Paying for Health Care in the Years Before Retirement

by DENA K. MOTLEY*

—Health status and health care during the period of withdrawal from the labor force are included by the Social Security Administration in its study of the retirement process. Men and nonmarried women aged 58–63 at the outset of the survey decade had yet to enroll in Medicare, and most were covered by private health insurance. As means of payment for care, health insurance benefits were reported by the insured about as often as Medicaid was reported by the uninsured. Differences between the insured and uninsured in bills and out-of-pocket payments occurred chiefly at upper levels, where relatively small groups reported sizable amounts. When health insurance premiums were added to out-of-pocket expenditures to measure total health care outlays, the expenditures of the insured far outweighed the expenditures of the uninsured. The frequency with which these outlays amounted to a tenth or more of total income was the same for those who were insured as for those who were not.

NO SINGLE FACTOR by itself is likely to be found that will ensure successful retirement. One would expect to find health included, however, in any group of factors. As men and women approach the latter years of their worklife, many are less able—if they ever were—to take their health for granted and more apt to find it prudent to direct attention to the maintenance of their physical well-being. Such increased concern could be ushered in by the onset of a chronic health condition, however mild, or by the realization that ills once remote are befalling one's peers.

A person entering retirement because of failing health takes along the incompatible companions of reduced income and increased needs for health care. A person retiring in good health, with the prospect of an adequate retirement income, is accompanied by two assets that will contribute to his well-being for as long as they can be drawn upon in the years ahead.

Health status, expenditures for health care,

and the part that health insurance plays in enabling people to meet health costs in the years approaching retirement are being observed—along with work history, spending habits and living arrangements, income and assets, and retirement plans—in the Social Security Administration's Retirement History Study (RHS).[1] It is hoped that out of the study of the retirement process, through longitudinal observation, the strengths of a satisfying retirement will be learned so that they can be reinforced and the weaknesses so that they can be averted.

The data for this report come from the initial interviews of a sample of 11,153 men and non-married women who were aged 58–63 in 1969. These interviews provide the baseline description of a sample of individuals who are being reinterviewed at 2-year intervals for a decade, during which the majority are likely to retire. The report at hand is based on answers to the following questions:

Do you have any kind of health insurance that you (or your spouse) pay into, like Blue Cross? Do not include health insurance for which you do not have to pay anything.

How much did you (and your spouse) pay for this health insurance during 1968?

Did anyone else pay part of the health insurance cost in 1968? Who paid this?

Do you have any health insurance paid for entirely by your employer and/or union?

Do any of these policies pay for any of the costs of—
  (1) Hospital care?
  (2) Surgeon's or doctor's care in hospital?

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[1] Descriptions of the Retirement History Study sample at the outset of the study, in 1968 and 1969, have appeared in the *Social Security Bulletin* as follows: Lola M. Irelan, "Retirement History Study: Introduction," November 1972; Dena K. Motley, "Health in the Years Before Retirement," December 1972; Sally R. Sherman, "Assets on the Threshold of Retirement," August 1973 and "Labor-Force Status of Nonmarried Women on the Threshold of Retirement," September 1974; Karen Schwab, "Early Labor-Force Withdrawal of Men: Participants and Nonparticipants Aged 58–63," August 1974; Janet Murray, "Family Structure in the Preretirement Years," October 1973.

(3) Doctor's office and home calls?
(4) Any other medical expenses?
Who else is covered by this policy(ies)?
Will you have health insurance after you reach 65?

Separately, for each type of medical service, respondents were asked:

About how much were all of the (doctor) bills for your own care during 1968? Include amounts covered by insurance, bills for operations, treatments, hospital visits, checkups, shots, X-rays, tests, and examinations.

How much of this was paid by you (or your spouse) not counting any amount covered by health insurance?

How much was covered by health insurance?

Was any of your care (by doctors) provided without cost to you or paid for by others? Do not count medical care covered by any health insurance that you have or had.

The medical services included in this report are those that are frequently covered by insurance policies of the "major medical" type—hospital care, physician care, prescription drugs, and miscellaneous services and supplies (an "all other" category that includes such items as chiropractic, nursing care, and appliances and eyeglasses). Although dental care has come to be considered an insurable type of care, it is not as a rule covered as a "major medical" type of care; data on these expenditures were collected but are not included in this report. The same is true of nonprescription drugs.

It should be noted that the questions on amounts of money elicited data for 1968. Questions on possession of health insurance, kinds of coverage, and persons covered elicited answers as of the date of the interview, 1969.

HEALTH INSURANCE ENROLLMENT

A standard item in today's health care budget, along with physician care, hospital care, and other medical services, is health insurance. The Bureau of Labor Statistics, for instance, considers it "a desirable goal or norm for a self-supporting family" and makes allowance for group insurance in its family budgets at each of the levels of estimated expenditures—lower, intermediate, and higher. Hospital/surgical insurance is included in the lower and intermediate

budgets; coverage of out-of-hospital care is included only at the higher level.[2]

The Work Connection

Employment provides both the wherewithal for the purchase of health insurance and the organizational setting — the group — through which health insurance is obtained at less expense than when the same coverage is purchased

[2] Jean C. Brackett, "New BLS Budgets Provide Yardsticks for Measuring Family Living Costs," *Monthly Labor Review*, April 1969 (Reprint No. 2611), page 6.

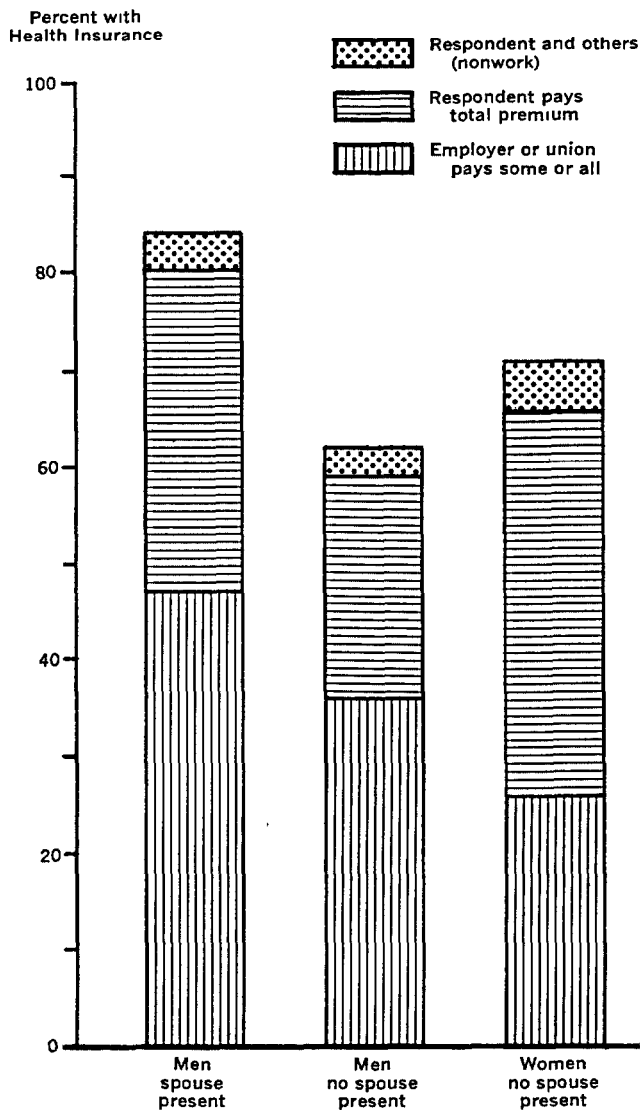CHART 1.—Source of payment for health insurance: Persons aged 58–63, 1969

TABLE 1.—Health insurance enrollment status and source of premium payment: Percentage distribution of persons aged 58–63, by age, sex, and marital status, 1969

Enrollment status and source of payment	Total	Men, spouse present				Men, no spouse present				Women, no spouse present			
		Total	58–59	60–61	62–63	Total	58–59	60–61	62–63	Total	58–59	60–61	62–63
Number (in thousands)·													
Total	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on health insurance	6,772	4,101	1,503	1,351	1,247	722	244	251	227	1,949	624	626	699
Total percent	100	100	100	100	100	100	100	100	100	100	100	100	100
Without health insurance	22	16	15	16	18	38	37	35	41	29	28	28	31
With health insurance	78	84	85	84	82	62	63	65	59	71	72	72	69
Work-connected	40	47	50	48	42	36	35	39	36	26	29	29	21
Entire premium:													
Employer or union (no other policy)	16	18	19	20	14	18	17	19	19	10	11	12	8
Employer or union (additional policy)	8	10	11	10	9	7	7	8	5	6	7	6	5
Jointly, by employer or union with respondent	16	19	20	18	19	11	11	12	12	10	11	11	8
Non-work-connected	38	37	35	36	40	26	28	26	23	45	43	43	48
Entire premium, respondent alone	34	33	31	32	36	23	25	23	21	40	40	38	44
Jointly, by respondent and relatives or other non-work-connected sources	4	4	4	4	4	3	3	3	2	5	3	5	4

individually. Not only is group insurance less expensive for the consumer than the same coverage purchased on an individual basis, but it is available to group members who might not be considered insurable if they were being singly examined for coverage under an individual contract.[3] The insurance industry itself emphasizes group enrollment as the only financially feasible way for most people to obtain even reasonably adequate coverage; insurance companies have been urged to accept, for group enrollment, organizations such as clubs and church groups, so that persons without a work connection could obtain group coverage;[4] employee groups never-

theless remain the predominant source of group enrollment.

The advantages of group coverage, as indicated by partial or complete payment of premiums by an employer or union, were enjoyed by 40 percent of all 58-to-63-year-olds (excluding married women). Sixteen percent paid jointly with the employer for the insurance; 24 percent had policies for which the employer paid the total cost, and a third of this group (8 percent) purchased additional insurance at their own expense (table 1). Persons with individual plans or with group plans for which the sponsoring group did not contribute toward the cost made up nearly as large a group (38 percent) as those with work-connected insurance. The remaining 22 percent were not insured. Chart 1 illustrates the enrollment rates and the interrelationships of work-connected policies and means of payment.

In the three age cohorts (58–59; 60–61; 62–63), work-connected health insurance was reported

[3] See, for example, Herman M. Somers and Anne R. Somers, *Doctors, Patients, and Health Insurance* (The Brookings Institution, 1961), page 365.

[4] Walter J. McNerney, "Improving the Effectiveness of Health Insurance and Prepayment," in *Private Health Insurance and Medical Care: Conference Papers*, Social Security Administration, Office of Research and Statistics, 1968, pages 54–55.

TABLE 2.—Work status: Number of persons aged 58–63 and percent with health insurance, by age, sex, and marital status, 1969

Age	All units		Men, spouse present		Men, no spouse present		Women, no spouse present	
	Working full time	Not working full time	Working full time	Not working full time	Working full time	Not working full time	Working full time	Not working full time
Number reporting on work status (in thousands)	4,197	2,223	2,975	884	397	281	825	1,058
58–59	1,654	584	1,201	210	148	81	305	293
60–61	1,415	694	988	279	146	90	281	325
62–63	1,128	945	786	395	103	110	239	440
Percent with health insurance	88	58	89	66	81	35	88	58
58–59	88	55	89	63	77	38	90	53
60–61	88	57	89	66	86	31	88	58
62–63	87	61	88	69	82	35	86	60

more frequently by men than by women. Even among the oldest of the nonmarried men (62–63), where those not working full time numbered about the same as those who were fully employed, work-connected health insurance was reported more frequently than by women in any of the age groups (tables 1 and 2).

Health insurance enrollment was reported by 88 percent of those who were working full time and by 58 percent of those who were working only part time or not at all (table 2). These proportions remain stable at ages 58–63, although full-time employment was less frequently reported in any of the oldest cohorts. Among those not working full time, health insurance enrollment rates were lower for nonmarried men than for married men or nonmarried women.

Range of Services Covered

The pattern of health insurance coverage that prevails in the population under age 65 and, specifically, in the population of preretirement age is characterized by a marked predominance of coverage for hospital-based care over that for out-of-hospital care. The pattern has been described as follows:

> Private health insurance in the United States mainly provides coverage of hospital care and of physicians' services associated with hospitalization. Coverage of other types of health care is much less extensive, both in terms of the number of people with some coverage and the proportion of charges met by insurance.[5]

In the United States, in 1969, 78 percent of the population had hospital insurance, 76 percent had surgical insurance, and 43 percent had insurance for physicians' services outside a hospital setting.[6] Men and nonmarried women aged 58–63 in 1969 reported a pattern of coverage that differed very little: 74 percent had hospital insurance, and 71 percent had insurance for surgical and other inhospital care; 39 percent also had insurance for doctor's office visits and other types of care (table 3).

[5] Louis S. Reed and Willine Carr, *The Benefit Structure of Private Health Insurance, 1968* (Research Report No. 32), Social Security Administration, Office of Research and Statistics, 1970, page 105.

[6] Marjorie Smith Mueller, "Private Health Insurance in 1969: A Review," *Social Security Bulletin*, February 1971, table 10.

Comparable data on men with hospital and surgical insurance, provided by the National Center for Health Statistics, are shown below.

Survey and type of service covered	Total	Aged 58–59	Aged 60–61	Aged 62–63
Retirement History Study, 1969.				
Number of men, total	4,846	1,752	1,610	1,484
Percent with—				
Hospital insurance	77	79	78	74
Surgical insurance	75	77	76	72
Health Interview Survey, U.S., 1968.				
Number of men, total	4,777	1,729	1,609	1,439
Percent with—				
Hospital insurance	78	78	79	77
Surgical insurance	76	76	77	75

Coverage was more comprehensive, on the whole, when part or all of the cost was paid by an employer or union than when it was not (table 4). About half the men who footed their entire insurance bill themselves had hospital/surgical/medical coverage, and they reported the least comprehensive plan (hospital only) more than twice as often as those with work-connected plans.

For married men whose only insurance was paid entirely by an employer, the proportion with hospital/surgical/medical insurance was 58 percent; for those who purchased an additional policy, it was 64 percent. For nonmarried men, the corresponding proportions were 54 percent and 65 percent. For women, on the whole, no improvement was effected with supplementation; about half reported hospital/surgical/medical coverage either way.

Broadly speaking, for women as well as for men, the more comprehensive coverage (hospital/surgical/medical) was reported oftener with a work-connected source of payment than without it and coverage limited to care in a hospital was reported more frequently when there was no

TABLE 3.—Type of service: Percent of persons aged 58–63 with health insurance, by sex and marital status, 1969

Type of service	Total	Men, spouse present	Men, no spouse present	Women, no spouse present
Number (in thousands):				
Total	6,800	4,117	729	1,954
Reporting on health insurance	6,772	4,101	722	1,949
Percent with health insurance	78	84	62	71
Hospital only	3	2	2	4
Hospital/surgical only	32	33	25	33
Hospital/surgical/out-of-hospital	39	45	32	29
Not identified	4	4	3	5

work connection than when there was. When women had work-connected insurance, they had the more comprehensive coverage (hospital/ surgical/medical) no more frequently than did men without the work-connected payment.

For men, employee or union contribution meant close to a 60/40 division in favor of the more comprehensive coverage. For women, the division was 50/50.

Married men and nonmarried women resembled each other and differed from nonmarried men in possession of health insurance. Both groups were more likely than nonmarried men to have some kind of coverage, whether they worked full time or not, and more likely to purchase additional coverage when an employer paid the entire premium for one policy. Nonmarried men appeared to be especially dependent on full-time employment as a condition for being insured, and the percentage who were insured without

TABLE 4.—Source of premium payment and type of service covered: Percentage distribution of persons aged 58–63 with health insurance, by sex and marital status, 1969

Type of service	Source of payment						
	Work-connected				Non-work-connected		
	Total	Entire premium		Jointly, by employer or union with respondent	Total	Entire premium, respondent alone	Jointly, by respondent and relatives or other non-work-connected sources
		Employer or union (no other policy)	Employer or union (additional policy)				
All units							
Number (in thousands)							
With health insurance	2,710	1,074	578	1,058	2,561	2,298	263
Reporting on service covered	2,672	1,061	569	1,042	2,340	2,084	256
Total percent	100	100	100	100	100	100	100
Hospital/surgical/out-of-hospital	58	56	61	58	47	46	60
Hospital-based only	42	44	39	42	53	54	40
Hospital/surgical only	40	41	36	41	47	48	36
Hospital only	2	3	3	1	6	6	4
Men, spouse present							
Number (in thousands)							
With health insurance	1,930	739	410	781	1,504	1,347	157
Reporting on service covered	1,908	733	403	772	1,386	1,233	154
Total percent	100	100	100	100	100	100	100
Hospital/surgical/out-of-hospital	60	58	64	60	51	49	64
Hospital-based only	40	42	36	40	49	51	36
Hospital/surgical only	38	40	34	39	45	46	34
Hospital only	2	2	2	1	4	5	2
Men, no spouse present							
Number (in thousands)							
With health insurance	264	132	49	83	184	165	19
Reporting on service covered	259	130	49	80	168	150	18
Total percent	100	100	100	100	100	100	(1)
Hospital/surgical out-of-hospital	57	54	65	58	50	47	....
Hospital-based only	43	46	35	42	50	53	....
Hospital/surgical only	40	43	31	41	45	48	....
Hospital only	3	3	4	1	5	5	....
Women, no spouse present							
Number (in thousands)							
With health insurance	515	202	120	193	874	788	86
Reporting on service covered	504	197	118	189	786	703	83
Total percent	100	100	100	100	100	100	100
Hospital/surgical/out-of-hospital	49	50	49	48	41	40	49
Hospital-based only	51	50	51	52	59	60	51
Hospital/surgical only	47	44	46	51	51	51	45
Hospital only	4	6	5	1	8	9	6

[1] Not computed, base less than 32,000.

benefit of employer contribution was smaller than that for either married men or nonmarried women—26 percent compared with 37 percent and 45 percent. When they were insured, however, married men and nonmarried men resembled each other and differed from women in having work-connected health insurance more frequently and in being more likely to have the more comprehensive coverage, whether their insurance was work-connected or not.

Multiple coverage.—In the population at large, ownership of more than one health insurance plan increases throughout worklife and 16 percent of the insured population aged 45–64 in the United States is covered by two or more plans.[7] With the focus of the RHS inquiry on source of payment and cost of health insurance to the respondent, information on multiple coverage was obtained indirectly and does not produce a definitive count. The available data are of interest in connection with retirement, however, and, together with data on the relationship between employer contribution and quality of coverage, add a dimension to other reports on the subject.

The RHS respondents with policies paid for entirely by their employer included some who also purchased policies on their own. The latter, described above, constituted 8 percent of all persons in the RHS, or 11 percent of those insured, and it is likely that, among those remaining, some also had more than one policy. The National Center for Health Statistics sees the increase by age in multiple coverage as an effort to obtain adequate coverage in the face of age restrictions and the presence of chronic conditions. A related point of interest in the RHS data is the indication, for married men and nonmarried women, of upward trends with age in the reporting of insurance that was not work-connected and thus more likely to be limited in coverage.

Retirement and Continuity of Coverage

Group insurance, for all its advantages, carries with it, as a rule, the proviso of continued and uninterrupted membership in the group. Departure by way of changing jobs or retiring frequently means that a worker leaves behind his health insurance protection as well. The worker on layoff is another who is apt to find that he is also "on layoff" from health insurance coverage, with loss of protection for his wife and children as well.[8] Such tenuousness of protection has been widely criticized and is acknowledged as a problem by the insurance industry as well as by its observers and critics. One of the health insurance industry's leading spokesmen has recommended that State governments "focus on the problem of the temporarily unemployed as a special category of indigence, making it possible, with partial aid from employer contributions, to carry coverage through periods of economic adjustment."[9]

Attention to this problem has increased because of the current levels of unemployment. The American Hospital Association, at its annual meeting earlier this year, for example, undertook the preparation of a proposal that Congress provide health insurance coverage to persons who are receiving unemployment insurance benefits.[10]

Before Medicare, the prospect of losing health insurance protection upon retirement and not being able to replace it out of a reduced income was held to be one of the deterrents to an employee's willingness to accept mandatory retirement.[11] Because early retirement (before age 65) is not immediately buffered by Medicare, the issue of health insurance coverage and the possible effect of its loss on the employee's decision to retire early was taken into consideration in a recent study of autoworkers. Observers concluded that because the retirement benefits negotiated on behalf of the workers had included the same health insurance coverage for retirees as for workers, this issue would have no direct influence. In their opinion, the chief remaining question related to health insurance coverage would be con-

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[7] National Center for Health Statistics, *Hospital and Surgical Insurance Coverage, United States—1968* (Series 10, No. 66), 1972, page 10 and table 16.

[8] See Walter W. Kolodrubetz, "Health Insurance Coverage for Workers on Layoff," *Monthly Labor Review,* August 1966, page 851, and Jean C. Brackett, *op cit.,* page 6.

[9] Walter J. McNerney, *op. cit.,* page 55.

[10] *Washington Post,* February 5, 1975, and *Washington Star-News,* February 4, 1975.

[11] Theodor Schuchat, "Bargaining for Pensions," *Industrial Gerontology,* October 1969, page 26 (citing a majority opinion by the National Labor Relations Board).

fined to meeting the cost of deductibles and co-insurance out of a reduced income.[12]

Medicare and private insurance.—For persons looking ahead to age 65, the problem of health insurance coverage after retirement has been considerably alleviated by Medicare, which provides a worker or retiree at age 65 with hospital insurance and, optionally, medical care insurance. At the time of the initial RHS interview in 1969, at least 95 percent of the U.S. population aged 65 and over had protection under Medicare; virtually all those entitled to hospital insurance protection were also enrolled for medical care services under Medicare. This situation shows a considerable change from 1963, before Medicare, when barely more than half the population aged 65 and over had coverage under private health insurance.[13]

Even with the introduction of Medicare, private health insurance has continued to play an important part in the health insurance coverage of those aged 65 and over. In that segment of the population the proportion who had private health insurance to supplement Medicare in 1969 (50 percent) was very nearly the same as the proportion with private health insurance—their only coverage—in pre-Medicare days.[14]

For work-related group insurance, a worker at age 65—active or retiring—customarily enrolls in Medicare as required by his group contract, and the complementary-to-Medicare provisions provide additional benefits without duplication. Although their group contracts are important to those who can participate, individual insurance is predominant by about 2 to 1.[15]

"Complementary-to-Medicare" contracts mesh with Medicare provisions to meet costs that otherwise call for out-of-pocket expenditure. The hospital insurance part of Medicare pays for hospital care expenses above a deductible that is equivalent to the cost of a day of hospital care; a private plan "complements" Medicare by paying the deductible. Medical insurance under Medicare pays 80 percent of the allowable charges in excess of an annual deductible; the private plan covers the deductible and pays the remaining 20 percent of the bills that exceeds the deductible. Some plans pick up where Medicare leaves off to provide additional services or extend those allowed for.[16]

Plans for coverage in retirement.—It appears doubtful that the preretirees had looked closely at the range of insurance resources that would be available to them at age 65, although Medicare figured in the planning of most of them. Eighty-five percent expected to have some kind of health insurance at age 65, and this percentage at least represents an increase over the enrollment rates that prevailed at the time of the interview. Nevertheless, with Medicare enrollment at a near-universal level for aged persons in 1969, only 64 percent of all the men and the nonmarried women at ages 58–63 specified that they would be covered by Medicare when they reached age 65 (table 5). Differences by age in plans for health insurance were negligible, although from the youngest to the oldest the trend in the proportions who said they expected to have Medicare at age 65 was consistently upward.

Since almost every American aged 65 and over is eligible under Medicare, the proportion of those aged 58–63 (two-thirds) who expect to have coverage under the program may seem rather low. Several factors may enter into the figures reported here, including the following: (1) Responses to other RHS questions about expectations associated with reaching age 65 indicate that many have not yet looked into what specific resources will be available to them at that time; (2) they may not see Medicare as an insurance program; and (3) the question was designed not to suggest any specific type of plan to the respondent.

Those who said they would have more than one kind of plan nearly always specified Medi-

[12] Richard Barfield and James Morgan, *Early Retirement: The Decision and the Experience*, Institute for Social Research, University of Michigan, 1969, page 164.

[13] Lenore A. Epstein and Janet H. Murray, *The Aged Population of the United States: The 1963 Social Security Survey of the Aged* (Research Report No. 19), Social Security Administration, Office of Research and Statistics, 1967, table 11.1.

[14] For data on the aged before Medicare, see Lenore A. Epstein and Janet H. Murray, *ibid.;* for data on the aged in 1969, see Marjorie Smith Mueller, *op. cit.,* table 10.

[15] Marjorie Smith Mueller, *op. cit.,* table 5, and *Enrollment, Coverage, and Financial Experience of Blue Cross and Blue Shield Plans, 1969*, Research and Statistics Note No. 4, Office of Research and Statistics, 1971, page 8.

[16] See, for example, Dorothy R. Kittner, "Negotiated Health Benefits and Medicare," *Monthly Labor Review*, September 1968, page 29; see also Louis S. Reed and Kathleen Myers, "Health Insurance Coverage Complementary to Medicare," *Social Security Bulletin*, August 1967.

TABLE 5 —Medicare and private health insurance enrollment status expected at age 65: Percentage distribution of persons aged 58-63, by age, sex, and marital status, 1969

Expected enrollment status and type of plan	Total	Men, spouse present				Men, no spouse present				Women, no spouse present			
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands)·													
Total	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on health insurance	6,772	4,101	1,503	1,351	1,247	722	244	251	227	1,949	624	626	699
Total percent	100	100	100	100	100	100	100	100	100	100	100	100	100
Will not be insured	9	9	9	9	8	13	12	13	13	10	11	9	10
Not decided	6	6	7	5	5	8	8	7	7	8	8	9	7
Expects to be insured	85	85	84	86	87	80	80	80	80	82	81	82	83
Type unknown	1	1	1	1	2	1	1	1	(1)	1	1	1	1
Medicare	64	63	61	64	66	62	63	61	65	63	60	64	65
Medicare only	37	35	34	36	37	42	43	39	44	38	37	36	40
Medicare and employer group	6	7	7	7	7	5	2	5	7	3	3	5	3
Medicare and individual plan	21	21	20	21	22	15	18	17	14	22	20	23	22
Employer group only	6	7	8	6	6	6	7	6	4	3	3	3	3
Individual plan only	14	14	14	15	13	11	9	12	11	15	17	14	14

1 0 5 percent or less

care as one of the plans. Twenty-seven percent said they would have both Medicare and a private plan. Less than 1 percent named two plans of which Medicare was not one, 37 percent expected to depend solely on Medicare, and 20 percent specified only private health insurance.

In light of the virtually universal coverage among persons aged 65 and over, it could be anticipated that practically every one, regardless of the thinking at ages 58-63, would enroll in Medicare at age 65. In addition, according to the prevailing pattern of private health insurance enrollment among those 65 and over, purchasers of individual plans might outnumber those with employer/union plans but perhaps not to the extent anticipated.[17] Considerably fewer than thought so earlier are likely to find themselves depending entirely on their own resources for health insurance coverage at age 65.

Coverage for dependents.—The drop in income that is apt to accompany retirement is usually expected to be counterbalanced somewhat by a drop in the expenditures that are associated with holding a job. Among these are transportation costs, clothes, and meals away from home. Along with this balancing effect would be the hope that retirement itself would not bring about increases in expenditures—and certainly not in health insurance, with Medicare available to nearly all who reached age 65. Since Medicare covers individuals only, instead of family groups and, with few exceptions, covers only those who are aged 65 or older,[18] those whose health insurance policies are providing coverage for younger dependents would need to make separate arrangements for their dependents at the time they enroll for Medicare (table 6).

Coverage for children would present a problem less frequently than would coverage for

[17] See Walter W. Kolodrubetz, "Trends in Employee-Benefit Plans in the Sixties," *Social Security Bulletin,* April 1971, pages 21-34.

[18] Amendments to the Social Security Act in 1972 extended Medicare eligibility to persons under age 65 who have qualified for benefits under the disability provisions and other, specific eligibility conditions

TABLE 6.—Individuals covered by respondent's policy: Percent of persons aged 58-63, by age, sex, and marital status, 1969

Individuals covered	Total	Men, spouse present				Men, no spouse present				Women, no spouse present			
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands).													
Total	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on health insurance	6,772	4,101	1,503	1,351	1,247	722	244	251	227	1,949	624	626	699
Percent with health insurance	78	84	85	84	82	62	63	65	59	71	72	72	69
Respondent only	27	6	5	6	6	48	46	51	46	62	62	64	62
Respondent and spouse	37	60	57	61	62	5	7	3	5	1	1	1	1
Respondent, spouse, and children	9	14	19	14	9	2	3	3	(1)	(1)	(1)	(1)	(1)
Respondent and children	1	(1)	(1)	(1)	(1)	3	4	4	3	3	4	2	1
Not identified	4	4	4	3	5	4	3	4	5	5	5	5	5

1 Less than 0 5 percent.

wives and also with diminishing frequency. This prospect can be seen in the differences between ages 58–59 and ages 62–63 in the provision of coverage for children. Proportions are far smaller in the older group than in the younger, and it is not unlikely that this is a reflection of the fact that children whose parents are in their late fifties or early sixties are themselves independent or fast becoming so.[19]

There also appears to be a trend, though less marked, away from health insurance coverage for a wife. This shift could be due to an upward trend in the proportion of wives who were old enough in 1969 to qualify for Medicare. These countertrends ran as shown in the figures that follow:

[Percent]

Age in 1969	Men, spouse present	
	Policy covered wife	Wife aged 65 or older
58–59	76	2
60–61	75	4
62–63	71	7

There were, in addition, wives ranging in age from 59 to 64 who were older than their husbands. This group brought to 14 percent the proportion of wives who were or would be eligible for Medicare before their husbands. An additional 8 percent were the same age as their husbands (table 7).

[19] Janet Murray, op. cit.

TABLE 7.—Age difference between men aged 58–63 and their wives: Percentage distribution of married men, 1969

Age difference (in years)	Men, spouse present						
	58–63	58	59	60	61	62	63
Number (in thousands):							
Total	4,117	807	699	680	676	652	603
Reporting wife's age	4,097	805	697	676	671	648	600
Total percent	100	100	100	100	100	100	100
Wife same age or older	22	20	22	22	23	23	22
Same age	8	7	8	8	9	8	7
1–2 years older	8	7	8	9	8	10	9
3–4 years older	4	3	3	3	3	[1]5	[1]6
5 or more years older	2	3	3	2	3		
Wife younger	78	80	78	78	77	77	78
1–2	20	20	21	18	19	20	19
3–4	18	20	19	17	16	16	17
5–6	14	14	15	16	14	15	13
7–8	10	10	10	9	9	9	11
9–10	6	7	5	7	7	6	6
11–12	4	3	3	4	4	5	5
13–15	3	3	2	3	3	2	4
16–18	2	[2]3	[2]3	[2]3	[2]3	2	1
19 or more	1					3	2

[1] Represents those 3 or more years older
[2] Represents those 16 or more years younger.

Men with younger wives, on reaching age 65 and coming under the protection of Medicare, could expect a gap of from a year's duration to well over a decade before their wives could be similarly insured. This Medicare gap is not confined to a small minority of the married men. Given their present marital status—and spouses— 78 percent could anticipate that retirement at age 65 and a turning to Medicare for health insurance protection would present a not insurmountable problem, but one that would require attention. Where collective bargaining agreements call for a continuation of coverage for retirees that corresponds to the coverage they have as workers, the magnitude of this problem would be less significant.[20]

The Medicare gap described above would also have less impact where younger wives had their own health insurance policies. For the most part, however, their coverage was being provided by the husband's policies; the 84 percent of the married men who were insured included the 74 percent whose policies extended at least some coverage to their wives. The 74 percent may not include only the younger wives under age 65. Were this so, the wives who were aged 65 and over and likely to be enrolled under Medicare would largely account for the difference between the married men who were insured and those whose wives were covered by their policies. In any case, it is clear that in nearly all instances the wife was protected under the husband's insurance policy, if he had any health insurance at all.

The gap could also have less impact if a wife, however much younger, were employed and planning to work until she herself reached age 65, especially if she had her own work-connected health insurance. Of the wives who were working in 1969, 17 percent said they did not intend to quit working. Of those who did plan to retire, 30 percent said they would retire when their husband retired, but more than twice as many said they would not.

[20] I. S. Falk and Anita Pepper, "Health Insurance Through Collective Bargaining in an Urban Area," American Journal of Public Health, December 1966, pages 2006–2022; about a third of contracts in the survey area provided insurance protection for retired workers and about a fourth included dependents See also Walter W. Kolodrubetz, op. cit., Social Security Bulletin, April 1971, pages 21–34.

COMPONENTS OF EXPENDITURE

Something of the crucial nature of medical expenses can be inferred from the invariable qualification in standard family budgets that the medical component is designed for people in "reasonably good health." That is, poor health cannot be budgeted; the occurrence of illness and the accompanying expenses are unpredictable on a family scale.[21]

The following section describes the amounts reported in the study as charges for medical services; the amounts paid directly, excluding any reimbursements in the form of health insurance benefits; and the amounts paid by health insurance benefits, either directly to the providers of services or as reimbursements to those who had made direct payments for covered services.

prescription drugs were summed up for each respondent and are presented in table 8, table 9 (the section "medical services"), and table 10.

Bills and Their Payment

In 1968, bills for all medical services (except dental care and nonprescription drugs) amounted to $85 or less for half the men and nonmarried women of preretirement age (table 8). When the 22 percent who reported no bills are excluded, the median for those reporting $1 or more was $140.

Above $85—the point that divided all persons into groups of equal size—36 percent had bills $500 or less; 6 percent had bills of up to $1,000; and the remaining 8 percent reported $1,000 or

TABLE 8.—Bills for medical services in 1968: Percentage distribution of persons aged 58–63, by health insurance enrollment status, sex, and marital status, 1969

Amount [1]	All units			Men, spouse present			Men, no spouse present			Women, no spouse present		
	Total	In-sured	Not in-sured	Total	In-sured	Not in-sured	Total	In-sured	Not in-sured	Total	In-sured	Not in-sured
Number reporting on bills	5,848	4,649	1,199	3,614	3,049	565	584	387	197	1,650	1,213	437
Total percent	100	100	100	100	100	100	100	100	100	100	100	100
None	22	19	34	20	18	28	35	27	49	22	18	33
$1–50	19	19	19	19	19	20	21	20	21	19	20	18
51–100	14	15	12	14	15	13	11	13	7	15	15	14
101–200	15	16	12	15	16	13	11	12	8	16	17	13
201–300	8	8	6	8	8	7	6	8	3	8	9	6
301–400	5	5	4	5	5	4	5	6	3	4	4	3
401–500	3	3	2	3	3	2	2	2	2	4	4	3
501–750	4	5	4	5	5	5	3	4	2	3	4	3
751–999	2	2	1	3	2	2	1	1	1	2	2	1
1,000–1,999	5	5	4	5	5	4	3	4	2	5	5	5
2,000 or more	3	3	2	3	4	2	2	3	2	2	2	1
Median:												
All reporting	$85	$90	$45	$90	$95	$60	$35	$65	$5	$80	$90	$50
Reporting $1 or more	140	145	115	150	150	125	110	125	80	130	135	115
Mean.[2]												
All reporting	$355	$380	$255	$385	$400	$295	$270	$320	$180	$310	$335	$240
Reporting $1 or more	450	465	380	480	490	405	415	440	350	400	415	360

[1] Includes physician and hospital care, prescriptions, and miscellaneous services and supplies (nursing care, chiropractic, eyeglasses, etc.), excludes dental care and nonprescription drugs.

[2] Computed from grouped data, $5,000 for open-end category based on unpublished tabulations

The respondent was asked not to include amounts for any other family member but to report only on the care or services that he received. He was not asked to refer to his records but was not discouraged from doing so if he wished. The amounts reported separately for each type of service except dental care and non-

more. As many persons had bills above $300 (22 percent) as had no bills. The influence on the mean of the large bills reported by relatively few is reflected in the dollar difference between the means and medians. The per capita bill was $355 and the median, $85 for all reporting; for those with bills of $1 or more, the mean was $450, and the median $140.

The medians indicate the considerable number of individuals whose bills ran no higher than the amount of a typical deductible. The study of

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[21] See, for instance, Jean C. Brackett, *op. cit.*, page 6; Frances S. Gedney, "Retired Couple's Budgets Updated to Autumn 1972," *Monthly Labor Review*, October 1973, page 46.

TABLE 9.—Expenditures for health insurance premiums and medical services in 1968: Percentage distribution of persons 58–63, by type of expenditure, health insurance enrollment status, sex, and marital status, 1969

Amount	All units			Men, spouse present			Men, no spouse present			Women, no spouse present		
	Total	In-sured	Not in-sured	Total	In-sured	Not in-sured	Total	In-sured	Not in-sured	Total	In-sured	Not in-sured
Health care [1]												
Number reporting on expenditures for premiums and medical services (in thousands)	5,650	4,380	1,270	3,468	2,886	582	593	367	226	1,589	1,127	462
Total percent	100	100	100	100	100	100	100	100	100	100	100	100
None	13	5	41	10	6	31	27	10	55	16	4	46
$1-50	9	6	18	8	6	20	13	10	17	8	4	17
51-100	10	9	12	8	7	13	12	14	8	12	12	12
101-200	19	21	11	17	17	12	16	22	7	24	30	11
201-300	16	19	6	17	19	8	12	17	4	16	20	5
301-400	10	13	3	12	13	4	7	10	4	9	12	2
401-500	7	9	2	9	10	2	4	5	1	5	6	2
501-750	9	10	3	11	13	5	4	6	2	5	6	2
751-999	3	4	1	4	4	1	2	3	(²)	2	3	1
1,000-1,999	3	3	2	3	4	2	2	2	1	2	2	1
2,000 or more	1	1	1	1	1	2	1	1	1	1	1	1
Median:												
All reporting	$195	$245	$25	$240	$285	$50	$95	$175	0	$155	$200	$15
Reporting $1 or more	240	255	100	270	295	115	175	195	$85	190	210	95
Mean: [3]												
All reporting	$325	$370	$175	$370	$400	$235	$235	$305	$120	$265	$320	$135
Reporting $1 or more	375	390	300	410	420	340	320	335	265	315	330	245
Medical service (out-of-pocket) [4]												
Number reporting on expenditures for medical services (in thousands)	5,880	4,610	1,270	3,611	3,029	582	617	391	226	1,652	1,190	462
Total percent	100	100	100	100	100	100	100	100	100	100	100	100
None	25	21	41	22	20	31	38	28	55	28	20	46
No care	13	11	22	12	10	19	23	17	33	12	9	20
Care, not billed	9	8	12	8	8	9	12	10	16	10	9	13
Billed, no outlay	3	2	7	2	2	3	3	1	6	6	2	13
$1-50	20	20	18	20	20	20	20	21	17	19	20	17
51-100	15	16	12	15	15	13	13	16	8	16	17	12
101-200	16	17	11	17	17	12	11	13	7	16	18	11
201-300	8	9	6	9	9	8	7	9	4	8	10	5
301-300	5	5	3	5	6	4	4	4	4	4	5	2
401-500	3	3	2	3	4	2	2	2	1	3	4	2
501-750	3	4	3	4	4	5	2	3	2	3	3	2
751-999	2	2	1	2	2	1	1	2	(²)	1	1	1
1,000-1,999	2	2	2	2	2	2	1	1	1	1	1	1
2,000 or more	1	1	1	1	1	2	1	1	1	1	1	1
Median:												
All reporting	$70	$80	$25	$80	$85	$50	$30	$55	0	$60	$80	$15
Reporting $1 or more	120	125	100	125	130	115	95	95	$85	110	120	95
Mean: [3]												
All reporting	$200	$205	$175	$215	$210	$235	$170	$195	$120	$175	$195	$135
Reporting $1 or more	265	260	300	275	260	340	270	275	265	245	245	245
Health insurance premiums												
Number reporting on expenditures for health insurance premiums (in thousands)	6,459	4,958	1,501	3,904	3,237	667	692	419	273	1,862	1,302	560
Total percent	100	100	--------	100	100	--------	100	100	--------	100	100	--------
None	[5] 40	[6] 22	--------	[5] 36	[6] 23	--------	[5] 58	[6] 31	--------	[5] 41	[6] 16	--------
$1-50	4	5	--------	4	5	--------	4	7	--------	5	8	--------
51-100	12	15	--------	9	10	--------	12	19	--------	19	26	--------
101-150	13	17	--------	10	13	--------	11	18	--------	20	28	--------
151-200	9	12	--------	11	13	--------	6	9	--------	7	10	--------
201-250	8	10	--------	10	12	--------	3	6	--------	3	5	--------
251-300	6	8	--------	8	10	--------	2	4	--------	2	3	--------
301 or more	8	11	--------	12	14	--------	4	6	--------	3	4	--------
Median:												
All reporting	$75	$120	--------	$110	$150	--------	0	$80	--------	$60	$100	--------
Reporting $1 or more	155	155	--------	195	195	--------	$125	125	--------	115	155	--------
Mean: [7]												
All reporting	$120	$160	--------	$150	$180	--------	65	$110	--------	$80	$115	--------
Reporting $1 or more	205	205	--------	235	235	--------	165	165	--------	140	140	--------

[1] Includes health insurance premiums, physician and hospital care, prescriptions, and miscellaneous services and supplies (nursing care, chiropractic, eyeglasses, etc), excludes dental care and nonprescription drugs
[2] 0 5 percent or less.
[3] Computed from grouped data, $5,000 for open-end category based on unpublished tabulations.
[4] Excludes health insurance premiums
[5] Represents those who are not insured and those for whom the employer or union paid total cost
[6] Employer or union paid total cost of health insurance
[7] Computed from the individual observations; rounded to nearest $5

deductibles and coinsurance payments and their effect on receipt of care is outside the purview of the Retirement History Study, but these data call to mind that such provisions are the subject of close observation.[22]

Bills were reported less frequently by the uninsured than by the insured. Those reporting no bills were 28 percent of the married men who were not insured and 18 percent of the married insured; for nonmarried men, the proportions were 49 percent compared with 27 percent, and for nonmarried women 33 percent compared with 18 percent.

Seventy-eight percent of all persons reported bills of $1 or more; 75 percent reported outlays in payment of all or part of these bills. For those with outlays, the median was $120.

As indicated by the distances between the medians and means, the distributions of out-of-pocket expenditures were less skewed to the right than were the bills. Among the insured and uninsured, for all reporting, neither median bills nor outlays exceeded $100. Mean bills exceeded $350 and $250, respectively, but mean expenditures barely exceeded $200 for either group. For persons reporting $1 or more median bills and median outlays lay between $100 and $150 for both the insured and uninsured; mean bills were $465 and $380 for the two groups, respectively, but mean outlays were $260 and $300.

[Percent]

Amount	Bills for medical services		Out-of-pocket expenditures for medical services	
	Insured	Not insured	Insured	Not insured
Total percent........	100	100	100	100
$1–200....................	61	65	67	69
201–750...................	26	25	28	25
751–999..	3	2	2	1
1,000 or more............	10	8	3	5
Median..................	$145	$115	$125	$100
Mean....................	465	380	260	300

As measured by the means for those reporting $1 or more, the insured as a total group reported larger bills than the uninsured, but they reported smaller outlays for medical services. The medians did not reflect the differences between the insured and uninsured in the amounts they reported for bills and for out-of-pocket payments. The differences in both bills and outlays occurred at the upper ends of the distributions. This distinction can be seen in the preceding tabulation that compares the distributions for insured and uninsured persons.

Lack of health insurance is one of several characteristics of people with unmet needs, and an association between size of bills and health insurance enrollment is therefore to be expected. Dependence on the part of those aged 58–63, as reflected in the reports of receipt of care through sources such as Medicaid, is described below. The association between health insurance enrollment and full-time employment was discussed earlier. Health insurance benefits can be expected to have played a part in the size of outlays as measured by the mean and in the fact that they were lower on the whole for the insured with outlays than for the uninsured.

The seeming incongruity of relating health insurance benefits to all persons as well as only to those who were insured is not inconsistent with the frame of reference of the health insurance industry. The industry sees itself, and is recognized, as serving the population at large. When spokesmen for the industry discuss the "consumers' health bill" and what portion of this bill is being covered by benefit payments, they do not confine themselves to insured consumers. The industry sets its goals in relation to the population at large and measures its achievements within the same comprehensive framework.

In 1967, at a national conference on private health insurance, it was stated that the amount of protection provided "should approach 80 percent (of the consumers' health bill) before the 1970's are very old."[23]

Four years later, at a symposium on health care that met during the annual meetings of a nationwide association of scientists, the following assessment was made: "It is now · widely agreed that adequate coverage has not been

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[22] See, for instance, Evelyn Peel and Jack Scharff, "Impact of Cost-Sharing on Use of Ambulatory Services Under Medicare, 1969," *Social Security Bulletin*, October 1973; Anne A. Scitovsky and Nelda M. Snyder, "Effect of Coinsurance on Use of Physician Services," *Social Security Bulletin*, June 1972; Charles E. Phelps and Joseph P. Newhouse, "Effect of Coinsurance: A Multivariate Analysis," *Social Security Bulletin*, June 1972, and Walter J. McNerney, *op. cit.*, pages 59–60.

[23] Walter J. McNerney, *op. cit.*, pages 57–58.

Benefit amount and amount as percent of bills [1]	All units		Men, spouse present		Men, no spouse present		Women, no spouse present	
	Total	Insured	Total	Insured	Total	Insured	Total	Insured
Number reporting on benefits (in thousands)	6,132	4,741	3,706	3,082	655	399	1,771	1,260
Percent with benefits of $1 or more	[2]16	20	[2]18	21	[2]12	18	[2]14	18
$1–50	4	5	4	5	3	5	4	6
51–100	2	2	3	3	2	2	2	2
101–200	2	3	2	3	1	2	2	2
201–300	1	1	1	1	1	1	1	1
301–500	2	2	2	2	1	2	1	2
501–999	2	3	2	3	1	2	2	2
1,000–1,999	2	2	2	2	2	2	1	2
2,000 or more	1	2	2	2	1	2	1	1
Median:								
Reporting $1 or more	$190	$185	$200	$200	$200	$200	$145	$145
Mean: [3]								
All reporting	$110	$135	$125	$145	$90	$140	$75	$105
Reporting $1 or more	670	670	700	690	775	790	560	570
Number reporting on bills and benefits (in thousands)	5,687	4,510	3,507	2,950	577	380	1,603	1,180
Amount as percent of bills [1]								
1 percent or more	[2]16	20	[2]18	21	[2]12	18	[2]14	18
1–4	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	1	1
5–9	1	1	1	1		1	1	1
10–24	2	3	2	3	2	2	2	3
25–49	4	5	5	6	2	3	3	5
50–74	5	6	5	6	4	6	3	4
75–99	3	4	4	4	3	5	3	3
100 or more	1	1	1	1	1	1	1	1

[1] Includes physician and hospital care, prescriptions, and miscellaneous services and supplies (nursing care, chiropractic, eyeglasses, etc), excludes dental and nonprescription drugs

[2] Includes a small group (less than 0 5 percent) who were not insured in 1969 but reported benefits for 1968.

[3] Computed from grouped data, $4,000 for open-end category based on unpublished tabulations

[4] 0 5 percent or less

achieved. Despite the industry's massive effort, only 37 percent of the consumers' health bill is met by private insurance." [24]

That statement could also apply to people nearing retirement age. In 1968, with a per capita bill of $355, the per capita benefit was $110 (table 10). Health insurance benefits, then, met about a third of the "medical care dollar" for preretirees. Only 16 percent, however, reported benefits. Ten percent reported benefits of $100 or more, and 5 percent reported more than $500. Substantial benefits for the few who reported such high amounts are reflected in the mean of $670.

In proportion to the bills they covered, benefits were substantial for some. Nine percent—or more than half of the 16 percent with benefits—reported that 50 percent or more of their bills were covered. Seven percent reported coverage of under 50 percent to 5 percent or less of their bills.

The limited distribution of health insurance benefits is not peculiar to those of preretirement age. Similar limitation in the population at large is partly documented in readily available publications of the health insurance industry.

In 1968, about 65 percent of all benefits paid out for hospital, surgical, and medical benefits for people under age 65 was paid to cover hospital expenses. [25] This proportion does not include the additional percentage of all benefits paid to cover surgical expenses, since these payments were only partially identifiable. In the same year, only 9 percent of the population under age 65 was hospitalized. [26] The 9 percent includes persons who were not insured or were otherwise not eligible for benefits as well as those who were. These proportions reflect, as for people aged 58–63, the emphasis of health insurance coverage on hospital-based care.

The receipt of benefits by relatively few may

[24] Philip Caper, M.D., in George K. Chacko, "Alternative Approaches to National Delivery of Health Care," *Proceedings of the Symposium on Health Care of the Operations Research Society of America* (at the 138th Annual Meeting of the American Association for the Advancement of Science, December 28, 1971, Philadelphia, Pennsylvania), 1972, pages 6–7.

[25] Health Insurance Industry of America, *1969 Source Book of Insurance Data*, pages 35 and 40

[26] National Center for Health Statistics, *Persons Hospitalized by Number of Hospital Episodes and Days in a Year, United States, 1968*, Series 10, No. 64, 1971, table 2.

also be partly due to lack of knowledge about the benefits that are available.[27]

Receipt of Care Through Outside Sources

Out-of-pocket expenditures were the major source of payment for medical services, in terms of the amounts reported, as well as the proportions who reported the expenditures. The reporting of no outlays, however, was not entirely an indicator of no receipt of care. In proportions varying with marital status and health insurance enrollment, the total of 25 percent with no outlays for medical services was divided about equally between those who received no care and those who received care without having paid for the care out of pocket. Seventeen percent of all men and nonmarried women aged 58–63 received some or all of their medical care in 1968 through sources such as welfare programs, veterans' benefits, etc. (table 11). Estimates of the monetary value of care received through outside sources were not requested of respondents.

Certain of these "outside" sources, especially relatives and welfare programs, imply dependence. The Veterans Administration as a source does not necessarily imply dependence, and an outside source that is actually contraindicative of dependence is the employer—when, for example, he provides routine checkups or emergency-clinic care at work.

[27] See Edward B. Perrin, statement in *Hearings Before the Subcommittee on Public Health and Environment of the Committee on Interstate and Foreign Commerce, House of Representatives, Ninety-Third Congress,* 1st and 2d sessions on National Insurance and Health Care (Serial No. 93-69), 1974, pages 336, 339-40.

With medical care as with other needs, dependence varies according to marital status, and differences are discernible even in the relatively small group of respondents who reported any outside source for medical care. Proportionately, four times as many nonmarried persons as married persons reported welfare payments as a source of any of their medical care. Similarly, the Veterans Administration was reported as a source by 3 percent of the nonmarried men but by virtually none of the nonmarried women, and relatives provided medical services for 6 percent of the women, compared with 1 percent of the nonmarried men.

Since lack of health insurance is one of many characteristics of people who are dependent, it can be expected that health insurance enrollment would mark pronounced differences in the reporting of sources that imply dependence. Where welfare was reported as a source by 8 percent of the nonmarried men and women, compared with 2 percent of the married men, it was reported by 17 percent of those who were uninsured but only 1 percent of the insured. Overall, uninsured persons relied partly or completely on outside sources two to three times as frequently as insured persons did.

The one outside source that implied independence rather than dependence—employer/union—was reported more frequently by the insured than by the uninsured (5 percent and 2 percent, respectively). If those who received some care through their employer are not included, the implications of dependence among the uninsured are reinforced: 30 percent of the uninsured, compared with 7 percent of the insured, reported

TABLE 11.—Outside sources of payment for medical services in 1968: Percent of persons aged 58–63, by health insurance enrollment status, sex, and marital status, 1969

Source of payment [1]	All units			Men, spouse present			Men, no spouse present			Women, no spouse present		
	Total	In-sured	Not in-sured	Total	In-sured	Not in-sured	Total	In-sured	Not in-sured	Total	In-sured	Not in-sured
Number reporting on outside sources	5,706	4,392	1,314	3,468	2,880	588	600	369	231	1,638	1,143	495
Percent with outside sources	17	12	32	14	11	24	22	12	37	22	14	42
Employer or union	5	5	2	5	6	2	4	6	1	3	4	2
Welfare (Medicaid)[3]	4	1	17	2	(2)	10	9	1	21	8	2	23
Veterans Administration	1	1	3	1	(2)	4	3	1	6	(2)	(2)	1
Relatives	2	1	4	1	(2)	1	1	1	2	6	4	10
Other[4]	5	4	6	5	4	7	5	3	7	5	4	6

[1] Includes physician and hospital care, prescriptions, and miscellaneous services and supplies (nursing care, chiropractic, eyeglasses, etc), excludes dental care and nonprescription drugs
[2] 0.5 percent or less.

[3] Includes persons reporting welfare as a source in combination with other outside sources (less than 0 5 percent)
[4] Includes persons reporting combinations of sources, excluding welfare (0.6 percent).

medical services through all outside sources except employer or union.

Health Insurance Premiums

Health insurance rates and terms of coverage vary widely. Examples can be cited only as tentative indicators that health insurance premiums could take up measurable portions of the health care outlays, when out-of-pocket expenditures and premiums are both included in arriving at total health care expenditures.

Because of the variety of patterns of payment for health insurance, differences in the range of services covered, and the added cost of coverage for dependents, the amounts paid for insurance tell little about the coverage provided. The amounts reported, nevertheless, appear to reflect the fact that premiums for family coverage typically ran higher than premiums for one person only.

In this study, the amount reported as a premium is the amount paid out of pocket by the insured person or deducted from a pay check as the employee's share. Note was taken as to whether dependents were covered, but the premium was not prorated among those covered. The reported amount is what the cost was to the person aged 58–63 who was paying the premium.

As measured by medians for all men and for nonmarried women, health insurance premiums amounted to about the same as out-of-pocket expenditures for medical services—$75 and $70, respectively, for all reporting. The per capita figure for premiums was $120, compared with $200 for medical expenditures.

Two-fifths of all men and nonmarried women aged 58–63 had no premium expense either because they were not insured or because their premium was paid entirely by an employer or union. Of those who were insured, about one-fifth had a policy that was paid for by an employer or union. (Additional numbers had such policies but reported expenses for additional coverage.)

The married men's insurance was of about the same type, on the average, as that of nonmarried men. The outlays for premiums reported by married men were, however, higher than those for the nonmarried—either men or women. For insured persons reporting $1 or more, the median and mean were $195 and $235 for married men; $125 and $165 for nonmarried men; and $155 and $140 for nonmarried women.

TOTAL HEALTH CARE EXPENDITURES IN RELATION TO INCOME

For insured persons who paid part or all of the cost of their health insurance, total health care expenditures comprise premiums and out-of-pocket expenditures for medical services. With premiums included, outlays for the insured are considerably larger than those for the uninsured, and the differences are reflected in the medians as well as the means, whether or not those with no outlays are included. For the uninsured, total health care expenditures are the same as out-of-pocket expenditures for medical services. As derived from table 9, total health care outlays (reported out-of-pocket expenditures for medical services and amounts of premiums reported) included the following combinations of expenditure:

Sex, marital status, and enrollment status	Percentage distribution by type of expenditure				
	Total	None	Medical service, no premium	Premium, no medical service	Premium and medical service
All units_____	100	¹ 13	¹ 27	12	48
Men, spouse present					
Insured_____	100	¹ 6	¹ 17	14	63
Not insured_____	100	31	69	....	....
Men, no spouse present					
Insured_____	100	¹ 10	¹ 21	18	51
Not insured_____	100	55	45	....	....
Women, no spouse present					
Insured_____	100	¹ 4	¹ 12	16	68
Not insured_____	100	46	54	....	....

¹ Includes persons for whom employer or union paid total cost of premium.

Among the insured men and nonmarried women, 20–28 percent had no out-of-pocket expenditures for medical services. With premiums included to make up total health care expenditures, the proportions of insured persons with no health care outlays were 6 percent of the married men, 10 percent of the nonmarried men, and 4 percent of the nonmarried women.

The allowance of tax deductions for medical outlays above given proportions of income indicates a general recognition that medical expenses, however essential, can reach a point where relief

of one kind or another is called for. For persons under age 65, with low to moderate income, medical expenditures greater than 10 percent of total income have been considered as approaching a range that justifies such descriptions as "excessive" and even "catastrophic."[28]

Half the respondents spent less than 3 percent of their income on total health care outlays (table 12). Since 3 percent of income is the approximate "breaking point" above which tax deductions are allowed for medical expenses, 10 percent of income seems a conservative estimate of the point at which outlays for health care would loom uncomfortably large. Individuals with health insurance might have anticipated that they would be less likely to have excessive expenditures than if they were not insured. The two groups differed but not in this respect. Uninsured respondents were more likely to have no outlays, and insured respondents were more likely to have total health expenditures that ranged from less than 1 percent up to 10 percent of their income (chart 2). At the 10-percent-of-income level and into the ranges where expenditures could be oppressive, the insured and uninsured fared alike.

Eighteen percent of the insured respondents and 17 percent of the uninsured respondents reported health care expenses that amounted to 10 percent or more of their total income. Similarly, among those reporting medical outlays equaling 15 percent of their income, there was virtually no difference between the insured and the uninsured: 11 percent of the former and 12 percent of the latter reported such outlays.

Women, on the whole, spent more in relation to their income than did men to pay for medical care and health insurance. In addition, for women, although not for either group of men, health insurance enrollment marked a clear-cut difference in the proportion with excessive expenditures: nearly twice as many insured women as uninsured women (33 percent to 19 percent) spent a tenth or more of their income for health care. This unfavorable report by insured women may be a reflection of their health insurance coverage—described earlier as more limited, on the whole, than that of men.

[28] See Murray A. Tucker, "Effect of Heavy Medical Expenditures on Low Income Families," *Public Health Reports*, May 1970, pages 419–425.

CHART 2.—Comparison of insured and uninsured in percent of income used for medical care and health insurance: Persons aged 58–63
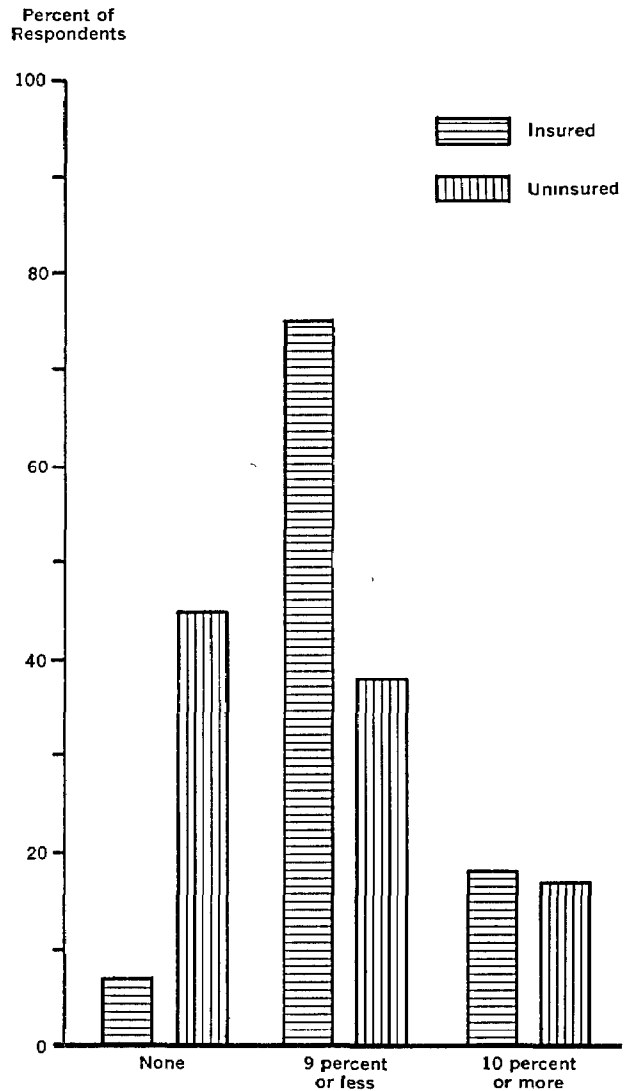
Some direct outlays were less because of health insurance benefits, and the uninsured reported receiving medical care through welfare programs about as frequently as the insured reported receipt of health insurance benefits.[29] Nevertheless, for relatively large numbers of respondents, health care had cost a high proportion of their

[29] Medicaid is cited as the alternative to hospital insurance for families in such adverse circumstances as to be uninsured. See, for example, Jean C. Brackett, *op. cit.*, page 6, concerning adjusted costs in the event of unemployment.

TABLE 12 —Health care expenditures [1] as percent of income, 1968: Percentage distribution of persons aged 58–63, by health insurance enrollment status, sex, and marital status, 1969

Expenditures as percent of income	All units			Men, spouse present [2]			Men, no spouse present			Women, no spouse present		
	Total	Insured	Not insured	Total	Insured	Not insured	Total	Insured	Not insured	Total	Insured	Not insured
Number reporting on expenditures and income...	4,739	3,602	1,137	2,839	2,328	511	535	322	213	1,365	952	413
Total percent	100	100	100	100	100	100	100	100	100	100	100	100
None	16	7	45	12	7	36	29	11	58	18	4	51
Less than 1	11	11	11	14	14	16	11	12	9	5	5	6
1–2	19	22	11	23	24	15	17	24	5	13	14	9
3–4	17	21	6	19	22	11	15	21	7	15	19	5
5–9	19	21	10	19	20	8	12	15	7	20	25	10
10–14	7	7	5	6	6	5	6	6	5	9	11	5
15–20	4	4	3	3	3	2	3	4	3	6	7	3
21–33	3	3	4	2	2	4	3	3	2	6	6	4
34–49	2	2	2	1	1	1	2	2	2	3	3	3
50 or more	2	2	3	1	1	2	2	2	2	5	6	4

[1] Includes health insurance premiums, physician and hospital care, prescriptions, and miscellaneous services and supplies (nursing care, chiropractic, eyeglasses, etc), excludes dental care and nonprescription drugs.
[2] Represents income of respondent and spouse

total income. In the proportion of income taken up by health care expenditures, some of the insured fared no better than the uninsured and some not as well.

SUMMARY

Health insurance was considered an important element in the financing of health care by persons aged 58–63 in 1969. The insured outnumbered the uninsured by more than 3 to 1, and additional numbers anticipated being insured at age 65. Eighty-eight percent of the full-time workers and 58 percent of all others were insured. Employers or unions paid part or all of the premiums for just over half the insured respondents. The coverage provided by policies with an employer or union contribution was broader, on the average, than the coverage reported by those whose policies were not work-connected. Nearly twice as many were insured for inhospital as for out-of-hospital care.

Total health expenditures comprise two major components: health insurance premiums and out-of-pocket payments for medical services (excluding only dental care and nonprescription drugs). The median for total health care expenditures was $195 for all persons. Seventy-eight percent had health insurance, with a median annual premium for all persons of $75. Seventy-five percent reported out-of-pocket payments for medical services, with a median for all persons of $70.

Premiums were partly responsible for the higher health care outlays and higher incidence of outlay on the part of the insured. Health insurance enrollment also marked other differences between the insured and the uninsured: The latter were twice as likely to have received no care in 1968 and twice as likely to have received care through sources that involved no out-of-pocket payments on their part.

Nearly 90 percent of all men and nonmarried women of preretirement age received medical services in 1968; 75 percent made direct payment for all or part of their care; 16 percent reported partial or complete payment of bills by health insurance benefits. As many respondents (17 percent) received all or part of their care from such sources as welfare agencies, the Veterans Administration, or a dispensary at their place of work.

A sizable number of people of preretirement age had total health care expenditures (premiums and out-of-pocket payments for medical services) that amounted to more than moderate proportions of their income. Close to a fifth had expenditures of 10 percent or more of their income, with no difference between the insured and uninsured at this level. Efforts of preretirees to prepare for a self-sufficient retirement are not enhanced by outlays of such magnitude, and avoidance of such outlays may unfortunately lead to failure to seek out the medical attention that would assure their well-being in the years ahead.

Technical Note[*]

This report is based on first-year data, collected in 1969 as the baseline for a 10-year longitudinal study conducted by the Social Security Administration to study the retirement attitudes, plans, resources, and activities of older Americans. The study, composed of individuals in three initial age cohorts, those aged 58–59, 60–61, and 62–63, focuses on three groups for whom retirement is meaningful: (1) married men, wife present, (2) nonmarried men, and (3) nonmarried women. Persons in institutions were excluded.

The sampling frame selected for the Retirement History Study (RHS) was that used by the U.S. Bureau of the Census for the Current Population Survey (CPS).[1] Sample members were persons meeting the age-sex-marital status requirements described above and living in households that had last participated in CPS before February 1969. In any month the CPS panel consists of eight groups of households selected up to 18 months previously. The "oldest" of these rotation groups is dropped and replaced by a new one each month. In order to get a sample size for RHS of approximately 13,000 persons, 19 of those "discontinued" groups were used.

Information was gathered from sample members by interviewers of the Bureau of the Census. The interview schedule contained six sections: (1) labor-force history, (2) retirement and retirement plans, (3) health, (4) household, family, and social activities, (5) income, assets, and debts, and (6) spouse's labor-force history.

Noninterviews

A total of 12,549 persons from the CPS sampling frame met the RHS criteria of age, sex, and marital status. Of these, 11,153 furnished complete schedules, giving a response rate of 89 percent. The reasons for noninterviews are given in table I.

[1] Bureau of the Census, *The Current Population Survey—A Report on Methodology*, Technical Paper No. 7, 1963.

TABLE I.—Number of noninterviews, by reason

Reason	Number
Total	1,396
Refusals	717
Deceased	255
Unable to contact	237
Temporarily absent	45
Institutionalized	45
Other [1]	39
Lost in mail	27
Partial interviews [2]	26
Duplicate cases	5

[1] Includes those who were mentally unable to answer the questions, those out of the country for a long visit, etc
[2] Less than two-thirds of the interview schedule completed.

Estimation

Estimates of population numbers were made by weighting the individual sample members by appropriate weights outlined by the Bureau of the Census for the CPS. Since the weighting procedures used for the estimation assume a response rate of 100 percent, an adjustment to the weights was necessary to account for noninterviews. The sample members were divided into categories of race, sex-marital status, age cohort, and region of the country. Then by the application of a category-specific adjustment, the respondents were weighted to represent not only themselves but also the nonrespondents in their category.

After all weighting and adjustment the average weight for a sample member was 612.7. Thus 11,153 respondents represent 6,834,000 persons in the population who in the spring of 1969 had the age and sex-marital status characteristics outlined for RHS.[2]

Sampling Variability

Since the population estimates given in this report are based on the response of individuals in a sample, they will differ from the values that would have been obtained in a complete census. A measure of this sampling variability of an estimate is given by the standard error of the estimate. Generally speaking, the chances are about 68 out of 100 that an estimate will differ from the value given by a complete census by less than

[2] Forty-eight women who were not married at the time of their selection into the sample were married at the time of their first interview. Their interviews were excluded from the 1969 tabulations, but their retention as sample members brings the total to 11,153.

TABLE II.—Approximations of standard errors of estimated totals

[In thousands]

Level of estimate	Standard error
50	6
100	8
150	10
200	11
250	13
300	14
400	16
500	18
600	20
700	22
800	23
900	24
1,000	26
2,000	36
2,500	40
3,000	44
4,000	51
5,000	56
6,000	61
7,000	65

one standard error. The chances are about 95 out of 100 that the difference will be less than twice the standard error.

Table II gives approximate standard errors for the total number of individuals estimated from the sample to have certain characteristics. Table III gives approximate standard errors for estimated percentages. Linear interpolation may be used to obtain values not specifically given. In order to derive standard errors that are applicable to a wide variety of items, a number of assumptions and approximations were required. As a result the tables of standard errors provide an indication of the order of magnitude rather than the precise standard error for any specific item.

Suppose, for example, it is estimated that 52 percent of 400,000 men have a certain characteristic. Interpolation in table III gives an estimate of the standard error to be 2.2 percent. Thus with 95-percent confidence the percentage of men in the population with this characteristic lies between 47.6 and 56.4.

In order to make a rough determination of the statistical significance of the difference between two independent percentages, the following procedure may be used. Find estimates of the standard errors of the percents in question, using table III. Square these standard errors to get variances and add the variances. Take the square root of this sum to get the standard error of the difference. If the absolute difference between the two percentages in question is greater than twice the standard error of the difference, they are said to be significantly different from one another at the 5-percent level.

Confidence intervals for estimated percentiles.—The percentiles of a distribution are values of the variable under discussion below which a stated percentage of units of the population lies. In particular, the 50th percentile is known as the median, and the 25th, 50th, and 75th percentiles are known as quartiles of the distribution. Estimates of these population values are subject to sampling variability that may be estimated in the following way and used to calculate confidence

TABLE III.—Approximations of standard errors of estimated percentages

Base of percentages (in thousands)	Percent									
	2 0 or 98.0	5 0 or 95 0	8 0 or 92 0	10.0 or 90 0	15.0 or 85 0	20 0 or 80 0	25 0 or 75 0	30 0 or 70.0	40.0 or 60.0	50 0
50	1.7	2 6	3 3	3.6	4 3	4 8	5 2	5 5	5 9	6 0
100	1 2	1 8	2 3	2.6	3 3	3 4	3 7	3.9	4 2	4.2
150	1 0	1.5	1.9	2.1	2.5	2 8	3 0	3.2	3.3	3.5
200	.8	1 3	1 6	1.8	2 1	2 4	2.6	2 8	2 9	3.0
250	.8	1.2	1.5	1.6	1.9	2 2	2.3	2.5	2.6	2.7
300	.7	1 1	1.3	1.5	1 8	2.0	2 1	2.2	2.4	2.4
400	.6	1.0	1.2	1.3	1.5	1.7	1 8	1.9	2.1	2.2
500	.5	.8	1.0	1.1	1 4	1.5	1.6	1.7	1.8	1.9
600	.5	.8	.9	1 0	1 2	1.4	1 5	1.6	1.7	1.7
700	.4	.7	.9	1.0	1.1	1.3	1.4	1.5	1.6	1.6
800	.4	.7	.8	.9	1.1	1 2	1.3	1.4	1.5	1.5
900	.4	.6	.9	.8	1.0	1 1	1.2	1 3	1.4	1.4
1,000	.4	.6	.7	.8	1 0	1 1	1.2	1.2	1.3	1.3
2,000	.3	.4	.5	.6	.7	.8	.8	.9	.9	.9
2,500	.2	.4	.5	.5	.6	.7	.7	.8	.8	.8
3,000	.2	.3	.4	.5	.6	.6	.7	.7	.8	.8
4,000	.2	.3	.4	.4	.5	.5	.6	.6	.6	.7
5,000	.2	.3	.3	.4	.4	.5	.5	.5	.6	.6
6,000	.2	.2	.3	.3	.4	.4	.5	.5	.5	.5
7,000	.1	.2	.3	.3	.4	.4	.4	.5	.5	.5

intervals for the specific percentiles in question:

(1) Using the appropriate base, determine from table III the standard error of the percent in question—for example, the standard error of a 50-percent characteristic.

(2) For 95-percent confidence limits, add to and subtract from the desired percent twice the standard error found in step 1.

(3) On the cumulated distribution of the variable in question, find by linear interpolation the values that correspond to the limits in step 2. These values are the 95-percent confidence limits for the percentile under discussion.

If the cumulative distribution of all units (including those with zero or negative amounts of the variable in question) is given, and percentiles and confidence limits of the distribution of units with nonzero amounts are desired, the zero and negative units must be excluded and the percentage distribution recalculated to include only those with "some" of the characteristic that is involved.

For this study, sample estimates of percentiles are calculated from grouped data and therefore are not unique. The estimates obtained depend on the size of interval used and on whether the frequency or the percentage distribution was used.

Estimated means from grouped data.—An estimate of the mean of a distribution can be made from grouped data using the formula:

$$\bar{x} = \sum_{i=1}^{c} p_i \, x_i$$

where x_i is the midpoint of the ith class or category, $i = 1, 2, \ldots, c$, and p_i is the percentage of cases in the ith class. If the uppermost category is open-ended, some reasonable value must be selected as the "midpoint" of that interval.

Sampling variability of estimated means.—An approximation to the standard error of an estimated mean can be calculated from the distribution from which it was obtained by the following formula:

$$s_{\bar{x}} = 27 \sqrt{\frac{\sum_{i=1}^{c} p_i \, x_i^2}{N} - \frac{\bar{x}^2}{N}}$$

where $p_{\bar{x}}$ is the standard error of the estimated mean; p_i is the percentage of total cases in the ith class; N is the weighted total number of cases; x_i is the midpoint of the ith class; and $\bar{x}$ is the estimated mean. The value 27 is specific to the RHS and includes the sampling interval and design effect of the survey.