despite civil rights activities, the gap is no smaller among younger boomers than among older boomers, suggesting one-time change rather than continuing improvement.

Tomorrow’s older adults will include more well-educated and economically secure African Americans than today’s. However, there will continue to be a disproportionate number of African Americans among poor and less-educated elders. Just as service providers today strive to develop culturally sensitive and relevant programs, they must do so in the future.

☛ Boomers married later than their parents, and a larger number have remained single. They are less likely to be living in married-family households or with their parents, and more likely to be living alone, as single heads of household, or with a partner to whom they are not married. Nearly 60,000 White women boomers (about 8 percent) and about 67,000 African American women boomers (about 27 percent) were single heads of households at ages 25 to 34.

These changes in family life have implications for household income and the ability to save for retirement, as well as the demands of future caregiving and the expectation of receiving family care.

Who are these baby boomers? Are they like their parents? Are there differences between boomers in North Carolina and boomers in the country as a whole? Are boomers as a group (wherever you find them) alike? Here is a brief overview.

Numbers

In 1990 there were over 2 million boomers in North Carolina—over 900,000 older boomers, born from 1946 to 1954, and more than 1.1 million younger boomers, born from 1955 to 1964. This represents nearly a third (31 percent) of the state’s population. By a conservative estimate, about 1.5 million of them will still be living in 2030, when all of the boomers are past age 65.

Diversity

North Carolina boomers are a diverse group of people who are often lumped together because they were born within an 18-year period. They differ by ethnicity, income, education, gender, and family structure. In addition to these differences, older boomers (the oldest of whom turn 51 in 1997) differ from younger boomers (the youngest of whom turn 33 in 1997) in their history, life experience, and opportunities. Understanding the nature and extent of this diversity is essential for successful planning. No one set of answers will meet the needs or capitalize on the resources of the whole boomer group.

At the national level, much has been written about the increased ethnic diversity of boomers. However, this is not a strong trend in North Carolina. At 22 percent, the African American boomer population in North Carolina is about twice the national average, but this does not mark a substantial change from previous generations. Under current survival projections, African Americans will make up 18 to 19 percent of the older adult population in 2030, which is comparable to the percentages among North Carolina’s older adults throughout the twentieth century. The Hispanic population of North Carolina is growing and is more concentrated in the boomer age group than other ethnic groups, but it still accounts for a small proportion of the total population. Younger generations of North Carolinians will be much more Hispanic than the boomers.

Income and Education

The resources that boomers will take into their later years will depend heavily on two resources they accumulate at younger ages—income and education. Although their individual futures will depend on their ability to transform these resources into appropriate assets—both material and internal—they must begin building these assets with knowledge and money.

About 20 percent of boomer-headed households can be called comfortable or well-to-do. They had 1989 household incomes of \$50,000 or more (\$63,291 in 1996 dollars). Although they make up only 20 percent of the households, their combined incomes represent about 43 percent of all boomer income in the state. The available data do not give income levels within categories of education specifically for boomers. Still, the percentage of boomers in this income group is very similar to the 20.8

Boomers at a Glance

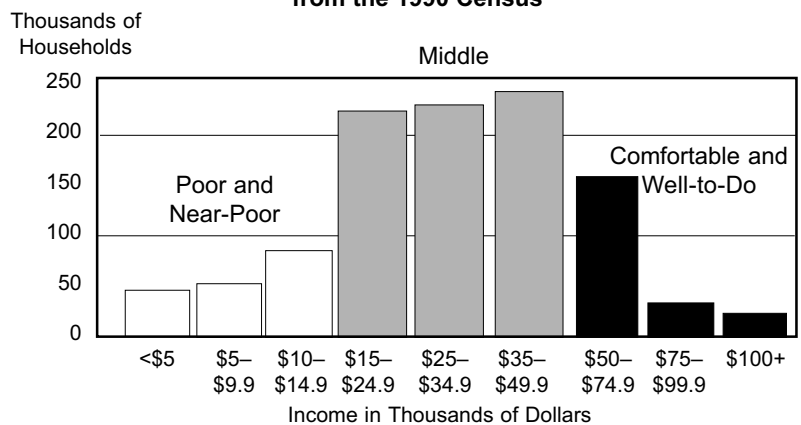
Compared to US boomers, NC boomers

- have lower household incomes
- have lower levels of education
- are more likely to live in rural areas
- are more likely to be African American.

Compared to NC’s older adults today, NC boomers

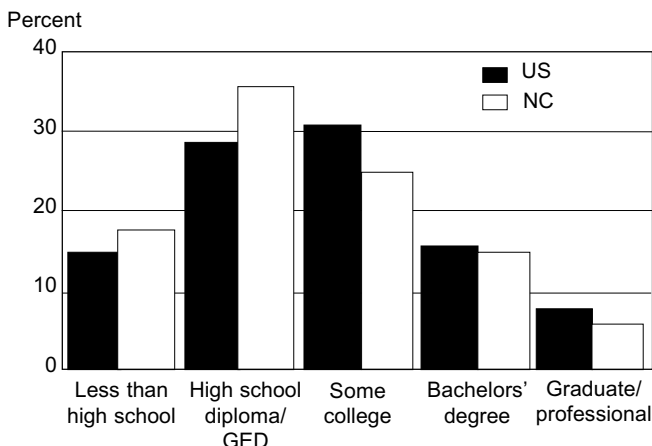
- are much more likely to have finished high school and somewhat more likely to have attended college
- have much higher household incomes during their young adult years, even when inflation is taken into account
- are less likely to be married and, on average, have fewer children
- have come closer to income equality between men and women and between African American and White residents, but have not closed the gap.

Figure 1. North Carolina Boomer Income Groups in 1989, from the 1990 Census



Age groups 25 to 44 in 1990 approximate boomers. Median income was \$31,163 (\$39,337 in 1996 dollars).

Figure 2. NC Boomers' Level of Education Completed, Compared to US Boomers, from the 1980 and 1990 Censuses*



*The age group 25 to 34 in 1980 approximates older boomers, while that age group in 1990 approximates younger boomers. Although many people continue to educate themselves throughout life, by ages 25 to 34, most of those who are going to complete high school and/or college have done so, and many have completed graduate school.

percent who had a college degree or higher education at ages 25 to 34. (Educational categories in this section look at boomers within this 10-year age range by combining older boomers in 1980 with younger boomers in 1990. Many boomers are still pursuing further education—see section 2.)

About 17 percent of boomer-headed households can be called poor or near-poor. Their household income in 1989 was less than \$15,000 (\$18,986 in 1996 dollars), and among them they accounted for less than 4 percent of boomer income. A little more than 18 percent of boomers have less than a high school diploma and have not received a GED.

The remaining 63 percent fall in between the poor and the comfortable. They share 53 percent of boomer income and are roughly equivalent to the 61 percent who have either high school alone or high school and some college (but less than a bachelor's degree).

What Are the Relationships of Race and Gender to Income?

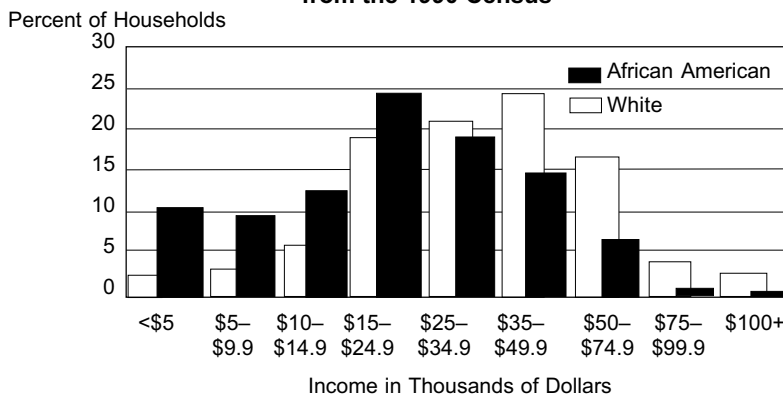
Although the boomers, as a generation, saw active struggles for ethnic and gender equality, both of these factors continue to have important influences on the opportunities available to boomers. For example, we have said that nearly 17 percent of North Carolina boomers are in the category we have called “poor and near-poor,” but nearly a third of African American boomers in the state are in that category (33.2 percent) compared to only 12.1 percent of White boomers. Gender also has an important effect on income. Older boomer women in North Carolina, at ages 25 to 34, had a median personal income only 61.5 percent of the median personal income of men in the same cohort.

What Are the Differences in Education by Race and Gender?

Nearly a quarter (24.6 percent) of African American boomers in North Carolina were not able to complete high school by ages 25 to 34, compared to 16.6 percent of White boomers. At the same time, White boomers were almost twice as likely to have completed at least a bachelor's degree: 23.2 percent (16.6 percent with bachelor's degree only, and 6.6 percent advanced), compared to 12.2 percent of African American boomers (9.9 percent with bachelor's only, and 2.3 percent advanced).

Gender differences in education are not like ethnic differences. In education, the disadvantaged group fares better overall. In general, boomer women are more educated than boomer men. Among African Americans in this cohort, women have greater achievements at every level. Among Whites, men are slightly more likely than women to have advanced or professional degrees (7.4 percent, compared to 5.8 percent), but they are also more likely to have dropped out before completing high school (18.4 percent, compared to 14.5 percent). Many explanations have been advanced for the fact that women are not able to turn their better education into better pay. These include interrupted career ladders because of child-rearing; the preponderance of women with

Figure 3. Racial Differences in All Boomers' Household Incomes in 1989, from the 1990 Census



Age groups 25 to 44 in 1990 approximate boomers. Median income for African Americans was \$21,855 (\$27,665 in 1996 dollars) and for Whites, \$33,955 (\$42,982 in 1996 dollars).

bachelor's and graduate degrees that prepare them for traditionally "female" careers such as teaching and nursing, which pay less than male careers requiring the same level of education; and outright discrimination.

Are Ethnic and Gender Gaps Narrowing?

Income differences appear to be narrowing somewhat, although they are still disturbingly large. At the time of the 1990 Census, the median household income of White older boomers was \$38,630 (\$48,898 in 1996 dollars). This was 1.57 times the median household income of older African American boomers (\$24,530, or \$31,051 in 1996 dollars). For younger boomers, the ratio was exactly the same, although the income level was lower, which we would expect because this younger group was in an early stage of career development. Thus the income gap has not narrowed from older boomers to younger boomers. If we look at the incomes of adults age 65 and older in 1990, the ratio of White to African American median income is 1.70. This shows a narrowing of income difference between today's elders and the boomers. The real narrowing is probably greater than this figure indicates because, in general, ethnic income differences are substantially smaller after retirement than during the work years (Salmon 1994). In education, the ethnic gap has been growing for graduate school; however the gap in college degrees and high school diplomas is getting smaller.

The gap in women's personal income is also narrowing. When today's older adults were 25 to 34, women's median income was 49.4 percent of that for men. When older boomers were that age in 1980, women's median income was 61.5 percent of men's. (Personal income was not published in 1990 and is, therefore, not available for younger boomers.) It is also worth noting that the gap is smaller for women in North Carolina than in the US as a whole. This is, in part, because North Carolina's men were making less than the national average

Figure 4. Boomers' Education at Ages 25 to 34 by Race and Gender, from the 1980 and 1990 Censuses

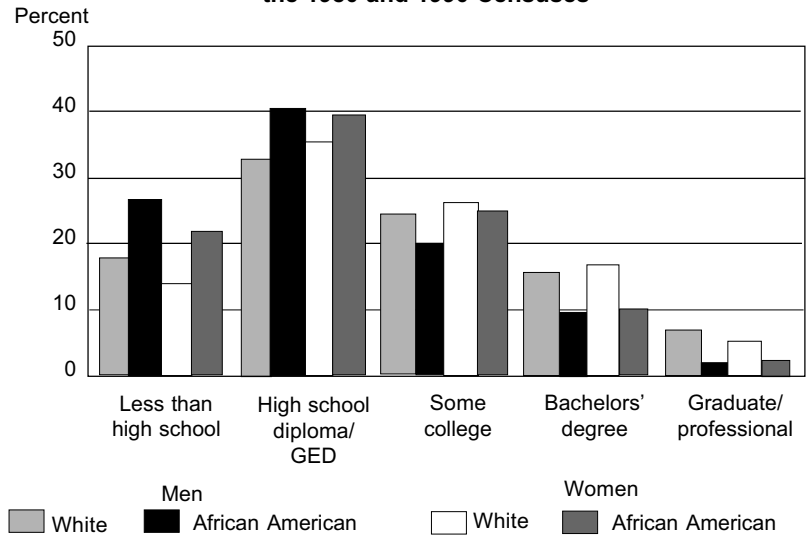
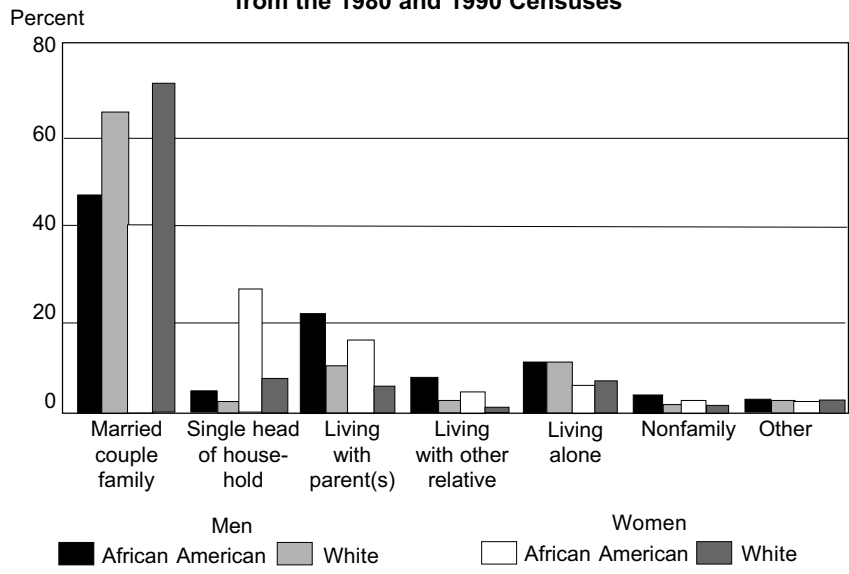


Figure 5. Living Arrangements at Ages 25 to 34 by Race and Gender, from the 1980 and 1990 Censuses



for men, while North Carolina's women were making higher than the national average for women.

Living Arrangements

Boomers are less likely to live in married-couple families than today's older adults were at the same ages. They are somewhat less likely than their parents' generation to be living with their parents and slightly more likely to be living alone or with a partner to whom they are not married. However, the most striking finding in Figure 5 is the large percentage of African American women living as single heads of households. Figure 5 combines older boomers in 1980 with younger boomers in 1990. However, for the younger boomers (25 to 34 in 1990), the figure would be even more dramatic. African American women were almost as likely to be single heads of households (29.9 percent) as to be in married couple families (35.5 percent). While White women are almost three times as likely as White men to head single family households, African American women are about five and a half times as likely to head single families as African American men.

Although being a single head of family has a financial cost for both men and women, women are not only much more likely to be in that position, they are also more seriously disadvantaged because men make more—about three-quarters of an average couple's income—and men remarry more quickly, so that the time in which they are with children and without a second income is typically shorter than it is for women. There are no published data on this subject specifically for North Carolina boomers. However, among North Carolina households of all ages in 1990, the mean income for married-couple families with children was \$43,426, while it was \$24,473 for male-headed single parent families and \$14,802 for female-headed single parent families.

Questions for Discussion

1. How should North Carolina plan for the aging of record numbers of college-educated boomers, while still serving the needs of the large number who will still have high school educations or less?
2. What are the roles for individuals, communities, and the state in supporting social justice issues that strongly influence how people enter their retirement years, such as the rights of women and African Americans?
3. Unlike today's older single women, who are almost all widowed, many of the boomer women will be single in retirement years due to divorce or never marrying. How will this difference affect income, social adjustment, and interests of tomorrow's elders?
4. Boomers will constitute the largest group of older adults ever in the state. Will they be able to convert their numbers to political influence as today's older adults have done, or will their diversity divide them?

2 "Money Makes the World Go Around"

Financial Security in Later Life

**Jobs * Social Security
Pensions * Savings * Assets**

Facts and Implications

➤ Roughly one-fifth of NC boomers are comfortable or well-to-do (household incomes greater than \$63,000 in 1996 dollars). Almost another fifth (17 percent) are below the poverty level or just above. Some 60 percent are in the middle.

How well boomers do now influences how much they will accumulate for retirement in Social Security, pensions, and assets.

➤ Thirty-six percent of community college enrollees and 31 percent of people in graduate schools in the state university system are boomers. Boomers also account for 7 percent of undergraduates in the state university system.

As jobs become more technical, it becomes more important for workers to be able to upgrade skills regularly. For baby boomers in our work force, more education is critical to competing for higher-paying jobs. Education may also be a source of personal enrichment for boomers now and in their retirement years.

➤ With no change, the Social Security trust fund will still operate with a surplus until 2020. By 2029 it will be reduced to paying only 75 percent of benefits unless something is done to fix it.

It is likely that the federal government will find a way to preserve Social Security. The state needs to educate its citizens, and citizens need to make their wishes known to their US senators and congressmen.

➤ Nearly 1 million NC boomers—roughly half—are in occupations that did not offer pensions to people who retired in 1993. Given that many companies are reducing the type and extent of coverage, we may expect an even larger proportion without pensions when boomers retire.

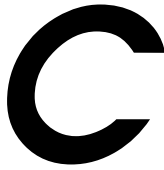
Those boomers not covered by pensions will need much greater savings to supplement their social security, but they are disproportionately found in the group with modest income. Solutions should address individual, corporate, and community responsibility.

➤ Boomers are just entering the ages when their parents began to save more of their earnings for retirement. Will the boomers save enough?

Because many boomers in the poor, near-poor, and middle income categories have little money to save beyond what it takes to maintain their households now, many will not have much savings for retirement.

➤ It is likely that many boomers will want or need to work some hours for pay after they pass the traditional retirement ages.

If large numbers of boomers continue to work, it will have economic and social consequences for them personally and for business, families, community, and government.



Can boomers retire? At what age? To what degree? With what consequences? To begin answering these questions, we must know something about the current and future economic status of the boomers and how much their retirement might cost. We must also look at current trends in retirement and boomers' thoughts about what retirement will mean for them.

How Much Will It Take?

On average, retired people need about 70 to 80 percent of their preretirement income to maintain their standard of living (Tyson, 1995, p. 130). Most will be financing their later years through some combination of Social Security, pensions, savings and assets, and continued employment. For each area we can find some suggestive trends, but we are also left to speculate about what will really happen to the boomers.

How well boomers can provide for themselves in retirement depends heavily on their current employment, because current occupation and wages govern the size of contributions to Social Security and both the availability of and contri-

butions to employer-sponsored retirement plans. The difference between disposable income and living expenses determines whether boomers can acquire assets.

Table 1 shows where North Carolina's boomers were employed in 1990. Compared to the rest of the state's work force, they were somewhat more likely to be in executive and professional/technical specialty occupations and very much less likely to be in sales, service, farming, forestry, fishing, and less skilled production occupations. Compared to US boomers, however, they are less likely to be in executive and professional/technical fields and more likely to be in the others. North Carolina's manufacturing heritage shows in a relatively high ratio of machine operators, assemblers, and inspectors. While it is dangerous to generalize about salary levels for such broad occupational categories, boomers seem to be concentrated in higher-paying occupations relative to the rest of the state's work force, but not when compared to boomers nationally. This may mean that boomers compete well locally with regard to salary and lifetime earnings, but they may be at a disadvantage in a national context.

One way to improve financial prospects is to get a better job. The two lists in table 2 present different stories on where the jobs will be in the near future. In North Carolina, the fastest-growing occupations tend to be in the professional, paraprofessional, and technical area, but if one considers the absolute numbers of jobs available, the greatest share is in service or clerical occupations, which typically do not pay very well and, for the service industry particularly, may not offer pension programs. Finally, agriculture, forestry,

Table 1. NC Boomers in the Work Force in 1990, with Percentages of People in the US Retiring at Age 55+ in 1993 Without a Pension

Occupation	Number	Percent in Occupation	Percent Without Pension
Executive, administrative, and managerial	188,780	7	43
Professional and technical	302,064	16	46
Sales	157,069	11	71
Administrative support, including clerical	237,079	15	55
Service	149,795	14	79
Production, construction, operating, maintenance, and material handling	582,293	34	52
Agriculture, forestry, fishing	36,653	3	n.a.
Total in these categories	1,653,733		
Total boomers	2,037,163		
Not in work force/Other	388,430		

Source: 1990 Census; US Department of Labor, *Retirement Benefits of American Workers*, 1995, table B6, pp. 53-54.

Table 2. Ten Fastest-Growing Occupations in North Carolina, 1992 to 2000 (Projected Number of New Positions in the Eight-Year Period)

By Number of Positions Available	By Percent Growth in Number of Positions
1. Registered nurses (18,089)	1. Computer engineers (2,920)
2. Janitors and cleaners, excluding maids and housekeeping cleaners (15,800)	2. Occupational therapy assistants and aides (191)
3. Waiters and waitresses (15,683)	3. Systems analysts (7,325)
4. Nursing aides, orderlies and attendants (14,683)	4. Demonstrators, promoters, models (468)
5. Cashiers (14,035)	5. Personal and home care aides (3,117)
6. General office clerks (12,319)	6. Human service workers (2,702)
7. Salespersons, retail (12,265)	7. Paralegals (1,150)
8. General managers/top executives (10,804)	8. Radiologic technicians (811)
9. Food preparation workers (10,245)	9. Physical and corrective therapy assistants and aides (880)
10. Maids and housekeeping cleaners (9,921)	10. Medical assistants (1,859)

Source: Employment Security Commission of North Carolina, Labor Market Information Division, *Occupational Trends: 1992 to 2000*, pp. 8-9.

fishing, and related occupations, which once were mainstays of the state's economy, do not figure in either table, for the state or nationally. Some new positions will still become available in many occupational fields that are in overall decline, but many of these new positions will require technical skills. Applicants who can operate a computerized system will be hired over those who are skilled only at line work.

Given that just over half of North Carolina's boomers (54.1 percent) reached young adulthood with a high school education or less, entry to higher-paid occupations now and in the future is likely to require further education. Boomers are responding to this need. North Carolina's 57 Community Colleges, the second largest community college system in the country after California, served 85,131 boomers in 1995–96 in its various programs, 36 percent of the total enrollment (James, personal communication). The University of North Carolina system likewise serves many boomers at its 16 campuses: in 1995–96, about 9,051 undergraduates and 9,341 graduates, making up 7 and 31 percent of the enrollment at each level (Boggs, personal communication). Clearly, some boomers are working to overcome their educational limitations and prepare for better careers. Will this trend continue? What will be the gains to individual boomers and the state?

Social Security

When Social Security was created in 1935, average national life expectancy was 62. Today, it is 76, with the fastest-growing segment of the population age 85 and older. In North Carolina, projected life expectancies for 2000 ranges from 64 for men in minority groups to almost 81 for white women. This greater number of boomers and increased longevity overall are expected to put a great strain on the Social Security trust fund. For the most part, the increase in life expectancy will mean that a larger percentage of boomers will live long enough to collect Social Security. Increased life expectancy after age 65 has been much more modest. However, in cohorts as large as the boomers, a few additional years of life for a large number of people adds up to substantial additional financial commitment.

Social Security was designed as a pay-as-you-go system where taxes collected from current workers pay current retirees' benefits. In the early years of the program, there were relatively few retired beneficiaries compared to the number in the work force who payed into the fund. The result was that early beneficiaries received a very substantial return for a small investment (reducing high poverty rates among older people) and producing surplus funds. Joseph Quinn (1991, p. 106) remarks that the Social Security system has been "the world's most successful chain letter"—or perhaps "pyramid scheme" would be more appropriate. However, because the population "pyramid" is becoming more rectangular (see the figure on p. 1), current and later generations will neither see such returns nor generate much surplus. The ratio of payers to beneficiaries has gone from 16 workers to each retiree in 1950 to today's ratio of 3 to 1, to 2 or even 1 to 1 by 2030 (Underwood and Brown, 1993; Peterson, 1996). The trustees of the Social Security fund estimate that money received from income and payroll taxes will exceed expenses until 2020, covering the older boomers in early retirement. After 2020 the fund's

I marvel at the fact that, unlike any other nation, we project Social Security Trust Funds out 75 years, and we do it every year. If we projected 30 instead of 75 years, we would think we had no problem at all.

—Robert B. Friedland, Director, National Academy on Aging

assets will diminish. If no changes are made, by 2030, when younger boomers reach retirement age, trust fund revenues will cover only 75 percent of benefits (US Dept. of Health and Human Services, 1997).

Financing retirement, for current older North Carolinians and for boomers in the years to come, has become a *political* issue. James Schulz points out that the cost to society of raising children is hidden—except for public education, families, rather than government, pay to support children not in the work force (recent changes in AFDC reduce further the public support for children). Much of the visible support for retired adults and for people with disabilities, however, comes through publicly funded programs or private pensions, not from family. The best known public programs, Social Security and Medicare, rely on the government's ability to impose taxes (Schulz 1992, p. 12), and taxation is the premier political issue.

Whatever we decide to do to "fix" Social Security, it was never meant to be the sole source of income for retirees. It has become so for many, and it may be the only "safety net" for many of the boomers in the bottom half of the income distribution. It comes close to replacing employment income only for those in the lowest income bracket. Table 3 shows benefits for a single person. Married or two-earner households do better: spouses who do not qualify for Social Security themselves can receive a benefit equal to half their spouse's.

Table 3. Approximate Monthly Social Security Benefits for One Person (in 1995 dollars)

Annual Earnings	Monthly Benefit	Percent of Preretirement Income
\$10,000	\$ 500	60
20,000	750	45
30,000	1,000	40
40,000	1,050	32
50,000+	1,120	27

Source: Tyson 1995, p. 133

Pensions

Getting well-paid employment is the first step in preparing for retirement. Getting employment with a pension program and becoming vested in it is perhaps the next. This said, the outlook for boomers having pensions is far from rosy.

In the absence of current data on participation by NC boomers in pension programs, table 1 (on p. 7) also gives a notion of what the current situation might be by showing the percentage of people in these occupations who retired *without* a pension in 1993 at age 55 and older. There are 388,430 boomers who are not in the work force and 36,653 in farming, forestry, and fishing, all of whom may not have pensions. About 14 percent of North Carolina's work force (of any age) is employed by local, state, and federal government. If boomers are represented in the public sector in the same proportion, this is about 231,000 who probably do have access to pension programs. Given the different availability of pensions for the occupational groups, all told, only about 40 percent of NC boomers are likely to have pensions to draw on for retirement even if they do as well as those retiring in 1993—an optimistic assumption.

The assumption is optimistic because nationally, pension program sponsorship itself is changing rapidly. Fewer employers are offering defined-benefit programs, which usually pay based on years of service and highest salary. Employers are moving toward defined-contribution programs, where employees contribute to a pension fund, often in pre-tax dollars and frequently matched by the employer. However, where defined-benefit programs usually provide pensions for life, defined-contribution programs pay until the saved funds are expended. In either case, benefits are usually not adjusted for inflation, so a reasonable monthly payment at age 67 may have very small purchasing power at 80. Kingson (1992) suggests that people working in firms with fewer

than 100 employees, with limited time on the job or part-time employment, and with annual earnings under \$10,000 are not likely to be covered by pensions.

The same factors that have put some boomers at a disadvantage all along apply to pension coverage as well. Gender and minority status affect the likelihood of a pension. Nationally, in 1993, 54 percent of men were covered by pensions, compared to only 32 percent of women. In the same year, 44 percent of Whites of both sexes had benefits, compared to 31 percent of African Americans and 35 percent of people from other minority groups.

Savings and Other Assets

US News & World Report (June 10, 1996) estimated that to draw the equivalent of \$35,000 annually from savings for retirement—a little over the 1989 median income for all boomers—younger boomers would need to have accumulated between \$2.1 and \$2.5 million, while older boomers would need \$1.4 to \$1.7 million (based on 10 percent investment gain before retirement and 7 percent after, 4 percent inflation per year, and the money exhausted at age 90). Probably very few of North Carolina's boomers will be able to accumulate wealth at this level.

Accumulated wealth, whether as assets that can be sold or as savings, is the third source of retirement income. How people spend their money and whether they can save is related to where they are in the life course as well as to their income. Older boomers are just entering the years when one would expect savings to increase, but will they save? National data, presented in table 4, suggest that they may, at least to the degree that differences in net worth

between older and younger boomers can be attributed to increased saving and stage in life. As that table shows, median net worth for each quintile is higher for the older boomers than for the younger ones.

However, the composite figures mask racial inequities and the effects of marital status. In 1989, the median net worth for US Whites of any age in the lowest quintile was \$8,839, compared to \$0 and \$370 for US African Americans and US Hispanics, respectively. Because members of minority groups and single heads of household of all races have substantially lower average incomes, it may be particularly hard for them to accumulate savings or other assets. Thus, the same boomers who are the least likely to have pensions will be the least likely to be able to save enough for their retirement. For much of the middle class, and even for some of the comfortable, the prospect of needing so much savings may be paralyzing instead of motivating. How can they be encouraged to tackle the job rationally and systematically? What is the responsibility of the community and the government for the future needs of the poor and near-poor who are unable to accumulate wealth?

For many older people today, home ownership is the primary large asset that provides funds for retirement, through sale or reverse mortgages or simply in not having to pay rent. Home equity will probably not be the windfall for boomers that it was for their parents, and the mass of boomers selling houses in retirement may drive prices down. Boomers have generally not purchased homes at the rates their parents did, but NC boomers, particularly the younger group, are several percentage points ahead of the national rate in doing so. At least at the 1990 Census, NC boomers paid less for mortgages than US

Table 4. Median Net Worth of US Boomers in 1993

Income Quintile	35-44	45-54
Lowest	\$ 970	\$ 3,875
Second	4,742	15,524
Third	17,315	37,413
Fourth	40,857	62,031
Highest	91,349	133,525
All	29,202	57,755

Source: Vincenzino 1996, table 4, p. 27, based on Current Population Reports 1995.

boomers. However, differences by race persist: rate of ownership was 72 percent for White households and 49 percent for African American.

Some boomers may ultimately benefit from the wealth their parents accumulated, but this will depend on many things—how much their parents use to live out their last years, how many siblings there are to share with, and whether families find ways to transfer this wealth between the generations without losing too much to taxes.

Unfortunately, the old saying, “It takes money to make money,” is true. To get the highest rates of interest on savings or to buy into many mutual funds or other investment programs, one has to have a minimum amount to start, often several thousand dollars. To buy a house, one usually needs 15 to 20 percent of the purchase price as down payment. For the boomers in the bottom half of the income distribution, finding this sort of an “ante” may be very difficult indeed.

The question facing boomers who can invest is how to do it to the greatest advantage. Low interest rates that make mortgages affordable also make conventional savings plans less profitable. The stock market has been volatile lately, providing windfall profits for some and inspiring the President’s Advisory Council on Social Security to suggest privatizing the fund by investing some of the surplus there. Nonetheless, investments risky enough to produce high yields can also produce large losses, and it is impossible to predict what the outcome will be over the course of 30 to 50 years.

Just Keep Working?

Public plans to “fix” Social Security have emphasized the need for longer-living, healthy elders to work longer, raising the age at which people can collect benefits. Similarly, the large number of people without pensions and the rather pessimistic savings picture suggests that tomorrow’s older adults may be more likely to work for pay later into their lives. On the other hand, the average age of retirement nationally has been getting younger. In part, this reflects a choice among those with ample financial resources to “enjoy life while I am still feeling good,” but more often it reflects decisions on the part of employers. This may come in the form of company downsizing that may offer incentives for early retirement, or tacit policies of saving money by laying off higher-paid older workers before they have acquired enough years to draw pensions. Unemployed elders who cannot find new jobs often report themselves retired rather than unemployed. As this report goes to press, both the North Carolina Division of Aging and the State Employment Security Commission are undertaking studies of older workers and age discrimination. Preliminary analysis shows that older workers in North Carolina, like those in the rest of the country, experience substantially longer periods of unemployment when laid off than younger workers do. It will take additional analysis to determine the factors contributing to this problem.

Boomers in professional positions are often heard to remark, “I want to work until I collapse at my desk.” On the other hand, many boomers will work all their lives in jobs that are tedious or physically very demanding. The opportunity to stop working, although not a right, is certainly part of current social values and the expectation under which boomers have worked. A small, preliminary, but suggestive study using focus groups among baby boomer employees of one university in another state found that most of the boomers interviewed thought they would reduce work after age 65 or 70 rather than leave the work force altogether. Those with less education and less well paid positions (e.g., clerical and grounds workers) spoke of going back to school and training for a second career, although others spoke of the financial need to continue working. Those on the faculty spoke of working fewer hours and taking on fewer responsibilities while remaining in their field. Interestingly, in talking about retirement, marital and family status had more impact on plans and considerations for

Boomers at a Glance

Compared to US boomers, NC boomers

- are less likely to be employed in executive, professional, and technical positions
- are less likely to be employed in jobs that offer pensions
- are more likely to own a house, and those who do have a lower average mortgage.

Compared to NC’s older adults today, NC boomers

- are more likely to be in executive, professional, and technical positions and much less likely to be in sales, service, farming, forestry, fishing, and lower-skilled production occupations
- are less likely to own a house, especially the younger boomers
- are just as likely to do volunteer work and to give money to charities.

the future than education or job position (Simon-Rusinowitz et al., 1997).

Although economists debate the issue, our economy can probably accommodate all those who wish to continue to work (Clark, personal communication). What will be the effect on jobs and opportunities for younger workers? What will be the effect on time available for volunteer work or family?

Will the expected reduced disability of boomers lead to a greater willingness and/or ability to continue in the labor market? With passage of the Americans with Disabilities Act, physical or mental disability no longer automatically prevents younger

people from joining the work force. Will this make a difference for aging boomers?

The growth of the service industry, which typically offers jobs that are less physically strenuous, may also make it more possible for people to continue working productively despite disabilities (Schulz 1992). At the same time these jobs are likely to be low paid, repetitious, and not very stimulating. Will boomers continue to work, at least part time, in their older years? Will they find satisfying challenges and a sense of productivity, or will they find economically enforced drudgery?

Aging Boomers as Resources

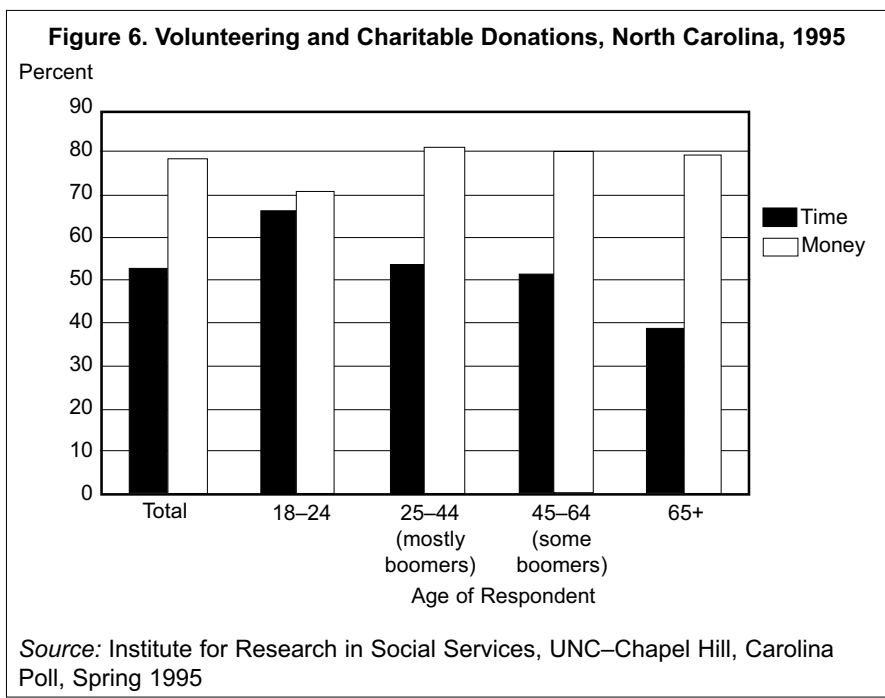
The contributions of both today's older adults and boomers go beyond their productivity in paid employment. Both groups give time, money, and services to their families and communities. Will North Carolina boomers follow the lead of today's elders in their own later years? Some national experts have suggested that boomers see volunteer work very differently from their parents.

"It can't be said often enough: boomers just want to have fun," writes Cheryl Russell (1995, p. 30). This diagnosis of boomers suggests that they are all a flighty, self-centered bunch, but her point is that marketing to boomers is very different from marketing to the current "mature market." D. Quinn Mills suggests that "boomers' values are personal—they concern relationships among individuals. Baby boomers are looking for what's in it for them—not what they can do for someone else. . . . Put down on paper, these observations about younger people may sound far more negative than intended. Note that work is still being done, and assistance is still being provided to the needy. But the motivation has changed because the underlying values are different. . . . [D]oes it matter? . . . Unless a charity can appeal to the baby boomers in formats that satisfy their needs and interests, then it will receive little from them in contributions" (1987, p. 106). So far, this report has said very little about a "boomer worldview," in part because diversity in culture, economic status, and age among the members of this "generation" work against there being just one. Nonetheless, boomers do seem to respond more favorably to rewarding personal experience rather than to duty—a prime motivator for their parents—when it comes to work, volunteering, and play, and this outlook is likely to persist into their later years.

At least in North Carolina, boomers are already contributing time and money to charitable causes at rates similar to their parents. More than half do some sort of volunteer work and about 80 percent give money to charity. Whatever differences in attitudes may exist among the generations, it seems safe to assume that this work will continue as boomers age.

Questions for Discussion

1. What state policies can be implemented to help and encourage baby boomers to save for their retirement years more effectively?
2. How can we support the continuing role of community colleges and the state university system in preparing, retraining, and educating boomers for better paying jobs into the twenty-first century?
3. What can be done to encourage employers in North Carolina to offer pension plans to their employees? Are there alternatives to employer-sponsored pensions?
4. If the poor and near-poor have no pensions and little or no savings for retirement, what options will be available to them?
5. Given that the work force is aging, what can be done to encourage employers to retain and hire older workers? What can be done to shorten the time it takes older workers to find a new position after layoff?
6. Should boomers be encouraged to continue doing some work for pay past the traditional retirement ages? Should they be required to do so? What will be the consequences for volunteer work? Transfers within families? Younger workers?



3

“Stayin’ Alive”

Health Status of Boomers Now and in the Future

Health Behaviors • Preventable Deaths • Long-Term Care • Meeting Costs

Facts and Implications

➔ Around 260,000 (13 percent) of NC boomers—many fully employed and middle class—have no health insurance currently.

Being uninsured reduces the chances of getting preventive services and early treatment. When uninsured boomers finally seek treatment, it is likely to be more expensive and have a poorer outcome. This costs the economy in lost productivity, and when the uninsured are unable to pay, the losses are passed on in higher medical costs and higher insurance premiums for those who can. A lifetime uninsured translates into unnecessary suffering, early death, and higher Medicare and Medicaid expenditures for the taxpayer.

➔ About a third of older NC and US boomers are overweight. Around 28 percent of NC boomers smoke (among the highest rates in the country), and nearly 40 percent of NC boomers get no regular physical activity. North Carolina is the twelfth highest in the nation in “preventable deaths”—that is, deaths

caused by changeable behavioral or environmental causes.

Some boomers with high-risk health behaviors will die before they get old, but those who do not will be at higher risk of multiple chronic diseases, increasing the demand for both acute and long-term care, in turn increasing demands on their families, communities, and/or public services.

➔ Those who have lower incomes, lower levels of education, and those who are members of minority groups, have, on average, higher rates of health behaviors that put them at risk.

Although health behaviors are a matter of personal responsibility, there is also a social component of risk, as demonstrated by the close association between income and health behavior. The state and community have a responsibility to promote and support healthy change.

➔ Several trends suggest that boomers will age with fewer disabilities and be able to use lower-cost service options.

Still, we can still expect over 130,000 severely impaired older adults in the population in 2030—about 61,000 in nursing homes and about 69,000 in the community or assisted-living arrangements. An additional 296,000 who will have some milder ADL impairment and depend on families alone for help.

Changes in family structure in the boomers’ lifetime as well as the growth in the number of people with disabilities mean that we will need to develop new strategies for giving and receiving care as well as helping people function and remain independent as long as possible.

➔ Even if the rates of illness and impairment are reduced, the anticipated number of boomers in high-risk ages has heightened public concerns about the future of Medicare and Medicaid.

North Carolina needs to be ready to respond to federal changes in health care funding and to promote new strategies for funding that rely on both personal and public responsibility.

Health and medical care for aging boomers is an issue that has already generated heated, but not always enlightened, public debate. This debate has centered almost entirely on the future of Medicare—can the public health insurance program for older adults, which was instituted when the oldest boomers were in high school, accommodate the very large number of boomers who will reach the high-risk ages in the next century? This is an important question, but it is only one of a larger set of health questions.

In their lifetime boomers have seen a near-elimination of infectious disease as a cause of death for all but the youngest and oldest members of society. They have rarely met anyone who suffered from polio or tuberculosis, which were major diseases in the childhoods and early adult years of their parents. However, they have seen the emergence of Acquired Immune Deficiency Syndrome (AIDS) as a killer of adults in their prime. As a generation, they have given a lot of public attention to “fitness,” but they continue, in large part, to practice high-risk health behaviors that will contribute to their need for both acute and long-term care in their later years.

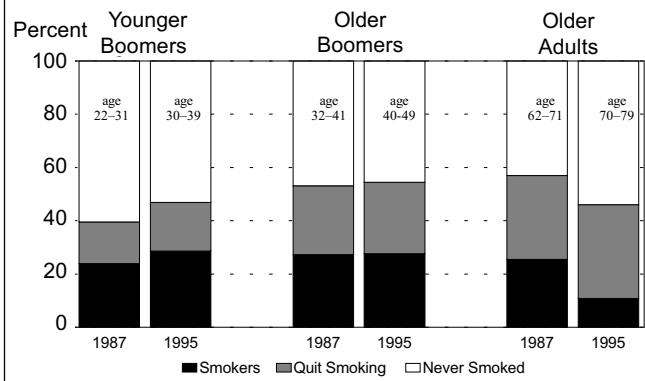
Healthy Behaviors

The best way to chart the course of future chronic illnesses, and to plan preventive interventions, is to monitor behavior trends in the areas of greatest health risk (Morabia 1996). About a third of the overall deaths in this country are due to smoking, and factors associated with diet, exercise, and obesity. This is more than twice as many deaths as those from the effects of alcohol, illegal drugs, sexual activity, firearms, and motor vehicles put together (McGinnis and Foege 1993). As the three charts on this page show, however, North Carolina boomers have a lot of room for improvement in these behaviors if they are to reach their retirement ages in optimum condition.

Although North Carolina boomers are smoking at higher rates than those in the rest of the country, and less than their parents smoke now, they are smoking less than their parents did at their age. (The greater proportion of older people who have never smoked reflects the large number of smokers who have already died and so are not represented in the chart.) Further, even though younger boomers have higher rates of smoking in their thirties than older boomers did at that age, they also have a larger percentage of people who never smoked. This may lead to a reduced number of smokers among younger boomers as they reach the ages at which quitting is more likely (NCDEHNR 1997).

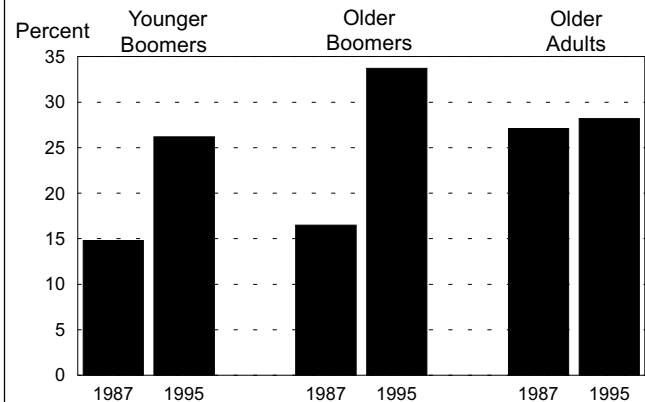
The future of boomers in the area of obesity and exercise is more bleak. About a third of NC boomers suffer a level of obesity that poses a threat to their long-term health. (This is about the same rate seen among all US adults as a group.) Further, nearly 40 percent of all boomers do not do *any* physical activity. About 10.4 percent exercise regularly and intensively. Unlike smoking, this trend is getting worse over time, with younger boomers more likely to be overweight and less likely to exercise than the older boomers when they were the same age.

Figure 7. Smoking Status of Boomers and Older Adults, 1987 and 1995



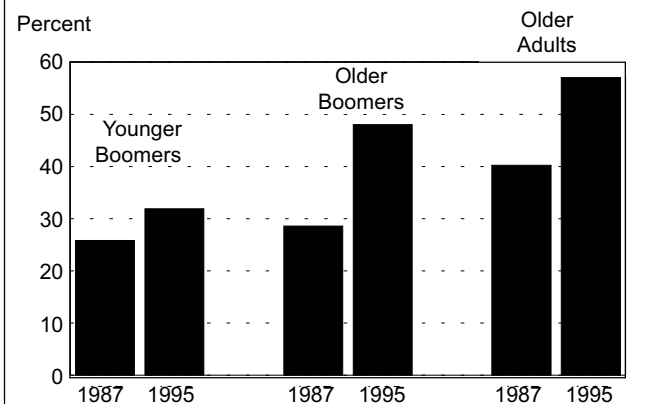
Source: BRFSS Survey Data, Special Run

Figure 8. Percent Overweight in 1987 and 1995



Source: BRFSS Survey Data, Special Run

Figure 9. Percent Who Never Exercise in 1987 and 1995

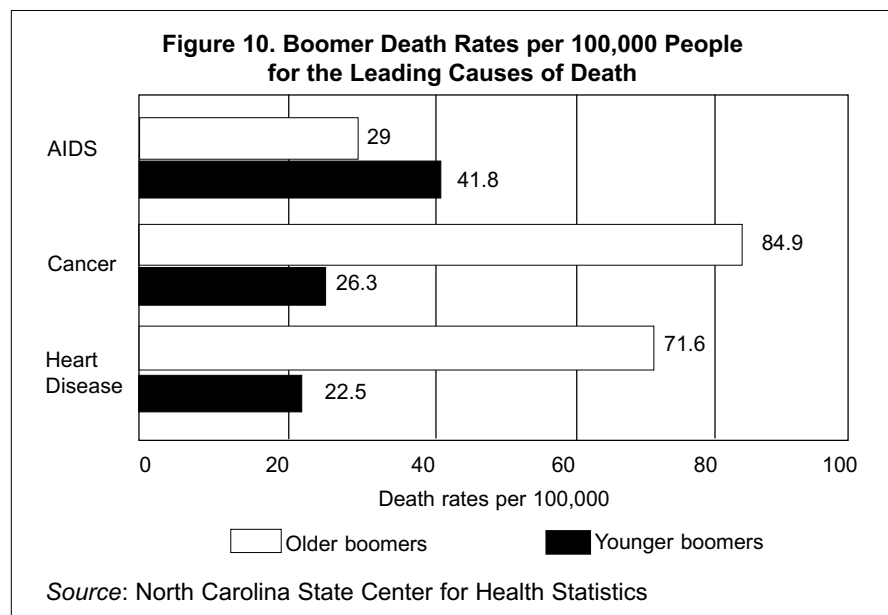


Source: BRFSS Survey Data, Special Run

Causes of Death among Boomers

Causes of death reflect the combination of many personal and societal factors. High-risk behaviors, genetic predispositions, access to health care, effectiveness of treatment and prevention, socioeconomic status, and elevated risks associated with the body's aging all play a part.

As figure 12 shows, the three leading causes of death among boomers in 1995 were health problems with large behavioral components (NC State Center for Health Statistics 1996). The leading cause of death for younger boomers and the third most common cause for older boomers is AIDS, which often, though not always, is acquired through unprotected sex or intravenous drug use. Smoking, obesity, poor nutritional choices, and sedentary lifestyle are factors in heart disease and many forms of cancer.



Health Insurance

About 13 percent of North Carolina boomers are not covered by any kind of health insurance (13.0 and 12.3 percent for younger and older boomers, respectively; NCDEHNR 1997), about the same as for all North Carolinians not covered by health insurance on any given day (NC Health Care Reform Commission 1996) and similar to the national rates for boomers.

While the poor and near-poor have the highest rates of uninsurance, the middle class account for 42 percent of uninsured adults of all ages. This reflects, in part, the shrinking number of employers who provide health coverage for their workers (McCloskey et al. 1996).

Frequency and availability of a regular source of care for screenings and early detection saves years in reduced quality of life and premature death (McGinnis and Forge 1993). It also helps prevent the costly misuse of emergency room visits as a source of primary care. As an increasing number of physicians require either insurance information or payment in full at each visit, the only route to a regular source of care for most people is health insurance (whether a conventional policy or membership in an HMO or other care plan.)

Personal and Societal Responsibility

There is, of course, personal responsibility for acquiring health insurance; having routine recommended screening tests; and making healthy choices

about smoking, diet, exercise, intoxicating substances, and safe sex. However, all of these behaviors and death rates from the conditions they cause vary substantially with socioeconomic status, suggesting that there are strong social influences on the odds of making these healthy choices.

By the same token, it has long been recognized that minority group membership (regardless of the nature of the group with minority status in the culture being studied) is related to greater prevalence of high-risk behavior. Two recent path-breaking analyses from the national multiple risk factor demonstration have shown that socioeconomic status is a stronger predictor than race (Smith 1996). Thus, it is largely the continuing economic disadvantages of African Americans in the state that lead to their poorer health and higher death rates.

There are at least four practical, readily observable differences that help account for socioeconomic differences in health behaviors—differences in education, cultural norms, resources, and incentives. An effective strategy for reducing death and disability among boomers must address socioeconomic differences in all of these areas.

Long-Term Care and the Future of Caregiving

Under one rough estimate, 1.5 to 1.6 million boomers in North Carolina will live until 2030, when they will be ages 66 to 84. If we combine 1.5 million with the estimated number of people from other cohorts who will be 65 or older in 2030, we can expect the population ages 65 and older to be around 1.8 million—more than double the 0.8 million in 1990.

Almost a third of today's older adults (31.8 percent) need some sort of help from another person sometimes. However, only about 8.1 percent of the population is severely impaired and thus likely to enter the formal care system (Ladd et al. 1995). If the rates of impairment were

to remain the same, it follows that the number of people with impairments in that age group would be about 2.2 times as high as the current number. However, we know that this is an overly pessimistic assumption. First, the number of people with disabilities at the oldest ages has been declining slowly in recent years (Spencer 1997; Manton et al. 1993 and 1995). Second, in 2030 boomers will be concentrated in the “younger” old ages while small cohorts (born in the Depression and during World War II) will be in the high-risk ages.

If we make the mildly optimistic assumption that the disability rate in this state will be reduced to match the projected rate for the US as a whole (the NC rate is currently higher than the US; see Siegel 1996 for projections), we can still expect over 130,000 severely impaired older adults in the population in 2030—still double the roughly 65,000 in 1990. If North Carolina experiences projected US rates, about 61,000 of these will be in nursing homes and about 69,000 will be living in the community or other assisted living arrangements. This does not include the roughly 296,000 who will have some milder impairment in activities of daily living (ADL; these generally include bathing, dressing, using the toilet, eating, and mobility). Those with milder impairments will usually not seek or qualify for formal care, but will receive various kinds of assistance from family and friends.

Hopes for Reduced Levels of Impairment

The estimates above account for changes in the age structure of the population and modest continuing declines in the rates of impairment. However, they do not take into account any major medical advances in chronic disease in the next 33 years. Although medical research on chronic conditions is generally not well funded relative to other medical research (Centers for Disease Control 1997), those years could see substantial breakthroughs. Consider the impact of a treatment, delay, or cure for Alzheimer’s disease. Drugs to build new bone material are already being used. Time will show whether they reduce the frequency of hip and other fractures that often lead to premature death or long-term disability. A recent *New England Journal of Medicine* article (Bailar and Gornik 1997) suggests that the search for a cure for cancer has been relatively ineffective in reducing mortality and urges more work on prevention and early detection. What would be the effect of either strategy? What would be the impact of a truly effective treatment or cure for osteoarthritis, which affects over 90 percent of people over age 60?

The boomers were born with the widespread use of effective antibiotics immediately following World War II. The older boomers received the first polio vaccine, and many younger boomers have never seen a person with polio. Heart transplants and, especially heart bypass surgery, have gone from front-page news to daily occurrences during the adult years of the older boomers. The rate of medical advancement is not guaranteed to continue at this pace, and the chronic diseases may be harder to eradicate than the acute infectious ones. Still, boomers have come to expect that there will be a medical solution to their gravest health fears, and they may be right.

The Future of Formal Services

The estimate that 61,000 North Carolinians will be in nursing homes is based on an assumption of continuing declines in the rate of impairment. However, there are three issues that the estimate does not take into account: the availability of nursing home beds; the wider, and growing availability of assisted living and the potential emergence of still more housing/service package options; and the current and potential growth of in-home care.

North Carolina is already anticipating and helping to further both of these trends. In July 1996 Senate Bill 502 defined and set guidelines for assisted-

Boomers at a Glance

Compared to US boomers, NC boomers

- ☛ Smoke more
- ☛ Are less likely to exercise and about equally likely to be overweight
- ☛ Have somewhat higher death rates, but the same leading causes of death.

Compared to NC’s older adults today, NC boomers

- ☛ Smoke more than their parents do now, but less than their parents did when they were young
- ☛ Are less likely to be completely sedentary, but are also a little less likely to exercise vigorously and regularly
- ☛ May experience a lower rate of impairment in their later life
- ☛ Will probably be less likely to enter nursing home care.

living options in North Carolina. Although it is too early to measure the growth of these options, they are anticipated to be very popular. Meanwhile another option, continuing care retirement communities, are thriving, with 43 now operating in the state and several more under development. The growth of these housing alternatives coincides with the lower rates of home ownership among middle-class boomers as well as the poor and near-poor. More boomers will still be paying rent as they reach the ages in which some services are needed. Will they be less attached to “remaining in their own homes” when their home is rented? Will it be cheaper for Medicaid and Social Services Block Grant programs to provide services in these settings than in private homes? Or will the boomers find themselves moving in with their children in greater numbers?

The Divisions of Aging, Social Services, and Medical Assistance have been active in furthering the use of in-home care in North Carolina, including expansion of the Medicaid Waiver program to all 100 counties and increasing the proportion of Medicaid long-term care spending on this option. In fact, North Carolina ranks fifteenth highest among the states in the percentage of total long-term care expenditures that are devoted to home and community services (Ladd et al. 1995). This effort has been driven largely by concern for consumer preference and quality of life. Research in the 1980s suggested that cost savings was not a likely outcome (see, for example, Kemper et al. 1987; Thornton et al. 1988; Weissert et al. 1988). However, recent findings in different parts of the country suggest that correctly targeted services can prevent nursing home placement for at least some parts of the population, by

How should North Carolina plan for the future development of assisted living arrangements, in-home health care professionals and paraprofessionals, and nursing home beds?

using enough services and using them soon enough (see, for example, Greene et al. 1995; Jette et al. 1995; and Kosloski and Montgomery 1995).

Bearing these trends in mind, how should North Carolina plan for the future development of assisted living arrangements, in-home health care professionals and paraprofessionals, and nursing home beds? Currently, the state has a small supply of nursing home beds relative to the population over age 85 (468.1 per 1,000 compared to 526.7 per 1,000

for the US as a whole). Despite this relatively small supply (eighteenth lowest in the US), the vacancy rate is considered average for the country—about 10 percent (Ladd et al. 1995). How can North Carolina assure an adequate supply for the future while balancing the anticipated need for additional assisted living and home care options? How much will the smaller labor supply in the younger cohorts increase the cost of formal care in all settings? Will nursing home aides and in-home aides continue to be drawn from the poorest and least-educated pool of workers?

Family Caregiving

About 80 percent of the caregiving for older adults with disabilities in the United States is provided by family members and friends (US Senate 1987), and there is every reason to believe that this will continue, if not actually increase. A North Carolina public opinion poll, conducted in 1985 found that over half (56.2 percent) of adult respondents said that they personally do something to help someone age 65 or older, suggesting that family members tend to provide some assistance even to unimpaired elders. Throughout the country, this is part of a reciprocal, though uneven flow of help across the generations (Kincaid et al. 1996; McGarry and Schoeni 1997) in which older adults—even those with impairments—also give assistance of various kinds to younger members of their families.

With an estimated 69,000 severely impaired elders and another 296,000 more modestly impaired living in the community by the year 2030, there will be a serious challenge to the shrinking and geographically dispersed families. The average boomer couple has more parents than children. This suggests that they will have more people calling on them for caregiving than they can call on to help them when they reach the high-risk ages. Ten years ago, people interested in caregiver issues talked about the “sandwich generation,” primarily older boomers who were beginning to provide care for their parents while still raising their children. Today we have the “double-

decker sandwich”—women in their fifties helping their children care for their grandchildren while they are providing help to their seventy-year old parents and ninety-year old grandparents.

Boomers will experience their own high-risk ages differently from their parents. They will be less likely to own homes, less likely to be married if they are women, slightly less likely to have any children, and the majority who have children will have fewer children. Boomers’ parents often had at least one child relatively late in their fertile years, so many of today’s older adults have children among both the older and younger boomers. Most boomers, by contrast had their small number of children close together. Many of the comfortable and well-to-do boomers delayed child-bearing until late in their fertile ages so that their children will be relatively young caregivers. However, most boomers had their last child at a later age than their parents did, and can expect an older pool of caregivers. Men who remarried and fathered a “second family” in middle age will also benefit from younger, healthier caregivers. It is less clear how the high rates of divorce and nontraditional family configurations in the boomer cohorts will affect the number of available caregivers.

Who Will Pay?

Under the current system, in general terms, Medicare Part A (financed through the Medicare Trust Fund) pays for inpatient hospital care and hospice care. Optional Part B coverage includes physician visits, outpatient hospital services, x-rays, and laboratory tests. Neither covers “routine physicals, most dental care, dentures, routine foot care, hearing aids and most prescription drugs” (HCFA 1996).

Medicare pays for only about 12 percent of long-term care. Medicaid, a program designed for the indigent of all ages, pays the great majority of all public long-term care expenditures. Older adults who are not in-

Strategies for Cutting Public Spending on Health Care before the Boomers Reach Retirement Age*

- ➔ Continue raising Medicare deductibles, premiums, and copayments.
- ➔ Decrease allowable expenses.
- ➔ Lower Medicare payments to hospitals and doctors.
- ➔ Use Medicare's bulk buying power to negotiate lower prices for services and supplies.
- ➔ Raise Medicare premiums proportionally according to personal income. Those with higher incomes subsidize those with less.
- ➔ Shift the cost to other programs.
- ➔ Reduce the sharp increase in the cost of acute care for everyone.
- ➔ Reduce Medicaid benefits.
- ➔ Reduce the number of persons eligible for Medicaid.
- ➔ Create state demonstration projects that test new Medicaid programs.
- ➔ Raise taxes.
- ➔ Reverse the current trend of declining employer-provided health coverage to retirees through incentives or mandates.
- ➔ Improve the health of the boomer population.

Strategies for Cutting Personal Costs to Individuals

- ➔ Medical savings accounts
- ➔ Medigap or Medicare SELECT Insurance (the HMO equivalent of Medigap)
- ➔ Long-term care insurance
- ➔ Healthy living

*This list provides a sample of strategies that have been identified. It does not imply endorsement of any particular strategy by the authors or the Division of Aging.

digent pay out of pocket (at least until they become indigent), unless they are part of the small group who have long-term care insurance.

The oldest boomers were 19 years old when Medicare and Medicaid legislation was enacted. Probably few of them ever gave much thought to Medicare for themselves until recent years when some of them began to deal with the system on behalf of their parents. Still, they expected it to be there for them. Now articles in the popular press and more serious journals debate the future viability of Medicare.

The Medicare Trust Fund, which covers Part A, is projected to be insolvent by the year 2002. Despite the gloominess of this projection, historical perspective indicates that eight times so far the Medicare trustees have declared that the fund would be insolvent within five years (Friedland 1995). Although the growing number of older adults suggests a huge increase in funds needed, the future will be decided by political forces, not economic

ones. If the political will is there to continue Medicare, strategies will focus on both increasing income to the trust fund and ways to control costs. Managed care, reductions in allowed charges, increases in deductibles and copayments, cost shifting to other programs, using the trust fund to create medical savings accounts for individual enrollees, and bulk purchase of goods and services provided by Medicare are among the strategies that have been suggested.

As this report is being written, increased deductibles and copayments, decreased allowable expenses, and—despite considerable controversy—managed care seem the most likely of these strategies to be implemented. About 11 percent of North Carolina boomers are currently in managed care health insurance programs. Their experience over the coming 10 to 15 years will probably have an important impact on the political future of the managed care strategy.

Medicaid. The aging of boomers will also have a dramatic effect on Medicaid expenditures. Unlike Medicare, which comes directly from the federal trust fund, Medicaid involves a substantial state match (32.3 percent in 1996, in addition to a 4.5 percent county contribution) and gives states some discretion in how they implement the program. Therefore, North Carolina will need to take an active part in planning how to meet rising Medicaid expenses.

Currently, only 14.5 percent of Medicaid enrollees are age 65 and older, but because long-term care costs more than the services provided to other populations (e.g., prenatal care and ordinary health care for poor children), today's older North Carolinians use 33.2 percent of Medicaid service dollars (Hunt et al. 1996). If the number of severely impaired older adults doubles by 2030, two-thirds of the state's Medicaid dollars could be going to older adults, unless boomers plan now to avoid being impoverished by long-term care expenses.

Personal Expenditures and Insurance. While the public sector worries about the increased cost of the Medicare and Medicaid programs, boomers would do well to think seriously about the future individual cost of care to them as consumers. In an attempt to control costs, Medicare has raised the deductible precipitously since 1970. By 2020 the deductible for the first 60 days of hospital care is expected to more than quadruple the 1970 figure, even with inflation controlled. This does not even take into account the rise

Boomers, to date, have not excelled in taking responsibility for their future health. The reasons are a complex blend of personal and societal factors. Thoughtful education and policy choices can encourage and support individual changes that will benefit boomers, their families, communities, and the state.

in premium costs of Part B (which is not a part of the trust fund) and the rising costs of prescription medicines, dental care, and other services not covered by Medicare. In the area of long-term care, the maximum Medicaid payment in North Carolina for a year of nursing home care is \$38,850, but private pay patients often pay more (NC Division of Aging 1996).

Boomers who wish to avoid the rising out-of-pocket costs of medical care in the years after their retirement and avoid personal impoverishment in the face of long-term care needs can pursue two kinds of insurance options—a Medicare supplement and a long-term care policy.

Medicare supplements such as Medigap, Medicare SELECT, and employer-sponsored policies have

been available for decades and are a familiar insurance product. About 60 percent of people over age 65 in North Carolina had these policies in 1994 (McCloskey et al. 1996). We may expect a small decline. McCloskey and colleagues showed that employee-sponsored health coverage for employed Tarheels declined 6 percent between 1990 and 1993. By extension, it seems likely that retired Carolina boomers will be less likely to have insurance provided by their former employers than today's retirees. Nationally, employers have reduced their costs by raising retiree contributions, increasing deductibles and copayments, tightening eligibility, and in some cases cancelling benefits for future retirees (Rappaport and Malone 1994). Nevertheless, supplements to Medicare are expected to be widespread when the boomers reach the appropriate age.

Long-term care policies are newer, less widely known, and do not yet have a proven track record. Only about 5 percent of older adults and less than 1 percent of boomers in North Carolina have purchased such policies. There is a need for education about such insurance. For example, many boomers only learn when a loved one needs long-term care that neither Medicare nor Medicare supplements cover these expenses. Educating boomers now could pay off in two ways. If they influence their parents to purchase policies before their parents become impaired, they will save family and public dollars with this generation of older adults. If they purchase policies for themselves in substantial numbers now, they will bring down the costs of policies for boomers as well as lowering future Medicaid costs and protecting themselves against the cost of long-term care. The Division of Aging has proposed a set of strategies for making these policies known, attractive, and affordable.

In lieu of both Medicare supplements and long-term care insurance, other personal health-funding options may emerge. One of these is the Medical Savings Account—an untaxed savings account that can only be used for health expenses and the purchase of health insurance. Reverse mortgages and life insurance policies with provisions to receive benefits as long-term care payments in lieu of death benefits provide another choice.

Boomers, to date, have not excelled in taking responsibility for their future health, and are already entering ages in which health care expenses and deaths from preventable causes are occurring. The reasons are a complex blend of personal and societal factors. Thoughtful education and policy choices can encourage and support the kind of individual changes that will benefit boomers, their families, communities, and the state. At the same time, supports for those boomers whose education, income, and life opportunities have contributed to poor health and poor ability to pay for health care must be maintained in the face of numbers that can seem daunting. The challenge of achieving and paying for healthy older years for North Carolina's boomers must be met so that their enormous potential contributions and resources can be realized in their later life.

Will Boomers Learn How to Die Well?

Boomers are beginning to enter the stages of life when they must face the prospect of dying one day. Although they themselves have relatively low mortality rates—279 per hundred thousand for all North Carolina boomers in 1995—the rates for those ages 65 to 74, which include many of the boomers' parents, were 2,725 per 100,000 (NC State Data Center 1996). By 2020 most of the older boomers will be orphans, and they will have seen their parents through the final stages of life. In many cases, they will be faced with

complicated issues surrounding medical care for terminally ill relatives—whether and when to refuse certain treatments, health care powers of attorney, and advance directives—and will probably begin to think about how they will face their own death and disability.

For the most part, the issues of dying are highly personal, involving the most intimate social, spiritual, and emotional issues. However, some aspects of dying have entered the public policy debate.

Between 1950 and 1977 there was a substantial increase in the number of Americans who approve of withdrawing care from a terminally ill patient, and in the (smaller) number who approve of physician-assisted suicide (Blendon et al. 1992). Older boomers came of age during this debate, while younger boomers have lived most of their lives in an era where three-quarters of the people believe in some form of “the right to die.”

Some people are concerned that the advent of managed care and social pressure will subtly or overtly coerce people into allowing themselves to die when they would prefer to live, while others are concerned about the “high cost of dying.” Lubitz and Riley showed that the 5 percent of Medicare enrollees who died between 1976 and 1978 accounted for 27 to 30 percent of total expenditures (1993). Extending the study to later years, Anne Scitovsky (1994) found no increase in this percentage, suggesting that high technology interventions were not being used more frequently. She concluded that only a small proportion of those who died had costs suggesting high-intensity medical interventions, and that a similar number of survivors had costs at the same levels. She also showed a decrease in costs with increasing age.

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Scitovsky also looked at cost savings from hospice care and advance directives. She found hospice costs varied depending on time spent in

care and type of facility. Care of patients entering the hospital with advance directives who subsequently died was \$10,631, compared to \$73,055 for those who made directives in the hospital and \$57,334 for those who had no directive.

In *Cruzan v. Director* (1990), the Supreme Court ruled that states must determine their own interests regarding refusal of treatment, assisted suicide, and euthanasia. Blendon, Szalay, and Knox found that “Americans think about right-to-die questions in two very distinct ways—as a public policy issue and as an issue of personal choice for themselves” (1992, p. 2659). That is, they may believe that a person or family has a right to make a choice that they personally would not make. Younger boomers are more likely to approve of all forms of euthanasia than older boomers or older people (whose opinions are very similar). However, without additional research, we cannot know whether this is a true difference among generations or if people’s attitudes change as they get older (pp. 2559–60).

There will likely be much discussion in the years to come about how to live healthily into old age and to die with dignity as the boomers and their parents face these difficult but vital issues.

Questions for Discussion

1. What are the most effective ways to promote healthy behaviors among the diverse group of boomers?
 2. How can the need for long-term care insurance be brought home to boomers? Will their experience as caregivers to their parents provide “teachable moments?”
 3. What impact will federal changes to Medicare and Medicaid have on North Carolina? What steps should the state take to assure both fiscal responsibility and responsibility to its citizens’ health and well-being?
 4. What will be the legacy of AIDS, the leading killer of young boomers, for tomorrow’s older adults?
 5. What is the optimal mix of public and private responsibility for health behavior and health care financing?
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“When We’re 64” and Older

A Look to the Future

Summary * Technology * Intergenerational Issues * The Challenge

What will the future look like for the aging boomers? No one knows for sure. There is little serious writing that provokes as much laughter as yesterday’s projections about the future. Demographers failed to predict the baby boom itself. When the older boomers were children, serious scientists described the year 2000 as a time when every family would have a personal helicopter or hover craft, but they did not begin to imagine a personal computer on every desk and in a growing number

of private homes. Does this mean that attempts to make projections are useless? Of course not. Like Ebenezer Scrooge, we ask, “Are these the shadows of the things that will be, or are they the shadows of things that *may be* only?” Like Scrooge, we provide our own answer, “Men’s courses will foreshadow certain ends, to which, if persevered in, they must lead . . . but if the courses be departed from, the ends will change” (Dickens 1843). Thus, the most important reason that the future is unknowable is that it is, in part, our job to create it.

Would the aging of our population have been uneventful if the baby boom had never occurred? No. As Cornman and Kingson wrote in their thoughtful and thought-provoking review of boomer issues:

Even absent the demographic “bulge,” the number and proportion of people living longer would have continued to increase, as they have since the beginning of the century. . . . Many of the questions prompted by the aging of the baby boom cohorts regarding potentials, responsibilities and needs of older persons would have arisen . . . , but with somewhat less urgency. (1996, p. 21.)

They conclude that public discussion and consensus building about how society can and should respond have hardly even begun. They suggest that to date the discussion has been limited by its focus on affordability, entitlements, deficit reduction, and diminishing federal responsibilities. “While we are not sure how the issues concerned with population aging should be framed, we believe that a highly restricted view that frames the discussion in terms of the ‘affordability’ of the baby boom cohorts will not lead to an open and productive dialogue” (p. 24). This report can serve as a beginning to such an open and productive dialogue in North Carolina.

What Do We Think We Know about the Future?

This report has shown that there are over 2 million boomers in the state now, and they will double the number of older adults in North Carolina to about 1.8 million in 2030. In general, they will reach traditional retirement ages healthier, wealthier, and better educated—if not necessarily wiser—than their parents’ generation. Even though we expect smaller percentages of the boomers to be poor or disabled in their later years, the size of this cohort will still translate into record numbers of people in these categories that have traditionally been cared for by the public system.

Over a third of the boomers in North Carolina in 1990 were born in other states, and about 2 percent were born in other countries. Many of the boomers who came here to work and raise families will stay to grow old here. While generations differ in their retirement patterns, people who retire to a different state have usually vacationed in that state many times before reaching retire-

ment age. This suggests that large numbers of US boomers will retire to North Carolina—particularly to the mountains and beaches—just as their parents’ generation did. Like that generation, they will bring new resources and new challenges.

We expect that Social Security and Medicare will still be in place for this generation, although that depends on political decisions and economic trends that are much harder to predict than demographic ones. Although we expect that boomers will have Social Security, it will not maintain their standard of living. Fewer than half of them will have pensions. It is not clear whether comfortable and middle class boomers can be educated, motivated, and encouraged to increase their savings adequately as they enter their post-child-rearing years. Will it be too little, too late?

For those with lower incomes, Social Security will come closer to meeting their current standard of living. However, for the 17 percent at or near poverty this simply means that they will be only a little deeper in poverty.

Although African American boomers and women boomers of all races will have had more opportunities and more economic success than in any previous generation of North Carolinians, those who can expect to spend their later life in poverty and with disabilities will continue to come disproportionately from these groups.

More North Carolina boomers than

US boomers have been able to buy houses, but they represent a smaller percentage than home buyers in their parents' generation. They can also expect to realize less equity in their houses due to changes anticipated in the real estate market when they are most likely to need to draw on this asset. Younger boomers will be even less likely to own a house than older ones. In accumulating other assets, boomers are expected to do as well or better than their parents, though not necessarily well enough to maintain the standard of living they may want. As in earlier generations, the number that accumulate substantial assets besides a house and some savings will be relatively small, and will be disproportionately made up of White men.

Living Arrangements

Boomers will arrive at later life living in, or having experienced at some time, a wider variety of living arrangements than previous generations of elders. Because of their high rates of divorce and remarriage, they may have emotional and economic ties to a variety of blended family members including stepchildren, former stepchildren, and the children of unmarried partners. There will be more never-married boomers, as well as more separated and divorced ones. While it is easy to speculate on the consequences for caregiving, transfer of money, and family decision making, there will undoubtedly be consequences that we do not currently anticipate.

One serious consequence of this trend that we can anticipate is the large number of boomer women, especially African American women, who will spend all or part of their young adult years raising children alone. They will have little opportunity to prepare for their retirement. They will have spent a lifetime with lower-than-average household income, and with a higher proportion of their income going to the essential costs of child rearing, giving them little opportunity to save. Further, the majority work in jobs that will not provide pensions to offset a lack of savings.

Working and/or Retiring

It is not easy to guess when, how, and to what extent boomers will retire. Economic trends, business practices, and individual needs and choices all add elements of uncertainty. Research suggests that many boomers want second careers after retirement, or to continue their current job at a lower level of time commitment and responsibility. Will there be interesting new careers for "retired boomers," or will most find their second jobs in the lower-paying service sector? Will those who like their jobs have opportunities to stay in them at reduced hours, or will layoffs and unemployment before traditional retirement age continue to threaten employees in private sector management, professional, and technical careers? Will a lower disability rate necessarily mean that the boomers will have a capacity for longer work life? Will work place responses to the Americans with Disabilities Act requirements make for working environments that are more adapted to the needs of older workers? Will new technologies allow aging boomers to work at home or make other adaptations that can keep them working longer? What will be the impact on younger workers, and on the economy in general, if boomers stay in the work force longer? What will be lost in volunteer work and contributions to younger generations in the family if boomers work longer than the current generation of elders?

Keeping Abilities, Coping with Disabilities

Although boomers are expected to live longer and be less disabled, their functioning and energy levels may be affected by the greater proportions that are sedentary and/or overweight. Not only are people in this category more likely to develop disabilities, but self-care and family caregiving can be seriously complicated by these factors. Although it is never too late to change, boomers will find

it easier to lose weight and add physical exercise to their lives if they begin now. The other serious health consideration that boomers must face publicly and individually is providing for the costs of long-term care. Will middle-class boomers invest in long-term care insurance or medical savings accounts early enough to prepare for such contingencies? Will assisted living and home care continue to grow? What new care options will become available? What new medications, technology, and treatment options will reduce the future of dependency? How will the changes in living arrangements among boomers affect their expectations of receiving family care?

Better Living through Technology?

Boomers have not experienced the kinds of massive changes in technology that their grandparents saw at the turn of the past century. Nevertheless, ever-changing technologies have been a part of their lives to date and will certainly play a part in their lives as older adults. Consider how today's older adults, especially those with mild impairments have benefited from microwave ovens, "smart carts" in grocery stores, automatic deposit of Social Security checks, and the increasing number of goods and services that can be ordered by telephone or Internet. Even programmable phones have made a difference for arthritic fingers. How much more benefit has been seen from medical advances such as knee and hip replacement surgery, heart bypass surgery, and the removal of cataracts by laser.

Our visions of the future are largely limited by the changes we have experienced in the recent past. As a result, much of the speculation about the future involves the personal computer. We expect a larger number of aging boomers to make greater use of the Internet for information, education, banking transactions, communications with their families in other places, and even telemedicine. Computers that respond to the spoken word are already in use by some people with disabilities, and may become important as they are perfected. With this

more transactions occur in cyberspace. Genetic engineering has also provided fertile ground for speculation, especially in the areas of health and medicine. However, the most dramatic impacts of technology for the aging boomers will probably come in an area as unexpected today as the personal computer was in 1977.

Intergenerational Issues

The boomers have made “talkin’ ’bout my generation” an issue. When they were young, many of them repeated, with differing degrees of seriousness, the slogan, “Don’t trust anyone over thirty!” Now that they are all over thirty, some of them have been leading debates about “intergenerational equity” issues and using terms like “greedy geezers.” Is there a generation gap? This is still very much a question for debate. Some of the answer hinges on the different uses of the word generation. Some research suggests that boomers, like members of the older generations, are more likely to believe that there is a generation gap “in society” than to believe that there is a gap between generations in their own family. It also reveals that boomers, on average, rate the gap fairly small, and that as they age they rate the gap between themselves and their parents smaller than they did when they were younger (Lynott and Roberts 1997). This is not new to boomers—the World War II generation also reports a gap between themselves and their parents. With such a diverse group of boomers, it is not at all clear that the gap across generations is any larger than the one among members of the same generation.

Whether or not boomers perceive a gap, they continue to participate in the transfer of money, caregiving, and other types of assistance to and from both

older and younger generations in their families. It is clear that on the level of day-to-day living, most families operate on the belief that each generation contributes to the others, at different times, in differing degrees, according to need and ability to give.

On the public level, it can be argued that the rise of public support for aging, from the advent of Social Security through the initial passage of the

Will communities take an intergenerational approach, or will separate groups organize and compete for scarce resources for separate populations?

Older Americans’ Act, was, in part, a conscious decision to provide more help to families in caring for their oldest members, freeing them to make larger individual investments in the future of the younger generation. The success of aging programs and the lack of adequate family financial support for so many children, especially those from single-parent households, has raised some questions about this choice. Ultimately, those who care about the needs of either older adults or children will fall short of their goals if they frame the debate about the competing needs of generations. In each generation there are vulnerable members who have few or no family resources from which to draw. At any given time, some families will need help in meeting the needs of one or more generations in them.

Politics as Usual?

This report began by emphasizing the need to begin planning and acting now to meet the needs of the state and its citizens by 2030. However, this does not fit well into the way that either business or politics have worked historically. Both elected officials and CEOs are rewarded for the short-term bottom line, not for the insightful, far-sighted corrections in course. However, a few pioneers in both business and government have had the insight to establish “venture teams” to look ahead for opportunities that will come with changing trends. Often this

small investment has produced unexpected rewards. Can we follow this model in anticipating what is needed now for 2030?

In recent years, lowering taxes has been one of the highest political priorities in the state. In this climate, discussions of the boom may end up, as the national debate has, focused heavily on “can we afford the aging of the boomers?” Will this continue to be the major political focus? What other political priorities will arise in the next 30 years? What other values among North Carolinians will drive the future agenda?

Will the current trend toward local options, exemplified in the rise of block granting and local waivers, continue? Will local community involvement lead to creative, tailored approaches to employing the resources and providing for the needs of the aging boomers, or will it simply lead to further fragmentation of opportunities and services? Can private citizens, the business community, not-for-profit agencies, and the traditional aging network find ways to work together to create a satisfying vision of the future, or will we continue to plan in isolation? Will communities take an intergenerational approach, or will separate groups organize and compete for scarce resources for separate populations? Will planning be sensitive to the needs of boomers as a diverse group, recognizing the different needs, contributions, and issues of people who differ by race, gender, income, education, and by whether they were born early or late in the boom?

The Beginning

This report combines facts, projections, and overt speculation about the aging of the baby boom generation in North Carolina. It raises questions about how individuals, families, communities, and government will shape and be shaped by the future. Its most important purpose is to stimulate thought and public discussion of these issues.

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The Soundtrack

"Talkin' 'bout my generation," performed by the Who.

"What's goin' on?" performed by Marvin Gaye.

"Money Makes the World Go Around," performed by Liza Minelli and Joel Grey in *Cabaret*.

"Stayin' Alive," performed by the BeeGees in *Saturday Night Fever*.

"When I'm 64," performed by the Beatles.

"We are stardust . . . million-year-old carbon . . ."

— "Woodstock," performed by Joni Mitchell or
Crosby, Stills, Nash, and Young