EBRI issue brief
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Public Opinion on Health, Retirement, and Other Employee Benefits

- **Employee benefits central to job choice**—93 percent of survey respondents say the benefits offered by a prospective employer were either very important or somewhat important when deciding to accept or reject a job.

- **Quality of health care highly rated**—Americans' rating of the quality of health care they receive has remained high over the last three years. In 1992, among respondents who indicated they had received care from a doctor or hospital in the last year (88 percent), 83 percent rated the quality of that care as either excellent or good. In contrast, 27 percent of all respondents rated the U.S. health care *system* as excellent or good.

- **Equality in health care favored**—Seventy-seven percent of Americans believe everyone should receive the same amount and quality of health care, whether or not they can pay for that care. Eighty-six percent either disagree or strongly disagree that it would be acceptable to reduce the amount of health care available to the elderly in order to slow the rise in health care costs and increase access to health care for all Americans.

- **Choice of savings vehicle may affect retirement**—Fifty-one percent of survey respondents indicated having retirement savings in personal savings, compared with 33 percent with savings in an individual retirement account (IRA), and 20 percent with savings in a 401(k). The emphasis on the use of personal savings indicates that many Americans may not be taking full advantage of tax-advantaged savings plans.

- **Security in investments sought**—Seventy percent of workers said they were more inclined to choose low-risk/low-return investments. This preference for less risky and lower return investments may be of some concern, as it may lead to lower standards of living in retirement.

- **Family leave favored**—Three out of four Americans (76 percent) indicated that employers should be required to provide an unpaid leave of absence to employees upon the birth or adoption of a child, with guaranteed reemployment.

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◆ Introduction

Employee benefit programs promote economic security by insuring against uncertain events and by providing services that raise living standards. During working years, benefits protect individuals from loss of family income because of ill health, disability, unemployment, and premature death. During retirement, they protect individuals from poverty and low income and help assure that individuals have access to vital medical care that typically becomes more necessary, and more expensive, as a person ages. However, employee benefit programs are not limited to retirement income security and health insurance. Specialized benefit programs can provide access to a wide range of services such as education and training, maternity or paternity leave, child care, long-term care, and education or legal assistance.

As part of its continuing mission to advance public knowledge about employee benefits, the Employee Benefit Research Institute (EBRI), in conjunction with The Gallup Organization, Inc., conducts a series of national public opinion surveys to assess public opinion on a variety of these employee benefit issues.

This *Issue Brief* analyzes the results of these monthly public opinion surveys to examine Americans' changing attitudes toward employee benefits and the importance of public opinion in shaping policymakers' and industry's perspectives and, therefore, the future of America's benefit systems. Data are predominantly drawn from surveys conducted by EBRI and The Gallup Organization, Inc. Topics discussed include survey limitations and interpretation; the value individuals place on employee benefits and benefit tradeoffs; health care benefits; retirement benefits, including employer-sponsored pensions, Social Security, and Medicare;[1] long-term care; family supportive benefits; and flexible benefit plans. The *Issue Brief* concludes by examining the political environment surrounding employee benefits.

◆ Survey Limitations and Interpretation

Surveys of public opinion can be extremely accurate. However, if not carefully constructed, conducted, and utilized, they can be misleading and misrepresent what they set out to document. **A survey's accuracy depends on numerous factors, including the way a question is framed, the order in which questions are asked, how much information is given with survey questions, the respondent's understanding and stability of opinion regarding the issue being queried, the number of individuals surveyed, and the nature of the respondent selection process.**

The way in which a question is asked may influence survey results by leading the respondent to answer in a particular way. Responses may also be affected when additional details are given or the consequences of a specific opinion are stressed (Yankelovich, 1991). For example, an EBRI/Gallup survey released in 1991[2] includes the following question: *"Health insurance costs average $2,000 per individual per year. If you had no other health insurance, would you be willing to spend this amount to purchase health insurance?"* Fifty percent of respondents indicated they would be willing to pay this amount (EBRI/Gallup Survey, no. G-18). In an analogous survey, also conducted in 1991, individuals were asked a similar question but were given no additional information: *"What is the most you would be willing to pay annually for your own health insurance, assuming you had no other coverage?"* The average dollar amount respondents indicated they would be willing to pay in response to this question was $1,297; 61 percent of respondents indicated an amount less than $2,000 (EBRI/Gallup Survey, no. G-26). Although responses to both of these

[1]While Medicare is actually a program within the Social Security system, for the purposes of this discussion, these programs are discussed separately.

[2]EBRI/Gallup survey dates in this report refer to publication release dates. EBRI/Gallup surveys are generally released within two months of being conducted.

questions are valid, comparing these results would likely lead to inaccurate conclusions.

Respondents' understanding and solidity of opinion regarding an issue also can affect survey results. The more stable a person's opinion, the less likely the individual is to vacillate as questions are rephrased. Yankelovich, in his book *Coming to Public Judgment*, states that "the public gives stable answers to questions on many issues about which they have made up their minds, even though the question wording may vary considerably from survey to survey. Volatility does not stem from changes in questions' wording; it pops up when people have not yet made up their minds" (Yankelovich, 1991).

Many Americans (and policymakers) find the issue of health care reform confusing. Because many recent surveys have been conducted on this topic, it serves as an excellent example of survey volatility and the difficulty of pinpointing public opinion on an issue as difficult and confusing as the future of the United States health care system. For example, in a September 1992 EBRI/Gallup survey, 60 percent of respondents indicated that employers should be required to provide a health benefits package at no charge to their employees. Yet, in the same survey, 63 percent of respondents indicated that the federal government should provide health insurance to all Americans (EBRI/Gallup Survey, no. G-37). Do the majority of Americans think the providers of health benefits should be employers or the federal government, or both? (For further information regarding this topic, see the section entitled *Health Care Reform* on page 12.)

The process used to select respondents for the survey may also influence survey results. Researchers use a variety of techniques to ensure that the sample of individuals surveyed accurately represents the population being studied. Two of the most important techniques include randomization and sample size. Random selection ensures that everyone in the population in question has an equal chance of being chosen to participate in the survey. Selecting a large enough number of individuals to be surveyed allows study findings to be generalized to the population as a whole with a higher degree of certainty. Unless otherwise indicated, surveys discussed in this *Issue Brief* are stratified[3] random sample telephone surveys of 1,000 individuals. These surveys have a maximum expected error range of plus or minus 3.1 percent.

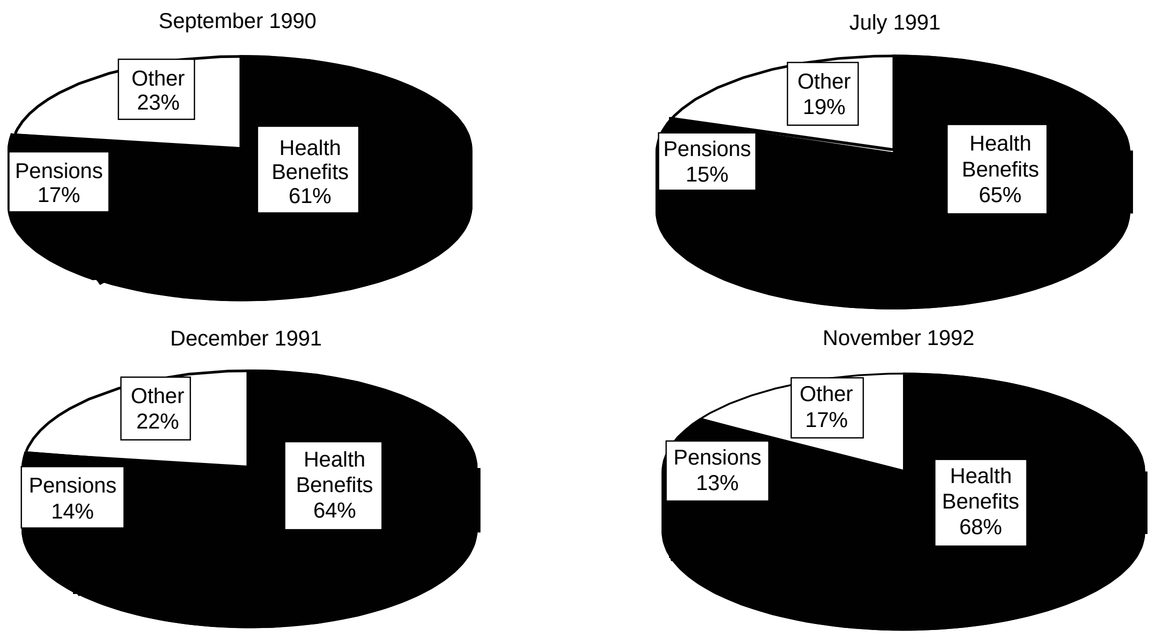
When public opinion surveys are done well and interpreted carefully, they can be an accurate measure of public opinion—far more accurate "than letters to Congress, the intuitive hunches of politicians, the claims of lobbyists about what public opinion is, or the sidewalk interviews conducted by TV newspeople" (Yankelovich, 1991).

◆ The Value of Benefits and Benefit Tradeoffs

Americans place high value on employer-sponsored benefits. In a November 1992 EBRI/Gallup survey, 93 percent of those surveyed indicated that the benefits offered by a prospective employer were either very important (75 percent) or somewhat important (18 percent) when deciding to accept or reject a job (EBRI/Gallup Survey, no. G-40). Similarly, in an EBRI/Gallup survey released one year earlier, in December 1991, 93 percent of respondents said employee benefits were either very important (74 percent) or somewhat important (19 percent) in making an employment decision (EBRI/ Gallup Survey, no. G-28). This compares with 90 percent of respondents to a July 1991 EBRI/Gallup survey indicating that employee benefits were either very important (70 percent) or somewhat important (20 percent) and with 94 percent of respondents to a September 1990 survey indicating that employee benefits were either very important (57 percent), important (27 percent), or somewhat important (10 percent) in making an employment

[3]In a stratified random sample, separate samples are randomly drawn from appropriate categories (e.g., race, gender, or age) within the population as a whole to ensure proper representation.

Chart 1
Which of the following employee benefits is the most important to you?



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on the Value of Benefits*, EBRI Report no. G-12 (Washington, DC: Employee Benefit Research Institute, September 1990); *Public Attitudes on the Value of Benefits, 1991*, EBRI Report no. G-23 (Washington, DC: Employee Benefit Research Institute, July 1991); *Public Attitudes on Benefit Trade Offs, 1991*, EBRI Report no. G-28 (Washington, DC: Employee Benefit Research Institute, December 1991); *Public Attitudes on the Value of Benefits, 1992,* EBRI Report no. G-40 (Washington, DC: Employee Benefit Research Institute, November 1992).

decision (EBRI/Gallup Surveys, no. G-12 and no. G-23). Furthermore, when given a choice between two identical jobs—only one of which offered benefits—Americans indicated in 1990, 1991, and 1992 EBRI/Gallup surveys that they would require a median amount of approximately $10,000 in additional annual pay to accept the job without benefits (EBRI/Gallup Surveys, no. G-12, no. G-23, and no. G-40).

Survey data indicate that health benefits are most important to workers and their families, followed by pensions. When asked which employee benefit is most important from a given list of benefits, 68 percent of respondents to a November 1992 EBRI/Gallup survey chose health benefits, followed by pensions (13 percent), life insurance (4 percent), long-term care insurance (3 percent), annual leave (2 percent), a savings plan (2 percent), child care (2 percent), and disability insurance (2 percent) (EBRI/Gallup Survey, no. G-40). In a similar EBRI/Gallup survey released in December 1991, 64 percent of respondents indicated that health benefits were most important to them, followed by pensions (14 percent) (EBRI/Gallup Survey, no. G-28). This compares with 65 percent and 61 percent of respondents indicating health care benefits as most important in July 1991 and September 1990, respectively, and 15 percent and 17 percent indicating pensions as most important in the same surveys (EBRI/Gallup Surveys, no. G-13 and no. G-23) (chart 1).

The Value of Health Benefits

In trying to measure the monetary value Americans place on their health insurance, EBRI/Gallup surveys conducted in 1990 and 1991 asked respondents to report the most amount of money they would be willing to pay annually for their own health insurance, assuming they had no other coverage. The median amount respondents said they would be willing to pay annually remained approximately the same in the two surveys—$1,000 in 1991, compared with $997 in 1990 (EBRI/Gallup Surveys, no. G-13 and no. G-26).

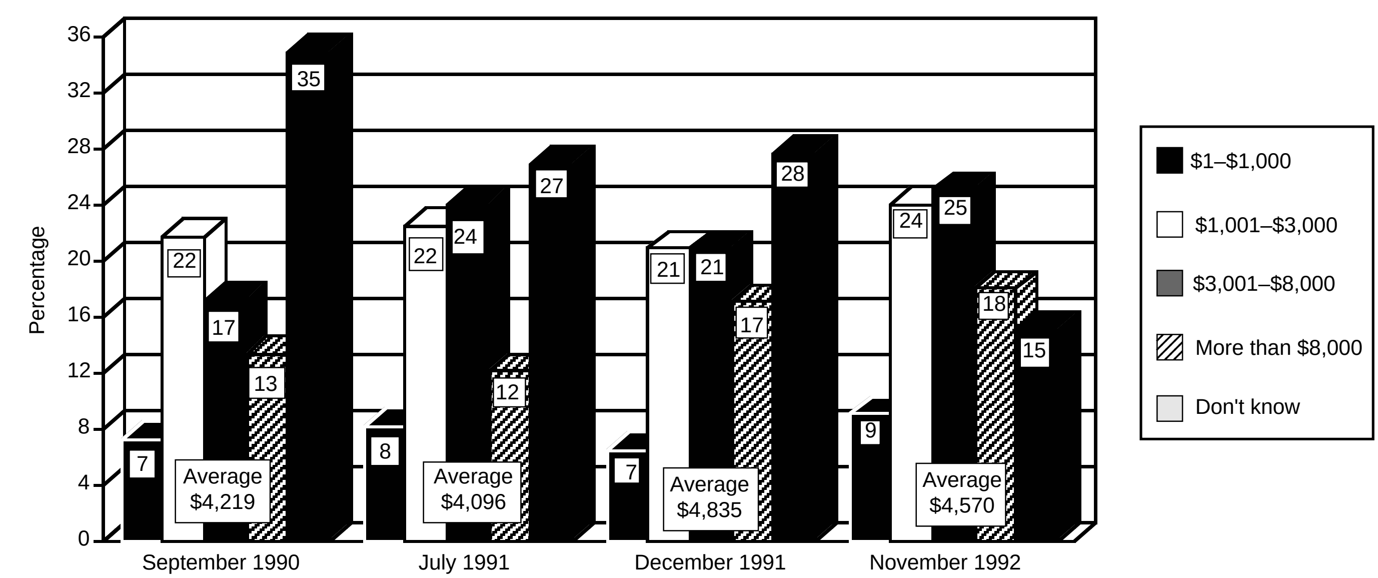
In a June 1990 EBRI/Gallup survey, when given a choice between $2,500 in employer-provided health insurance and an additional $2,500 in salary, more than three-fourths of respondents (78 percent) chose employer-provided health insurance (EBRI/Gallup Survey, no. G-13).[4]

Furthermore, **respondents with employer-provided health coverage (ranging from 68 percent to 72 percent between 1990 and 1992) were asked how much their or their family member's employer would have to give them annually to make them willing to give up their health benefits. November 1992 EBRI/Gallup survey respondents reported an average amount of $4,570, compared with $4,835 in December 1991, $4,096 in July 1991, and $4,219 in September 1990** (EBRI/Gallup Surveys, no. G-12,

[4]The difference in amounts indicated (a median amount of $1,000 versus 78 percent of respondents indicating a willingness to pay $2,500 for health insurance in response to a separate question) may be a result of the way in which the questions were asked. Some of the difference in amounts indicated may also be a result of many respondents' awareness of the benefits of receiving nontaxable health insurance through an employer. These Americans may be willing to allocate more than the $1,000 previously indicated annually for these benefits if the insurance is offered through an employer.

Chart 2

Of those with employer-provided health coverage: how much more money would you or your family member's employer have to give you each year to make you willing to give up your employer-provided health benefits?



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on the Value of Benefits*, EBRI Report no. G-12 (Washington, DC: Employee Benefit Research Institute, September 1990); *Public Attitudes on the Value of Benefits, 1991*, EBRI Report no. G-23 (Washington, DC: Employee Benefit Research Institute, July 1991); *Public Attitudes on Benefit Trade Offs, 1991*, EBRI Report no. G-28 (Washington, DC: Employee Benefit Research Institute, December 1991); *Public Attitudes on the Value of Benefits, 1992,* EBRI Report no. G-40 (Washington, DC: Employee Benefit Research Institute, November 1992).

no. G-23, no. G-28, and no. G-40). Eighteen percent of respondents to the November 1992 survey indicated they would require more than $8,000, compared with 17 percent in December 1991, 12 percent in July 1991, and 13 percent in September 1990. Fifteen percent of respondents to the November 1992 survey indicated they did not know how much more money they would need, down from 28 percent in December 1991, 27 percent in July 1991, and 35 percent in September 1990 (EBRI/Gallup Surveys, no. G-12, no. G-23, no. G-28, and no. G-40) (chart 2).

The Value of Pension Benefits

Americans' attitudes regarding pension benefits remained relatively stable between 1990 and 1992. **EBRI/Gallup survey respondents with an employer-sponsored pension plan (ranging from 50 percent to 53 percent between 1990 and 1992) were asked how much more money their employer would have to give them annually in order for them to give up their employer-sponsored pension plan. Respondents to the November 1992 survey reported an average amount of $5,412, compared with $5,543 in December 1991, $5,312 in July 1991, and $5,361 in September 1990** (EBRI/Gallup Surveys, no. G-12, no. G-23, no. G-28, and no. G-40). Twenty-nine percent of respondents to the November 1992 survey indicated they would require $8,000 or more, compared with 24 percent in December 1991, 24 percent in July 1991, and 23 percent in September 1990. Seventeen percent of respondents to the November 1992 survey indicated they did not know how much more money they would require, compared with 30 percent in December 1991, 27 percent in July 1991, and 31 percent in September 1990 (EBRI/Gallup Surveys, no. G-12, no. G-23, no. G-28, and no. G-40).

Benefit Tradeoffs

While Americans indicated it would take more money to make them willing to give up their employer-provided pension benefits than to give up their health benefits, in response to a December 1991 EBRI/Gallup survey, more Americans indicated a willingness to accept a reduction in pension benefits for increased health benefits (60 percent). Only 36 percent of Americans indicated a willingness to accept a reduction in health benefits for increased pension benefits (EBRI/Gallup Survey, no. G-28) (chart 3).

These responses suggest that most American workers are aware of the high cost and precarious nature of health insurance and want to have the best possible health insurance coverage from their employers. In light of this attitude, and with limited benefit dollars, we may find more employers putting increased resources into health benefits and reducing spending on other employee benefits.

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Sixty percent of Americans indicated a willingness to accept a reduction in pension benefits for increased health benefits.

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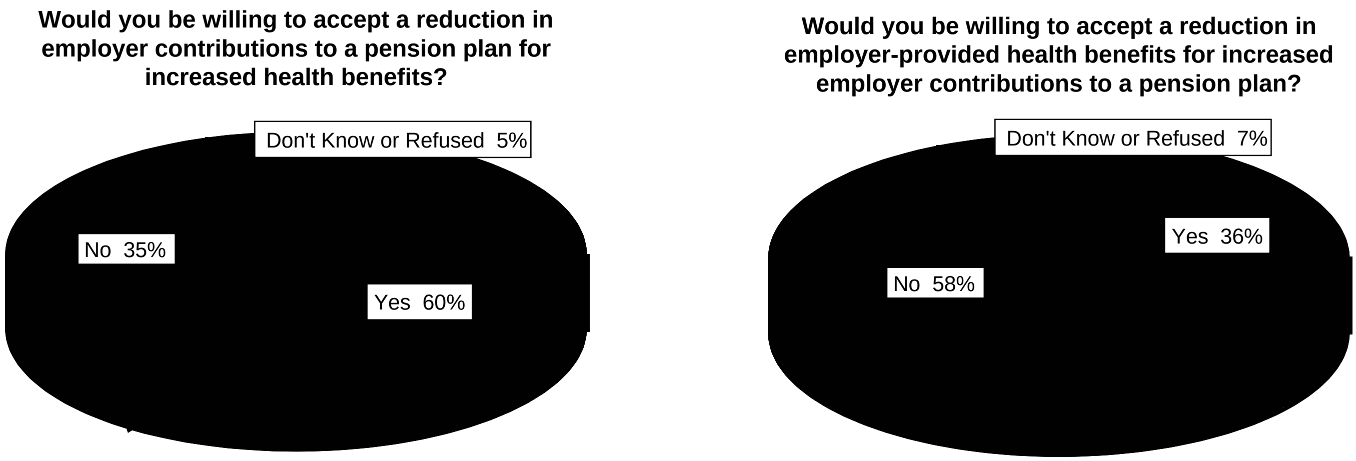
Almost one out of five respondents (19 percent) to a November 1992 EBRI/Gallup survey indicated they or a family member had accepted, quit, or changed jobs because of the benefits offered or not offered by an employer. This compares with 21 percent of respondents to a July 1991 EBRI/Gallup survey and 15 percent of respondents to a September 1990 EBRI/Gallup survey (EBRI/Gallup Surveys, no. G-12, no. G-23, and no. G-40).

Thirteen percent of respondents to a December 1991 EBRI/Gallup survey indicated they or a family member had passed up a job opportunity solely because of health benefits. Of these, the most frequently cited reason, from a list of four reasons, was that the prospective employer did not offer health benefits (58 percent). Eighteen percent said the prospective employer's health benefits provided less coverage than they or their family

Chart 3

December 1991



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Benefit Trade Offs, 1991*, EBRI Report no. G-28 (Washington, DC: Employee Benefit Research Institute, December 1991).

member previously had, 11 percent said the prospective employer's health plan cost too much, and 10 percent said they or someone in their family had a medical condition that the prospective employer's health plan did not cover (EBRI/Gallup Survey, no. G-28).

If employees with health insurance coverage are reluctant to change jobs because of concern about these benefits, they may forgo job opportunities that would increase their productivity. These considerations have led some analysts to examine whether tying the provision of health insurance benefits to employment is the optimal approach to distributing these benefits (Custer and Foley, 1992).

Five percent of EBRI/Gallup survey respondents said they or a family member had passed up a job opportunity solely because of pension benefits. Of these respondents, 39 percent said they did so because the prospective employer's pension benefits were not as good as the pension benefits they or a family member previously had; 35 percent said the prospective employer did not offer pension benefits; and 22 percent said they did not want to forfeit benefits already earned (EBRI/Gallup Survey, no. G-28).

◆ Health Care Benefits

National health expenditures are estimated to be $820 billion and approximately 14 percent of Gross Domestic Product (GDP)[5] in 1992, up from $249 billion and 9 percent of GDP in 1980 (U.S. Department of Health and Human Services, 1992, and Lazenby and Letsch, 1990). Employer spending on private health insurance reached $174 billion in 1990, up from $61 billion in 1980. This continued and dramatic cost escalation has caused many to question the future viability of our current health care system.

[5]GDP is a measure of national income consisting of the total market value of all final goods and services produced in the economy during the year, less the value of goods and services produced abroad by domestic entities. National health expenditure estimates are based on 1990 data from the U.S. Department of Health and Human Services, Health Care Financing Administration.

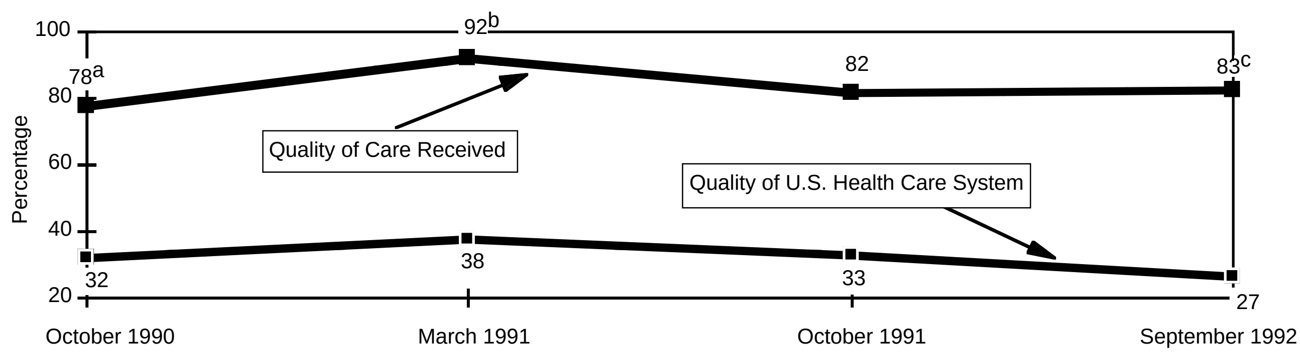
Satisfaction

While Americans' rating of the quality of health care benefits they receive has remained relatively constant and high over the last three years, more Americans are rating the U.S. health care *system* as fair or poor. In 1992, among respondents who indicated they had received care from a doctor or hospital in the last year (88 percent), 83 percent rated the quality of that care as either excellent (38 percent) or good (45 percent), while 17 percent rated it fair (14 percent) or poor (3 percent) (EBRI/Gallup Survey, no. G-37). Ninety-two percent of respondents to a March 1991 EBRI/Gallup survey who indicated their household maintained a relationship with a family doctor (76 percent) rated the quality of care received from that physician as either excellent (53 percent) or good (39 percent). Six percent rated the care received as fair, and 1 percent rated it poor (EBRI/Gallup Survey, no. G-18). In a 1990 EBRI/Gallup survey, among respondents indicating they did have health insurance (86 percent), 78 percent rated the quality of health care they received as excellent (31 percent) or good (47 percent), and 17 percent rated it as fair (14 percent) or poor (3 percent) (EBRI/Gallup Survey, no. G-13) (chart 4).

In contrast, the 1992 EBRI/Gallup survey found that 27 percent of all respondents rated the U.S. health care *system* as excellent (6 percent) or good (21 percent), compared with 32 percent rating the system as either excellent (5 percent) or good (27 percent) in 1990 (chart 4). More than 7 out of 10 Americans (73 percent) rated the U.S. health care system as fair (36 percent) or poor (37 percent) in 1992, compared with 66 percent who rated the system as either fair (39 percent) or poor (27 percent) in 1990 (EBRI/Gallup Surveys, no. G-13 and no. G-37).

Chart 4
Overall, how would you rate the quality of care you receive?
Overall, how would you rate the U.S. heath care system?

(Percentage of those responding excellent or good.)



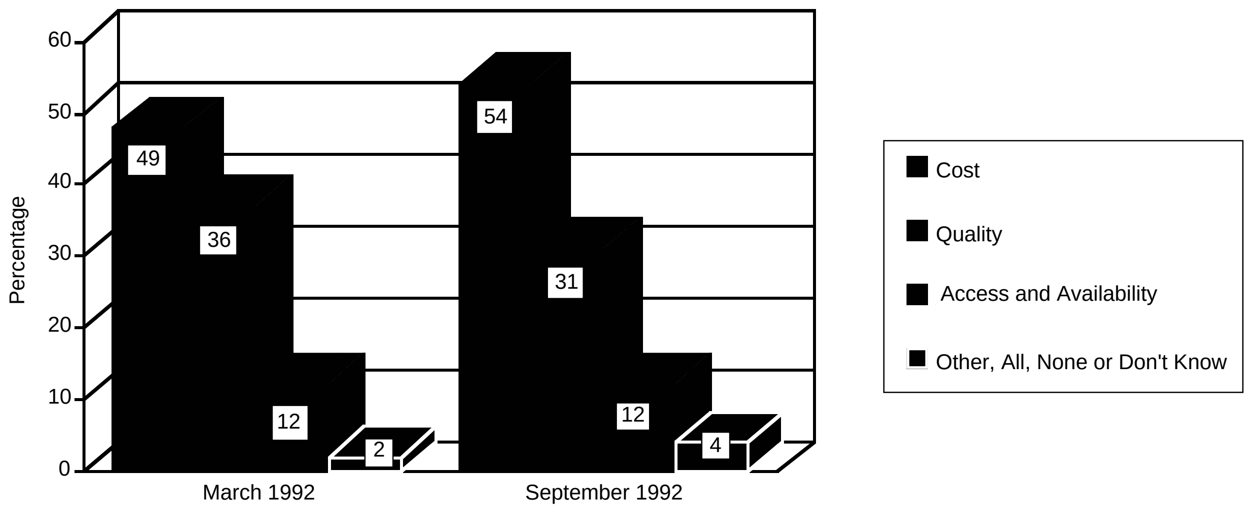
Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Health Insurance, 1990,* EBRI Report no. G-13 (Washington, DC: Employee Benefit Research Institute, October 1990); *Public Attitudes on Health Care Satisfaction*, EBRI Report no. G-18 (Washington, DC: Employee Benefit Research Institute, March 1991); *Public Attitudes on Health Insurance, 1991*, EBRI Report no. G-26 (Washington, DC: Employee Benefit Research Institute, October 1991); *Public Attitudes on Health Insurance, 1992*, EBRI Report no. G-37 (Washington, DC: Employee Benefit Research Institute, September 1992).

[a]Asked only of those indicating they had health insurance.

[b]Asked regarding the quality of care received from the individual's physician and asked only of those indicating their household maintained a relationship with a family doctor.

[c]Asked only of those indicating they had received care from a doctor or hospital in the past year.

Chart 5
For your personal health care and that of your family, which of the following is your biggest concern?



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Health Benefits, Part 2,* EBRI Report no. G-31 (Washington, DC: Employee Benefit Research Institute, March 1992); *Public Attitudes on Health Insurance, 1992,* EBRI Report no. G-37 (Washington, DC: Employee Benefit Research Institute, September 1992).

Americans' satisfaction with their health *insurance* benefits has also declined. Eighty-two percent of respondents to a 1989 EBRI/Gallup survey with health insurance indicated they were either very satisfied (45 percent), or somewhat satisfied (37 percent) with their current health insurance. This compares with 73 percent in 1992 who rated their health insurance benefits as either excellent (25 percent) or good (48 percent) (EBRI/Gallup Surveys, no. G-1 and no. G-31).

Health Care Costs

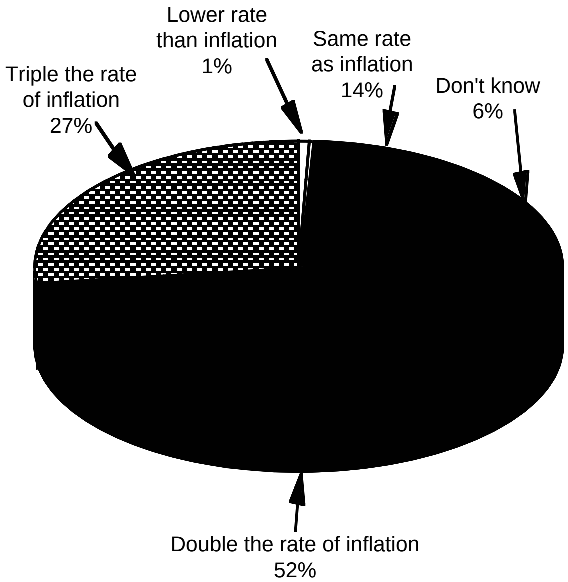
According to a March 1992 EBRI/Gallup survey, almost eight out of ten Americans (79 percent) think costs are the biggest problem in health care for society as a whole, followed by access and availability of care (13 percent) and by quality (6 percent) (EBRI/Gallup Survey, no. G-31)**.**

For their own health care, in a September 1992 EBRI/Gallup survey, respondents also indicated cost to be of most concern (54 percent, up from 49 percent in a survey released in March 1992), followed by quality (31 percent), and by access and availability (12 percent) (EBRI/Gallup Surveys, no. G-31 and no. G-37) (chart 5).

A September 1991 EBRI/Gallup survey indicates that nearly eight out of ten respondents (79 percent) think that health care costs are growing by as much as two or three times the rate of inflation (EBRI/Gallup Survey, no. G-25) (chart 6). And, in fact, health care costs have been rising at approximately twice the rate of general inflation over the past decade (Piacentini and Foley, 1992).

In a November 1989 EBRI/Gallup survey, 43 percent of respondents with health insurance (90 percent) indicated that their share of the monthly health insurance premium had increased in the past year or two (EBRI/Gallup Survey, no. G-3) (chart 7). Forty-four percent of respondents without health insurance (10 percent) said they were unable to afford insurance, up from 35 percent in a previous EBRI/Gallup survey also

Chart 6
September 1991
Do you think the cost of health care is rising?



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Health Care Costs, 1991,* EBRI Report no. G-25 (Washington, DC: Employee Benefit Research Institute, September 1991).

conducted in 1989. Other reasons for not having health insurance included not seeing a need for it (8 percent) and not qualifying for it (4 percent) (EBRI/Gallup Surveys, no. G-1 and no. G-3).

While the cost of health care is considered a major issue for many Americans, a majority of those with health insurance coverage said they *would* be willing to pay more to keep or improve their coverage, emphasizing the considerable value Americans place on these benefits. Fifty-nine percent of respondents to a November 1989 EBRI/Gallup survey who indicated they had health insurance said they would be willing to pay an additional $50 per month to keep their existing benefits if their employer said their benefits would otherwise be cut back. Fifty-one percent said they would be willing to pay an additional $50 to cover family members. Thirty-nine percent said they would pay an additional $50 to restore benefits that are currently not as generous as they once were (EBRI/Gallup Survey, no. G-3).

Waste, Fraud, and Abuse

Respondents to public opinion surveys often indicate a belief that waste, fraud, and abuse are the major reasons for the current cost crisis. In a September 1991 EBRI/Gallup survey, malpractice suits against doctors and hospitals were most often named the most important or major factor in driving health care costs (73 percent). Other commonly cited reasons include high profits in private insurance and drug companies, high incomes for doctors, fraud in programs like Medicare and Medicaid, and inefficiency/waste at hospitals (EBRI/Gallup Survey, no. G-39) (chart 8). In response to a more recent EBRI/Gallup survey, released in October 1992, 77 percent of respondents said the cure to rising health care costs is not to put limits on care available to average people but to cut the waste, high profits, and fraud in medicine (EBRI/Gallup Survey, no. G-39).

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Respondents to public opinion surveys often indicate a belief that waste, fraud, and abuse are the major reasons for the current cost crisis.

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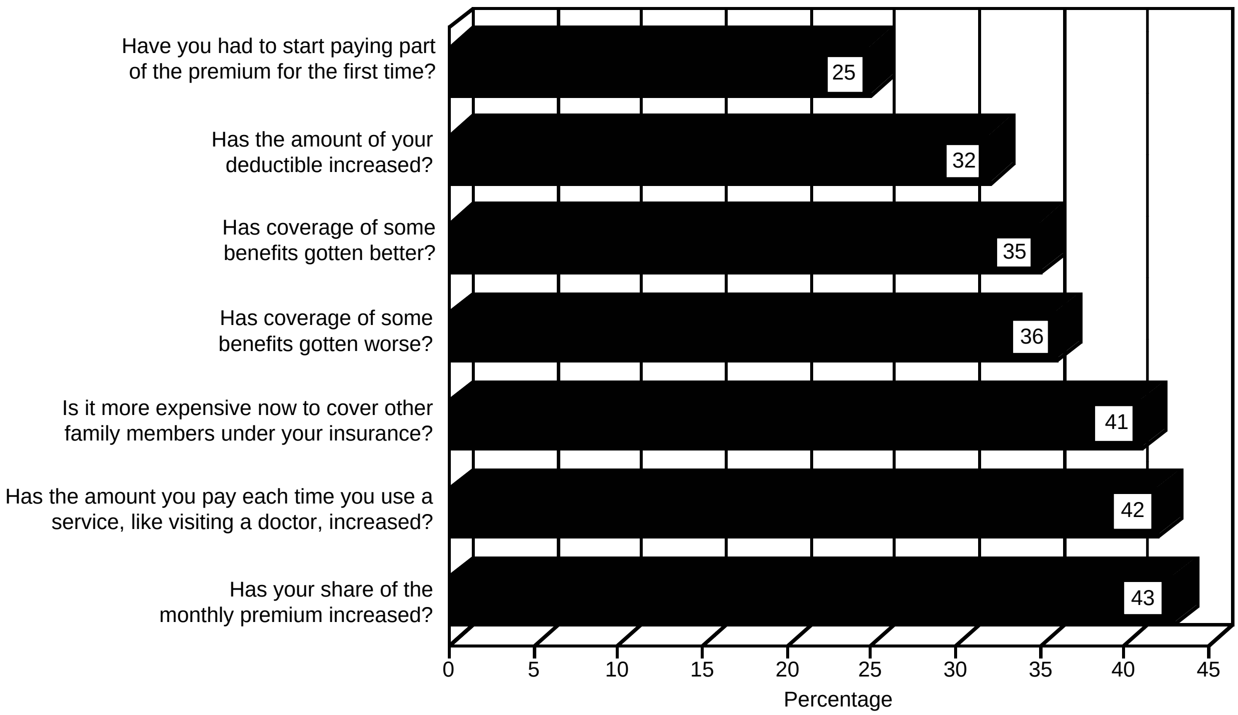
Health Care Access

Access and availability of care is the second issue most commonly cited by Americans as a concern regarding the health care system. Health care cost considerations are closely related to this issue. As the cost of health insurance continues to escalate, an increasing number of Americans are unable to afford health insurance. This exacerbates the problem of the uninsured and lack of access to quality health care. According to EBRI

Chart 7
November 1989
Of those with health insurance: in the past year or two . . .

(percentage of respondents answering yes)



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Health Insurance Provision,* EBRI Report no. G-3 (Washington, DC: Employee Benefit Research Institute, November 1989).

tabulations of the March 1992 Current Population Survey, the number of uninsured reached 36.3 million nonelderly Americans in 1991, representing 16.6 percent of this population, up from 35.7 million in 1990 (also representing 16.6 percent of the nonelderly population), 34.4 million in 1989 (16.1 percent), and 33.9 million in 1988 (15.9 percent) (Foley, forthcoming).

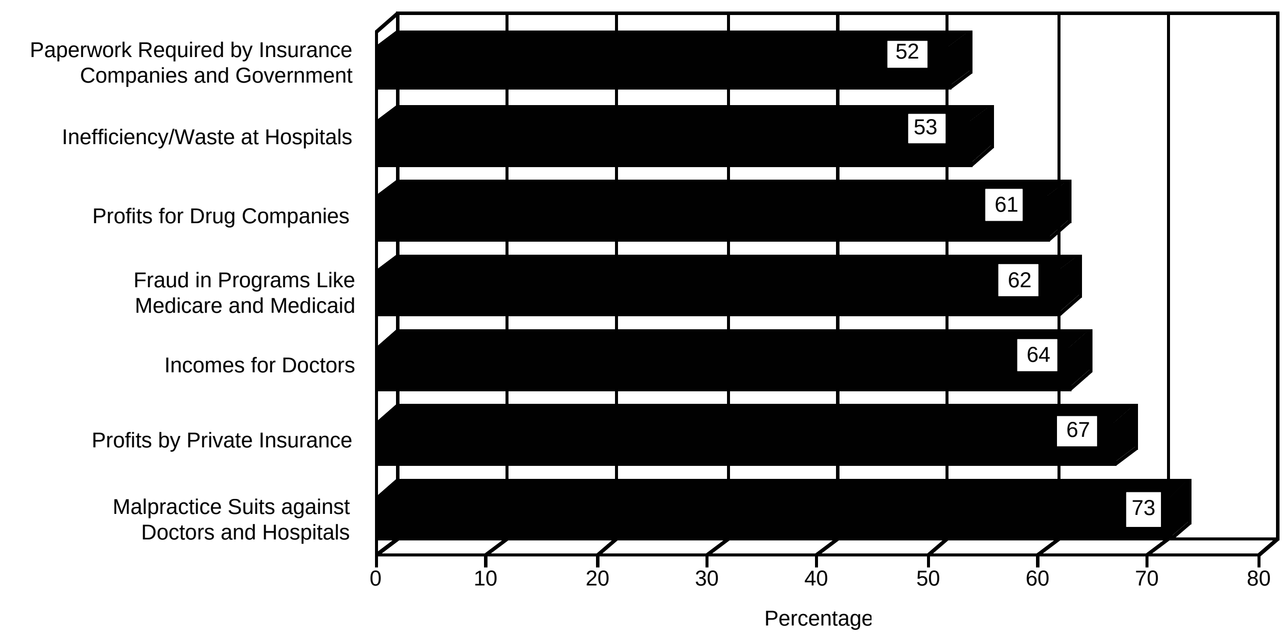
Health Care Reform

The majority of Americans, policymakers, and health care analysts agree that the most pressing health care issues our current system faces are cost, access, and quality. Public opinion and many politicians focus on waste, fraud, and abuse as causes of the system's flaws, while health care analysts tend to focus on the aging of the population, the introduction of new technology, the spread of health insurance (which lowers the relative price of medical services to insured individuals, increasing patient demand for health care services), and the rapid expansion of treatment options without concurrent research on the relative efficacy of each option (Custer, 1991).

The continuing rise in health care costs and the increase in the number of uninsured has increased the demand for affordable coverage and served to focus individuals' and policymakers' attention on the issue of health care costs and coverage. However, confusion,

Chart 8
September 1991
People have different ideas about what is causing health care costs to go up. For each of the following, say whether you think it is one of the most important reasons, a major reason, a minor reason, or not a reason at all.

(Percentage of those indicating the following is either the most important or major reason.)



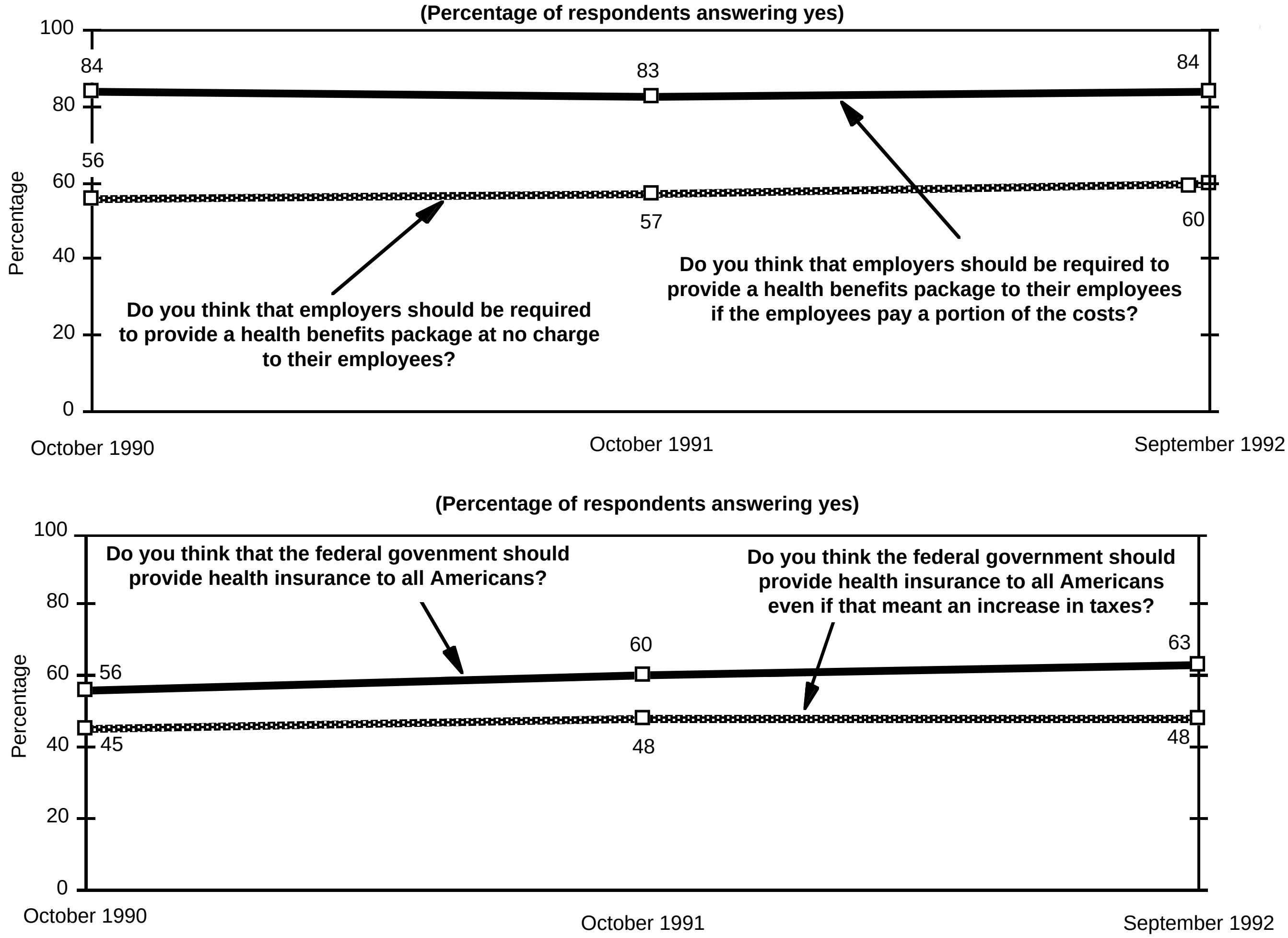
Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Health Care Costs, 1991,* EBRI Report no. G-25 (Washington, DC: Employee Benefit Research Institute, September 1991).

misunderstanding, and inconsistencies pervade the debate regarding options for reform. This is likely due, in large part, to differences in opinion regarding the foremost causes of the system's shortcomings.

Proposals for reform at both the state and federal level cover an entire spectrum of options, ranging from fine-tuning health care delivery systems by changing tax or regulatory policy to abandoning the private market and adopting a national health care system. One reform option policymakers are considering is employer-mandated health insurance. When Americans were asked if they think employers should be required to provide health benefits at no charge to their employees, 60 percent of respondents to a September 1992 EBRI/Gallup survey said yes, compared with 57 percent in October 1991 and 56 percent in October 1990. When asked if employers should be required to provide health insurance to employees if employees pay a portion of the costs, the percentage of respondents indicating "yes" *increased* to 84 percent in 1992, a portion virtually unchanged from 1991 and 1990, when 83 percent and 84 percent, respectively, said yes (EBRI/Gallup Surveys, no. G-13, no. G-26, and no. G-37) (chart 9).

In another survey, conducted in January 1992 by The Gallup Organization for CNN and *USA Today*, the majority of respondents indicated a preference for reform of the current system (64 percent), as opposed to adopting a government-sponsored national health insurance program (30 percent) (The Gallup Organiza-

Chart 9



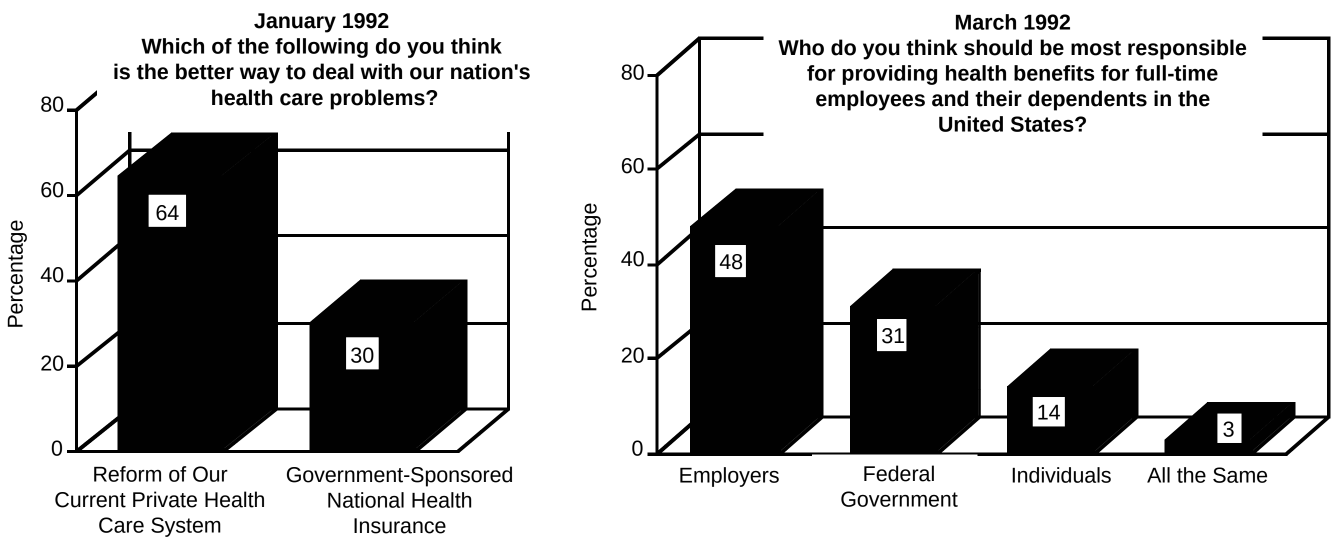
Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Health Insurance, 1990,* EBRI Report no. G-13 (Washington, DC: Employee Benefit Research Institute, October 1990); *Public Attitudes on Health Insurance, 1991,* EBRI Report no. G-26 (Washington, DC: Employee Benefit Research Institute, October 1991); and *Public Attitudes on Health Insurance, 1992,* EBRI Report no. G-37 (Washington, DC: Employee Benefit Research Institute, September 1992).

tion, 1992).[6] A March 1992 EBRI/Gallup survey supports this finding: 48 percent of respondents felt that employers should be most responsible for providing health benefits to full-time employees and their dependents rather than the federal government (31 percent) or individuals themselves (14 percent) (EBRI/Gallup Survey, no. G-31) (chart 10).

Another reform option being considered is a health care system financed and administered by the federal government, similar to Canada's health care system. Sixty-three percent of Americans responding to the September 1992 EBRI/Gallup survey said they think the federal government should provide health care to

[6]Survey by the Gallup Organization for CNN and *USA Today*, 28 January 1992; included 462 adults who had viewed the State of the Union address.

Chart 10



Source: Survey by The Gallup Organization, Inc., for CNN and USA Today, January 28, 1992.
Note: Asked of 462 adults who had viewed the State of the Union address.

Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Health Benefits, Part 2*, EBRI Report no. G-31 (Washington, DC: Employee Benefit Research Institute, March 1992).

all Americans, compared with 60 percent in October 1991 and 56 percent in October 1990. However, when asked if they still support government-sponsored health insurance for everyone even if it meant an increase in taxes, the percentage of Americans in favor *decreased* to 48 percent in 1992. This response compares with 48 percent in 1991 and 45 percent in 1990 (EBRI/Gallup Surveys, no. G-13, no. G-26, and no. G-37) (chart 9).

When asked specifically about a national health insurance program, the majority of respondents to an April 1992 EBRI/Gallup survey either strongly favored (25 percent) or favored (54 percent) such a program (EBRI/Gallup Survey, no. G-32). Despite this stated support by the American people for a national health insurance system, nearly 9 out of 10 Americans (88 percent) said they either "know very little" (37 percent) or only "had some knowledge" (51 percent) about national health insurance (EBRI/Gallup Survey, no. G-32).

These contradictions seem daunting at first glance. Yet, upon further analysis, it becomes apparent that the American public simply has not yet come to terms with the various issues and tradeoffs inherent in each option for reform. **While the American public has not yet reached public judgment[7] regarding the optimal option for reform, survey responses do indicate that a majority of Americans agree that reform of the current system is desirable, that government should have a role in this reform, and that the reformed system should not be administered solely by the government.**

Furthermore, **while most Americans believe health care should be available to everyone regardless of their ability to pay and that no limits should be placed on this care, they have not focused on the cost of providing that care.** Most analysts agree that access

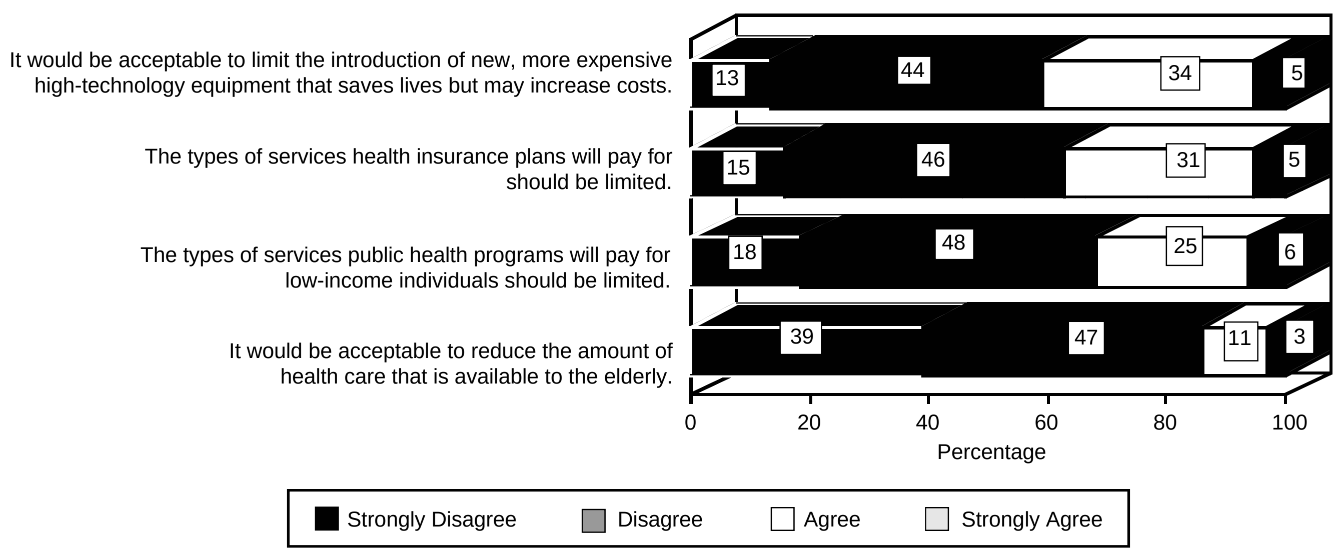
[7]Yankelovich concludes that "public judgment" refers to "good-quality public opinion in the sense of opinion that is stable, consistent, and responsible," whereas "mass opinion" is "poor-quality public opinion as defined by the defects of inconsistency, volatility, and nonresponsibility" (Yankelovich, 1991).

cannot be increased without increasing costs or placing some limits on the care received. Seventy-seven percent of Americans said they believe everyone should receive the same amount and quality of health care, whether or not they can pay for that care, and 86 percent of respondents said they either disagree (47 percent) or strongly disagree (39 percent) that it would be acceptable to reduce the amount of health care available to the elderly in order to slow the rise in health care costs and increase access to health care for all Americans. In addition, a majority of Americans also disagreed or strongly disagreed with limiting the types of services public health programs will pay for low-income individuals (66 percent), the types of services health insurance plans will pay for (61 percent), and the introduction of new, more expensive high technology equipment that saves lives but may increase costs (57 percent) (EBRI/Gallup Survey, no. G-39) (chart 11).

Compounding the lack of agreement on the major cause of our health care problems, the confusion on the method of reform that should be implemented, and whether improvements to the system can be made without limiting care or increasing costs are the varying definitions individuals and policy analysts attribute to numerous options for reform. For example, according to John Immerwahr, author of *Faulty Diagnosis: Misconceptions About Health Care Reform*, "when experts and leaders talk about national health insurance, they usually mean a nationwide, universal system where government pays a large percentage of the health care costs for all citizens" (Immerwahr, et al. 1992). However, results from an April 1992 EBRI/Gallup survey suggest that Americans differ in their definition of national health insurance. For example, 44 percent of Americans believe that under a national health insurance system all (12 percent) or most (32 percent) of an individual's medical bills would be paid for by the

Chart 11
October 1992

In order to slow the rise in health care costs and increase access to health care for all Americans . . .



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Setting Health Care Limits, 1992,* EBRI Report no. G-39 (Washington, DC: Employee Benefit Research Institute, October 1992).

government out of taxes rather than by private insurance or out of the individual's pocket. Fifty-five percent think that national health insurance would cover only some medical bills (48 percent), or even none at all (7 percent) (EBRI/Gallup Survey, no. G-32).

Thus, although surveys indicate strong support for *several* options for reform, people are not necessarily in agreement regarding what a reformed system would look like, what they are willing to pay for reform (if anything), or what effects reform might have. The high percentage of Americans indicating preference for a given system does not necessarily mean there is true consensus for any given approach. The assertion, for example, that the majority of Americans are in favor of national health insurance can be better interpreted as a mandate to do *something* about health care. Until the American public, policymakers, and health industry analysts can agree on the causes of our current health care crisis, until we are able to move from mass opinion to public judgment, major changes to the current system are unlikely and indeed would perhaps be unwise.

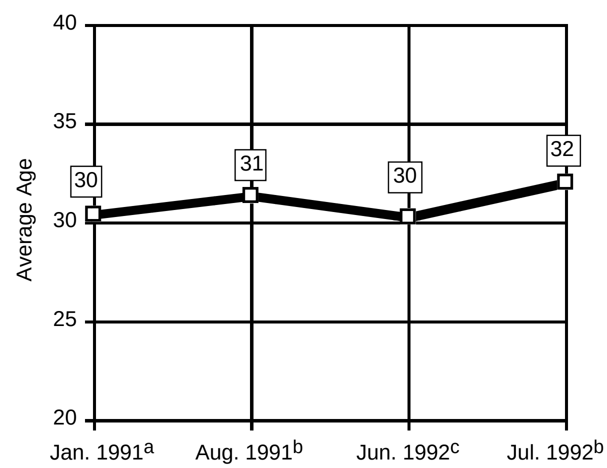
◆ Retirement Benefits

Programs that provide benefits to retired individuals or enable Americans to prepare for retirement include employer-sponsored benefits (pensions), individual savings vehicles, and government-sponsored programs such as Social Security and Medicare.

Demographic and cultural shifts are putting added strain on these benefit systems. This pressure is expected to increase as family structures change, fertility rates decline, and average life expectancy increases. The U.S. elderly population (aged 65 and over) is expected to increase from 13 percent in 1990 to 14 percent in 2010 and to 20 percent in 2025. Demographic projections indicate that the ratio of elderly (aged 65 and over) to working age persons (aged 18–64) will increase from 20 percent in 1985 to 35 percent in 2025, so that fewer workers will be supporting a larger number of retirees (U.S. Department of Commerce, Bureau of the Census, 1987 and Foley, 1992). In addition, the age at which individuals marry and the number of dependents workers have influence which benefits individuals prefer, how much they can save, and when they begin to save for retirement.

In particular, such changes as increased life expectancy and smaller worker-to-retiree ratios are likely to put added pressure on current retirement systems, requiring Americans to rely more on themselves, as well as on government and employer-sponsored programs, to provide for their retirement. However, Americans

Chart 12
At what age did you begin to save for retirement?

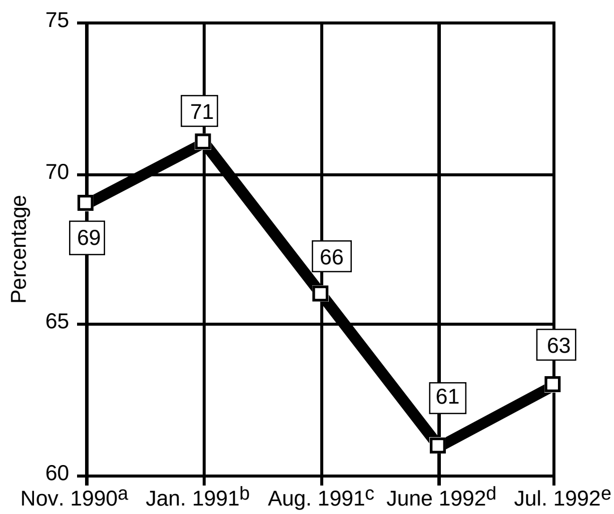


Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Retirement Income and Savings, 1991,* EBRI Report no. G-16 (Washington, DC: Employee Benefit Research Institute, January 1991); *Public Attitudes on Retirement Age and Planning, 1991,* EBRI Report no. G-24 (Washington, DC: Employee Benefit Research Institute, August 1991); *Public Attitudes on Retirement Income and Savings, 1992,* EBRI Report no. G-34 (Washington, DC: Employee Benefit Research Institute, June 1992); *Public Attitudes on Retirement Age and Planning, 1992,* EBRI Report no. G-35 (Washington, DC: Employee Benefit Research Institute, July 1992).
[a]Asked of those who had already begun to save for retirement.
[b]Asked of retired and nonretired persons already saving for retirement.
[c]Asked of those aged 18–65 who had begun to save for retirement.

indicate they are beginning to save for retirement later than in previous years and express a general lack of understanding and confidence in many of the retirement programs available to them.

EBRI/Gallup survey data for 1992 indicate that, on average, both retired persons and nonretired persons already saving for retirement started to save at age 32, compared with age 30 for similar respondents in 1991 (EBRI/Gallup surveys, no. G-16 and no. G-35)

Chart 13
Have you begun to save money for retirement?



Source: Employee Benefit Research Institute, *Public Attitudes on Retirement Age and Planning, 1990,* EBRI Report no. G-14 (Washington, DC: Employee Benefit Research Institute, November 1990); *Public Attitudes on Retirement Income and Savings, 1991,* EBRI Report no. G-16 (Washington, DC: Employee Benefit Research Institute, January 1991); *Public Attitudes on Retirement Age and Planning, 1991,* EBRI Report no. G-24 (Washington, DC: Employee Benefit Research Institute, August 1991); *Public Attitudes on Retirement Income and Savings, 1992,* EBRI Report no. G-34 (Washington, DC: Employee Benefit Research Institute, June 1992); *Public Attitudes on Retirement Age and Planning, 1992,* EBRI Report no. G-35 (Washington, DC: Employee Benefit Research Institute, July 1992).

[a]Asked of those not currently retired.
[b]Asked of all nonretired respondents.
[c]Asked of respondents already saving for retirement.
[d]Asked of those aged 18–65.
[e]Asked of retired and nonretired persons already saving for retirement.

(chart 12). The percentage of nonretired respondents who had begun saving for retirement declined, falling from 69 percent in 1990 to 66 percent in 1991, and to 63 percent in 1992 (EBRI/Gallup Surveys, no. G-14, no. G-24, and no. G-35) (chart 13).

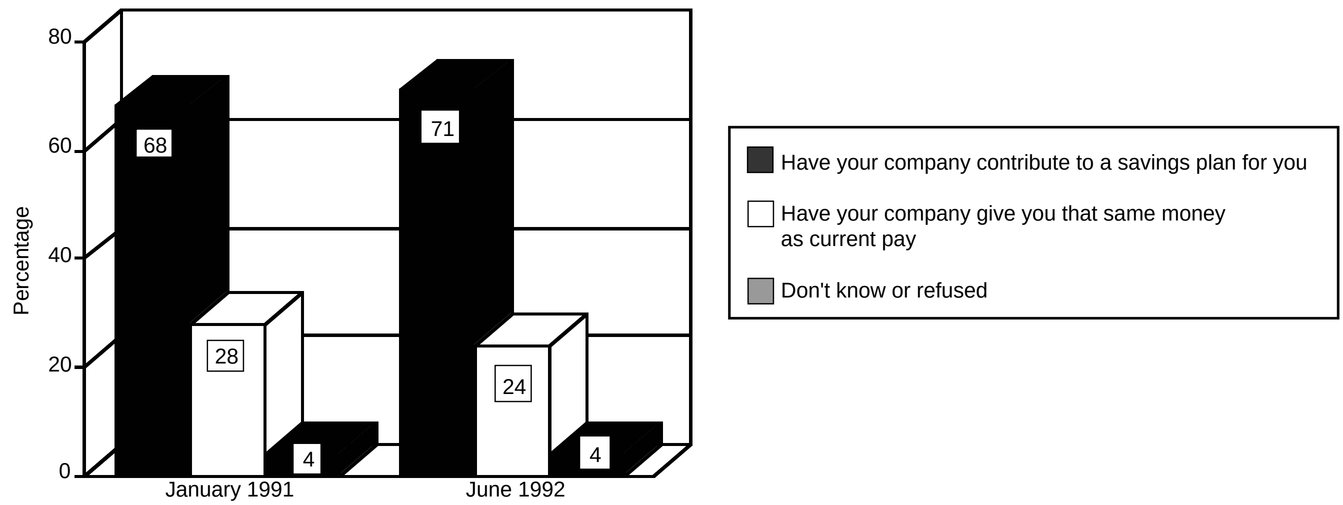
Additionally, while many Americans supplement employment-based sources of retirement income to improve their economic security in retirement, recent data indicate that they are saving less than in previous years. The average annual U.S. personal savings rate as a percentage of Net National Product[8] fell from 6.6 percent in the first half of the 1970s to an average of only 3.3 percent between 1985 and 1990 (VanDerhei, 1992b).

Americans also indicate a preference for employers to take a prominent role in providing for their retirement, most likely as a result of reduced personal savings and increased skepticism regarding future funding of government retirement programs. (For further information regarding this issue, see the section entitled *Government-Sponsored Programs* on page 21.)

In saving for retirement, 71 percent of respondents to a June 1992 EBRI/Gallup survey between the ages of 18 and 65 said they would prefer to have their company contribute to a savings plan in their name rather than receive the same amount of money as current pay. This compared with 68 percent of all respondents in 1991 (EBRI/Gallup Surveys, no. G-16 and no. G-34) (chart 14). A nearly equivalent percentage (72 percent) of respondents said they thought companies should be legally required to provide retirement benefits, in addition to Social Security, as part of every full-time employee's compensation (EBRI/Gallup Survey, no. G-34). Similarly, 70 percent of respondents to a 1991 EBRI/Gallup survey said they thought companies should be legally required to provide retirement

[8]Net National Product is the total market value of all final goods and services produced in an economy during a year net the capital used in producing it.

Chart 14
In saving for retirement, would you prefer to[a] . . .



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Retirement Income and Savings, 1991*, EBRI Report no. G-16 (Washington, DC: Employee Benefit Research Institute, January 1991); *Public Attitudes on Retirement Income and Savings, 1992,* EBRI Report no. G-34 (Washington, DC: Employee Benefit Research Institute, June 1992).
[a]The 1991 survey asked this question of all respondents. The 1992 survey asked this question only of those aged 18–65.

benefits as a part of every employee's compensation (EBRI/Gallup Survey, no. G-16) (chart 15).[9]

This preference for mandating retirement benefits is likely further indication of individuals' concern over their inability to save on their own and skepticism regarding the future of government-sponsored benefits. (For more information regarding this topic, see the section entitled *Government-Sponsored Programs* on page 21.)

Employer-Sponsored Pension Plans and Individual Savings Vehicles

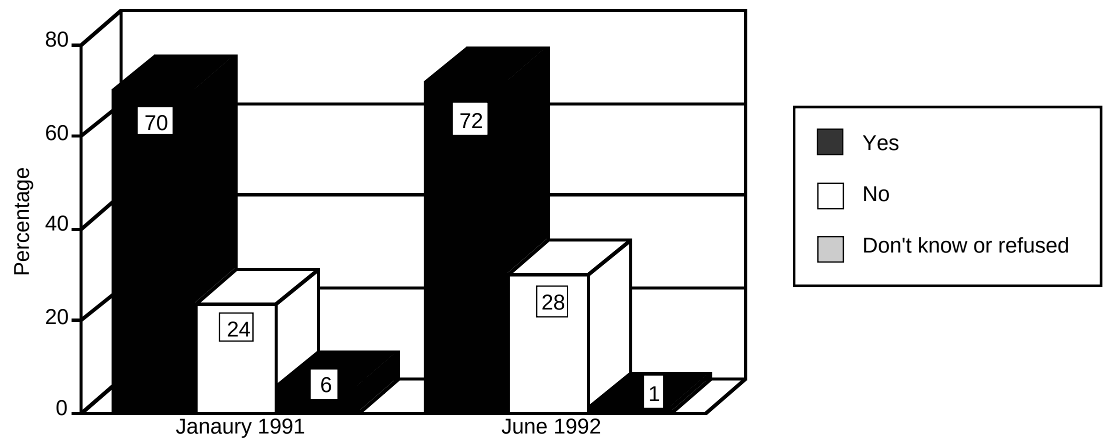
Fifty-one percent of respondents to a July 1992 EBRI/Gallup survey indicated having savings for retirement in a personal savings vehicle, compared with 33 percent with savings in an individual retirement account (IRA) and 20 percent with savings in a 401(k) (EBRI/Gallup Survey, no. G-35). In 1991, among respondents who were retired or nonretired and saving for retirement, 41 percent cited personal savings as their most common type of individual savings vehicle, 20 percent said IRAs, and 19 percent said 401(k) plans (EBRI/Gallup Survey, no. G-29). The emphasis on the use of personal savings indicates that many Americans may not be taking full advantage of tax-advantaged savings plans such as 401(k)s and IRAs.

Twenty-seven percent of nonretired respondents to a 1992 EBRI/Gallup survey indicated that their employer offers a 401(k) type of savings plan, 10 percent said their spouse's employer offered such a plan, 6 percent said both their and their spouse's employer offered such a plan, and approximately one-half (51 percent) said neither their employer nor their spouse's employer offered such a plan (EBRI/Gallup Survey, no. G-35). In response to a 1991 survey, 47 percent of nonretired respondents indicated their

[9]The 1991 survey asked these questions of all respondents. The 1992 survey asked these questions only of those aged 18–65.

Chart 15

Do you think companies should be legally required to provide retirement benefits, in addition to Social Security, as part of every full-time employee's compensation?[a]



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Retirement Income and Savings, 1991,* EBRI Report no. G-16 (Washington, DC: Employee Benefit Research Institute, January 1991); *Public Attitudes on Retirement Income and Savings, 1992,* EBRI Report no. G-34 (Washington, DC: Employee Benefit Research Institute, June 1992).

[a]The 1991 survey asked this question of all respondents and did not stipulate that the benefits provided be for full-time employees. The 1992 survey asked this question only of those aged 18–65.

employer offered a 401(k) type savings plan, and 44 percent indicated their employer did not offer such a plan (EBRI/Gallup Survey, no. G-24).

Among respondents to the 1992 survey whose own employer offered a 401(k) type savings plan, the average contribution made was 8 percent of pay. Twenty-two percent of respondents indicated that they contributed nothing to the plan, 17 percent contributed less than 5 percent, 38 percent contributed between 5 percent and 10 percent, and 9 percent contributed 11 percent or more (EBRI/Gallup Survey, no. G-35).

Among respondents aged 18–65, most indicated an intention to keep pension savings until retirement, even if they leave their job and receive a cash distribution. Sixty-one percent of respondents said they would save the distribution for retirement, as in an IRA; 13 percent said they would add it to personal savings; 12 percent said they would use it to pay off credit cards or other debt; and 12 percent said they would spend it on current needs (EBRI/Gallup Survey, no. G-34).

However, EBRI tabulations of the May 1988 Current Population Survey indicate that individuals generally do not roll over lump-sum distributions into tax-qualified retirement vehicles. Among workers surveyed in 1988, more than 8 million had received preretirement lump-sum distributions. Eleven percent of these individuals rolled their entire distribution into another retirement arrangement (usually an IRA). Forty-eight percent used the entire amount in other savings arrangements (such as putting the money into a savings account or using the money for the purchase of a home or to pay off debts). Thirty-four percent spent the entire distribution (on living expenses, education, cars, or for other uses). Five percent used the distribution for savings and consumption (Salisbury, 1992).

Among respondents to a July 1992 survey, 70 percent of those who did not have an employer-sponsored 401(k) type savings plan indicated they would contribute if such a plan were offered. Twenty-five percent indicated they would not contribute (EBRI/Gallup Survey, no. G-35). Of those who said they would not contribute even if their employer offered such a plan (137 respondents), 50 percent said they would contribute if they could withdraw the money without tax penalty to purchase a first home or to use for education or medical expenses.

Among respondents to a June 1990 EBRI/Gallup survey who were employed (75 percent), over one-half (58 percent) expressed a preference for making their own investment decisions, and 70 percent said they were more inclined to choose low-risk/low-return investments (such as bonds and guaranteed investment contracts (GICs)[10] (EBRI/Gallup Survey, no. G-11)**.** When asked to assume that their company would absorb any investment gains or losses from pension plan investments, so that their retirement benefit would not be affected by the investment results, many respondents still indicated a preference for low-risk/low-return investments (28 percent). Eighteen percent of respondents indicated a preference for high-risk/high-return investments in this case, and 47 percent said it would not matter (chart 16).

This preference for less risky and lower return investments may be of some concern, as it may lead to lower living standards in retirement. Many workers may receive inadequate retirement income unless they diversify their savings portfolio to include higher return investments (VanDerhei, 1992a and Vosti, 1991).

Government-Sponsored Programs

Social Security—**Social Security is, on average, the elderly's most frequent single source of income, providing benefits to 92 percent of those aged 65 and over, and providing 36 percent of their income in 1990, down slightly from 39 percent in 1976** (Grad, 1992).

[10]A guaranteed investment contract (GIC) is a low-risk, low-return fixed income vehicle issued by insurance companies. Employer-sponsored benefit plans that allow participants to direct investments, such as in a 401(k), often include GICs as an investment option.

Americans indicate that Social Security plays an important role in their savings decisions. Nonretired respondents to both February 1990 and June 1991 EBRI/Gallup surveys indicated that if the Social Security system did not exist, they would, on average, try to save 20 percent of their current monthly income for retirement. Twenty-nine percent of respondents to the 1991 survey indicated they would save more than 20 percent, compared with 28 percent of those responding to the 1990 survey (EBRI/Gallup Surveys, no. G-7 and no. G-22) (chart 17).

◆ ◆ ◆

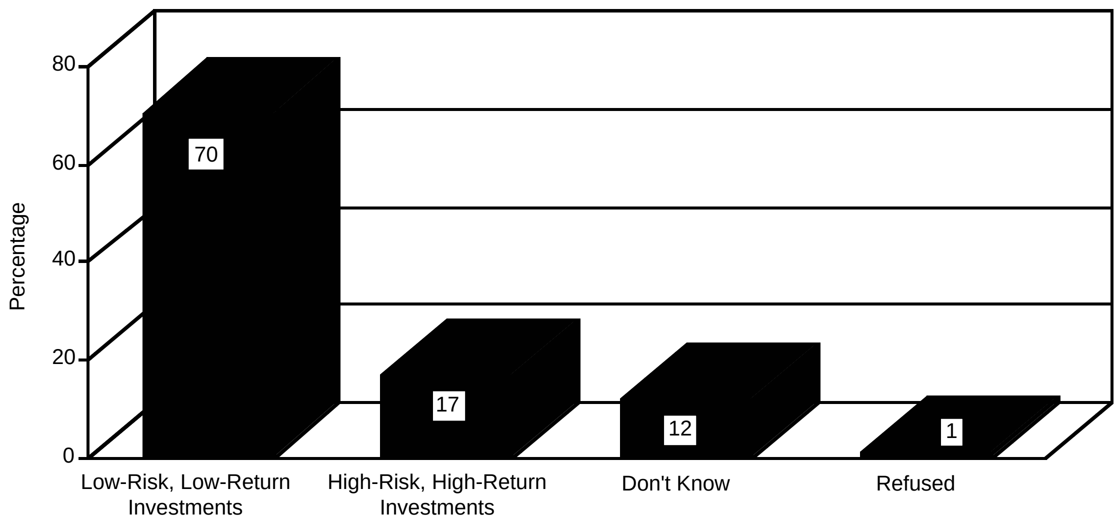
While many Americans indicate they are counting, at least partially, on Social Security to provide for their retirement income, a growing number of Americans lack faith in the system's financial future.

◆ ◆ ◆

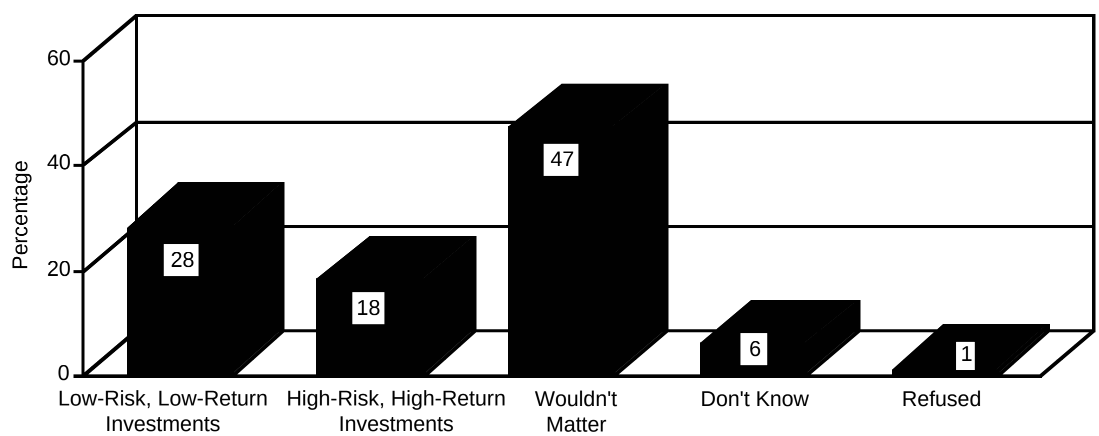
Many Americans indicate they are counting on Social Security to provide for a sizable share of their retirement income, although expectations regarding this program are waning. On average, nonretired respondents to a June 1991 EBRI/Gallup survey indicated that they expect to receive 27 percent of their retirement income from Social Security, down from 31 percent in November 1990 and 36 percent in February 1990 (EBRI/Gallup Surveys, no. G-7, no. G-14, and no. G-22).[11] Twenty one percent of all respondents to the November 1990 survey indicated that they expect Social Security to be their main source of retirement income (EBRI/Gallup Survey, no. G-14).

[11]The 1991 survey asked this question only of those not currently retired, whereas the November 1990 survey asked this question of all respondents and the February 1990 survey asked this question only of those not currently retired and who expected to receive a benefit from Social Security on retirement.

Chart 16
June 1990
Assume you have to choose how your pension money is invested. If your retirement benefits would go up with any investment gains and down with any investment losses, would you rather invest in[a] . . .



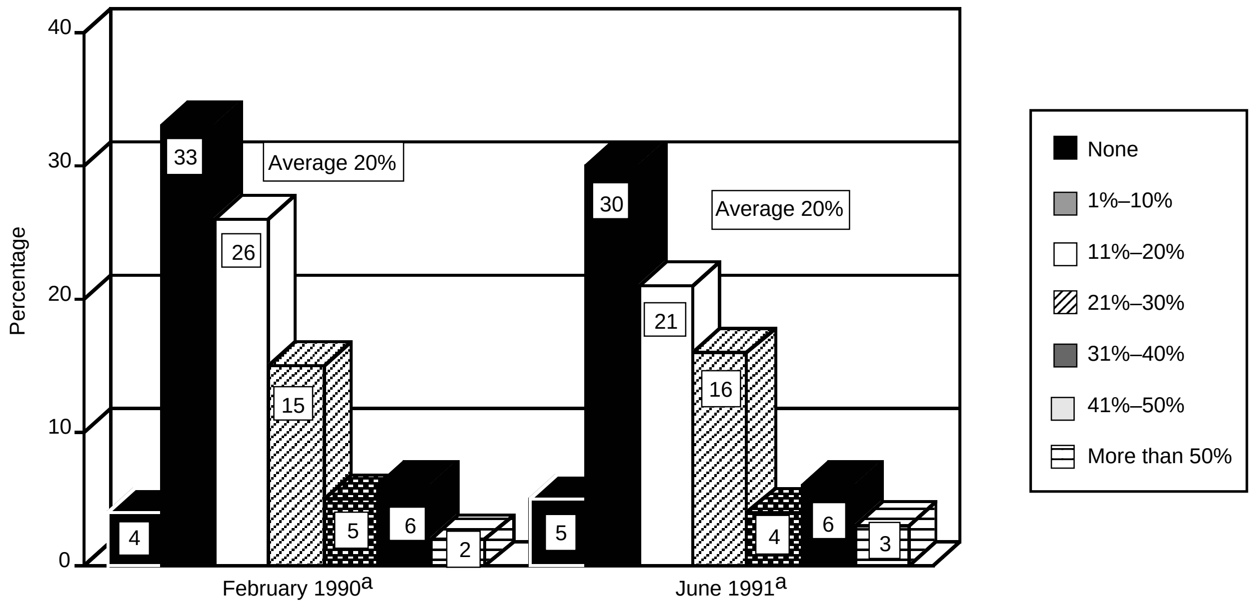
Assume that your company absorbed any investment gains or losses from pension plan investments so that your retirement benefit was not affected by the investment results. Given that, would you rather have most of the pension money invested in[a] . . .



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Retirement Benefits, 1990,* EBRI Report no. G-11 (Washington, DC: Employee Benefit Research Institute, June 1990).
[a]Asked only of employed respondents.

While many Americans indicate they are counting, at least partially, on Social Security to provide for their retirement income, a growing number of Americans lack faith in the system's financial future. Responses to EBRI/Gallup surveys conducted from 1990 through 1992 indicate that Americans are divided on whether they think Social Security will be able to pay them a benefit *at all* when they retire (EBRI/Gallup

Chart 17
If the Social Security system did not exist, what percentage of your current monthly income would you try to save for retirement?



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Social Security, 1990,* EBRI Report no. G-7 (Washington, DC: Employee Benefit Research Institute, February 1990); *Public Attitudes on Social Security Benefits, 1991,* EBRI Report no. G-22 (Washington, DC: Employee Benefit Research Institute, June 1991).
[a]Asked of those not yet retired.

Surveys, no. G-7, no. G-10, no. G-22, and no. G-34).[12] In response to the 1992 survey, among those aged 18–65, 48 percent thought Social Security would be able to pay them a benefit when they retire, and 50 percent thought Social Security would *not* be able to pay them a benefit when they retire. A survey conducted in 1978 indicated that at that time 87 percent of respondents thought Social Security *would* be able to pay them a benefit when they retired (Johnson & Higgins, 1979).[13] In response to a 1992 EBRI/Gallup survey, 75 percent of those aged 18 to 65 indicated they thought higher taxes would be required in order for Social Security benefits to be paid in the next century. This response compares with 73 percent of all respondents to a similar survey in 1991 and 77 percent of all respondents to a similar survey in 1990 (EBRI/Gallup Surveys, no. G-10, no. G-22, and no. G-34) (chart 18).

In addition to a growing lack of confidence in the program, there is a basic lack of public understanding about Social Security—its goals, the type and level of benefits it provides, the relationship between individual taxes paid and individual benefits received, its method of financing, and the significance of its projected high future costs. For example, more than one-half (52 percent) of respondents to a February 1990 EBRI/Gallup survey were not aware that one-half of their Social Security benefits would be taxed if their overall income reached a threshold amount. Further-

[12]The February 1990, May 1990, and June 1991 surveys queried those not yet retired. The June 1992 survey asked this question of those aged 18–65.

[13]The Johnson/Higgins survey is based on interviews with two separate samples: a national cross-section of 1,699 current and retired employees and a representative cross-section of 212 companies drawn from the Fortune listing and the *Dun and Bradstreet Million Dollar Directory*. The survey was conducted in August 1978.

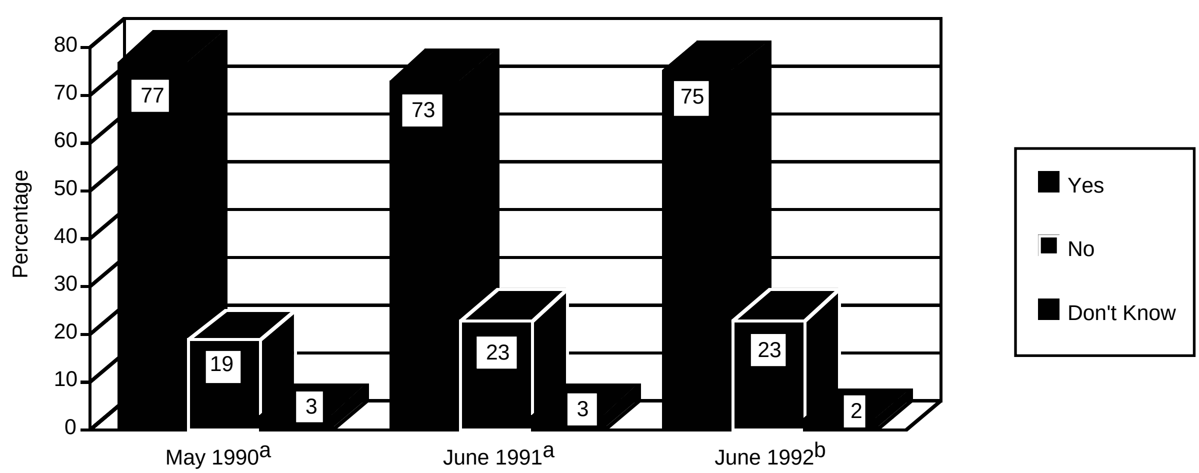
more, 70 percent of respondents were not aware that, beginning in the year 2000, the age at which individuals become eligible to receive full Social Security benefits will begin to be raised from the current age of 65 (EBRI/Gallup Survey, no. G-7).

Despite general lack of confidence in, and understanding of, the Social Security program, most Americans believe Social Security is an important government program. **Eighty-eight percent of those aged 18–65 responding to a June 1992 EBRI/Gallup survey indicated that Social Security was either one of the most important (38 percent) or an important (50 percent) government program relative to other government programs such as defense, education, the environment, Medicare, etc.** This response compares with 83 percent of all respondents to a June 1991 survey indicating that Social Security was either one of the most important government programs (38 percent) or an important government program (45 percent), and to 89 percent of all respondents to a May 1990 EBRI/Gallup survey indicating Social Security was either one of the most important government programs (16 percent), a very important program (43 percent), or an important program (30 percent). Eleven percent of respondents to the 1992 survey indicated Social Security was not very important, compared with 17 percent in 1991 and 10 percent in 1990 (EBRI/Gallup Survey, no. G-10, no. G-22, and no. G-34) (chart 19).

Almost seven out of ten respondents (69 percent) to a June 1991 EBRI/Gallup survey believe the Social Security system does only a fair (41 percent) or poor (28 percent) job of keeping the public informed about the program (EBRI/Gallup Survey, no. G-22). This response compares with 83 percent who indicated in a similar survey in February 1990 that the Social Security system did a fair (35 percent) or poor (48 percent) job of informing the public about the program (EBRI/Gallup Survey, no. G-7). While the percentage of Americans who believe the Social Security system is doing only a fair or poor job of informing the public

Chart 18

Do you think higher taxes will be required in order for Social Security benefits to be paid in the next century?

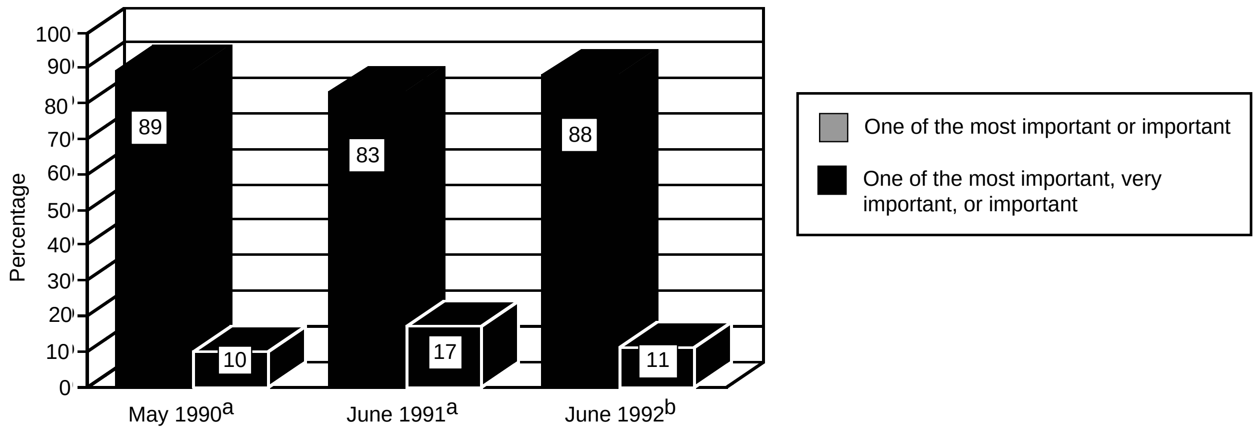


Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on the Social Security Payroll Tax, 1990,* EBRI Report no. G-10 (Washington, DC: Employee Benefit Research Institute, May 1990); *Public Attitudes on Social Security Benefits, 1991,* EBRI Report G-22 (Washington, DC: Employee Benefit Research Institute, June 1991); *Public Attitudes on Retirement Income and Savings, 1992* EBRI Report no. G-34 (Washington, DC: Employee Benefit Research Institute, June 1992).

[a]Asked of all respondents.

[b]Asked of those respondents aged 18–65.

Chart 19
Relative to other government programs, such as defense, education, environment, Medicare, etc., how important is the Social Security program to you?



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on the Social Security Payroll Tax, 1990,* EBRI Report no. G-10 (Washington, DC: Employee Benefit Research Institute, May 1990); *Public Attitudes on Social Security Benefits, 1991,* EBRI Report no. G-22 (Washington, DC: Employee Benefit Research Institute, June 1991); *Public Attitudes on Retirement Income and Savings, 1992,* EBRI Report no. G-34 (Washington, DC: Employee Benefit Research Institute, June 1992).
[a]Asked of all respondents.
[b]Asked of those respondents aged 18–65.

about the program has declined, the majority of Americans are still not satisfied. Nevertheless, public confidence and understanding—or misunderstanding—of these benefits will play an increasingly important role in determining this program's future shape as the number of individuals in the elderly cohort increases and as changes, necessitated by future funding issues, are made to the system. Moreover, public acceptance of changes made will be necessary for a program that is scheduled to pay benefits and to require tax collections amounting to billions of dollars during the next several years.

***Medicare*—As with Social Security, a majority of Americans consider Medicare to be an important government program. An overwhelming majority of nonretired respondents (94 percent) to an October 1992 EBRI/Gallup survey indicated that, among government programs, they considered Medicare either very important (52 percent) or somewhat important (42 percent)**, up from 86 percent of respondents to a similar survey in 1991 who indicated that they considered Medicare either one of the most important government programs (12 percent), a very important government program (33 percent), or an important government program (41 percent) (EBRI/Gallup Surveys, no. G-20 and no. G-38) (chart 20). In fact, over one-half (53 percent) of nonretired respondents to the 1992 survey indicated they would be willing to accept a lower level of Social Security retirement benefits in exchange for higher Medicare benefits. This compares with a similar response by 44 percent of respondents to a similar survey in 1991 (EBRI/Gallup Surveys, no. G-20 and no. G-38).

However, as with Social Security, a growing number of Americans are losing confidence in the financial stability of the Medicare program. More than two-thirds of nonretired respondents to an October 1992 EBRI/Gallup survey (67 percent) said they believe that when they retire Medicare will provide a lower level of benefits than it does today. Seventy-one percent of respondents to a similar survey in 1991 expressed this belief. In response to a 1990

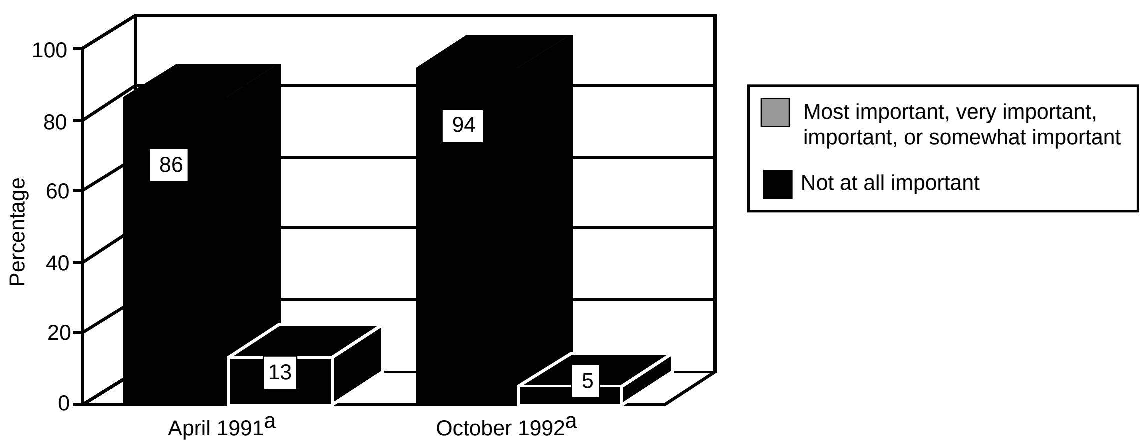
EBRI/Gallup survey, 64 percent of respondents indicated they did not think Medicare would provide the same level of benefits it does today when they become eligible (EBRI/Gallup surveys, no. G-8, no. G-20, and no. G-38) (chart 21). Eighty percent of nonretired respondents to the 1992 survey who were not yet retired indicated they believe they will need additional health insurance coverage beyond that provided by Medicare when they become eligible (EBRI/Gallup Survey, no. G-38).

As with Social Security, Americans seem to lack a general understanding of the Medicare program. Medicare does not provide benefits for extended stays in nursing homes or for long-term care. Yet, more than one-quarter of respondents (26 percent) to the March 1990 EBRI/Gallup survey said they believed Medicare does provide for extended stays in nursing homes, and 37 percent of respondents to a November 1991 EBRI/Gallup survey said they believed Medicare provides for long-term care. Furthermore, while Medicare *does* cover home health care for disabled children and adults and most individuals aged 65 and over, more than one-half (52 percent) of respondents to the 1990 survey said they believed that Medicare does not cover home health care, 34 percent indicated they did not think Medicare covers disabled children and adults, and 33 percent of respondents indicated they did not think Medicare covers retired individuals (EBRI/Gallup Surveys, no. G-8 and no. G-27).

Despite growing concern over the future of both Social Security and Medicare, Americans believe these government programs are important and are committed to preserving them. However, important questions remain. Will the Social Security and Medicare programs continue to grow in a way that best reconciles beneficiaries' economic needs with taxpayers' financing abilities—or will they be curtailed because of heavy financial burdens? Will there be a more concerted effort in the future to formulate a comprehensive national retirement policy that takes into account projected Social Security benefits as well as employer-sponsored retirement benefits and individual savings initiatives? The answer depends largely on the dialogue and decisions of an informed citizenry.

Chart 20

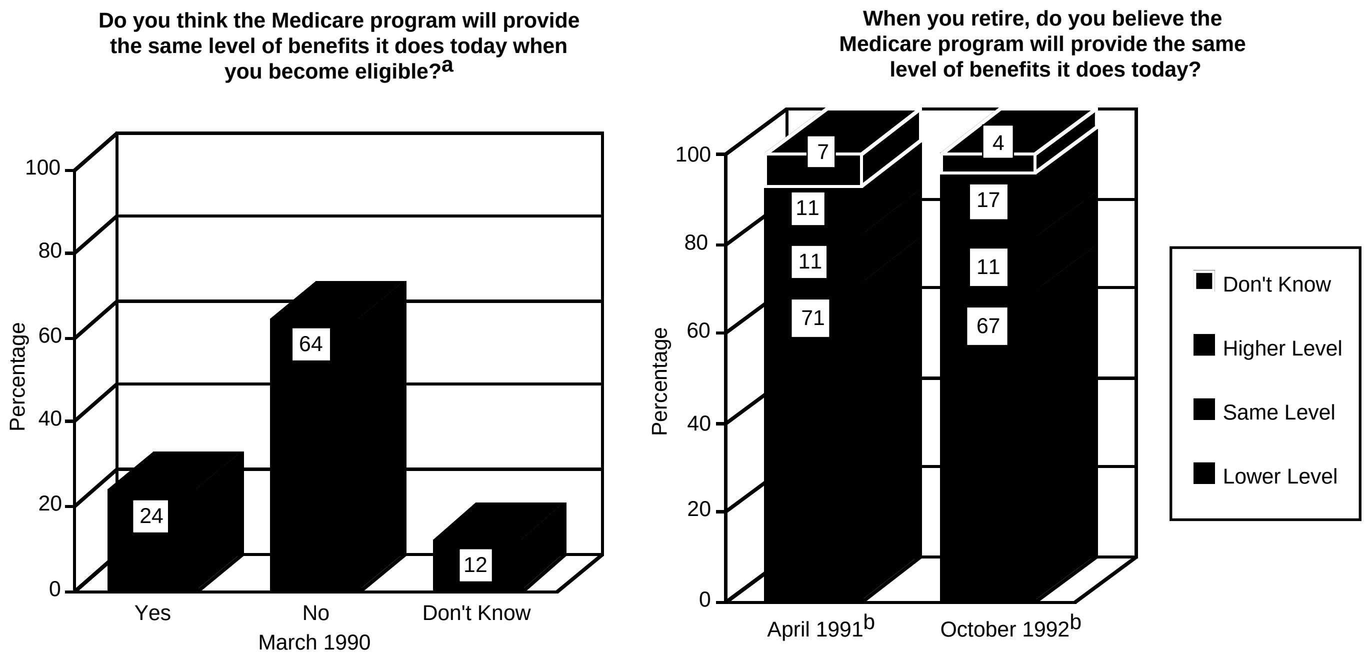
Among government programs, such as defense, education, environment, Social Security, etc., how important is Medicare to you?



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Medicare and Retiree Health, 1991,* EBRI Report no. G-20 (Washington, DC: Employee Benefit Research Institute, April 1991); and *Public Attitudes on Medicare and Retiree Health, 1992,* EBRI Report no. G-38 (Washington, DC: Employee Benefit Research Institute, October 1992).

[a]Asked of those respondents not yet retired.

Chart 21



Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Medicare, 1990,* EBRI Report no. G-8 (Washington, DC: Employee Benefit Research Institute, March 1990); *Public Attitudes on Medicare and Retiree Health, 1991,* EBRI Report no. G-20 (Washington, DC: Employee Benefit Research Institute, April 1991); *Public Attitudes on Medicare and Retiree Health, 1992,* EBRI Report no. G-38 (Washington, DC: Employee Benefit Research Institute, October 1992).

[a]Asked of those respondents not yet eligible for Medicare.

[b]Asked of thoserespondents not yet retired.

◆ Other Benefits

Demographic trends and an evolving family structure have led to changing public opinion regarding optimal benefit structures and to public and private responses that attempt to help workers better balance work and family needs. The EBRI/Gallup public opinion surveys questioned Americans about many of these issues, including long-term care, family supportive benefits, and flexible benefits. Following is an overview of these surveys' results.

Long-Term Care

Long-term care refers to the assistance an individual needs to function on a daily basis. This care may include the need for assistance with eating, bathing, or moving about. In 1987, more than 20 percent of individuals aged 65 and over were limited in one or more of their major activities, and nearly 50 percent of individuals aged 85 and over needed assistance in activities of daily living (U.S. Department of Health and Human Services, 1991). As the population ages, the ratio of people at greatest risk of needing long-term care to people who can provide physical and financial assistance will increase dramatically. Various policy proposals to help provide and finance long-term care include regulating long-term care insurance and expanding government programs.

While EBRI/Gallup survey data indicate that most Americans do not think they will ever need long-term care, there is strong interest in both private long-term care insurance and in the federal government provid-

ing long-term care assistance. Seventy-five percent of all respondents to a November 1991 survey indicated that they do not expect ever to need long-term care assistance, compared with 69 percent in December 1990 (EBRI/Gallup Surveys, no. G-15 and no. G-27). However, 68 percent of respondents to the 1991 survey indicated they would purchase long-term care insurance from an insurance company or through their employer if it were available, compared with 62 percent in 1990.[14]

The high percentage of individuals indicating they would purchase long-term care insurance—despite the low percentage of those who thought they would ever use it—is likely to be in large part a reflection of the number of individuals indicating that family members, such as grandparents, parents, or other family members, received long-term care over the past five years. Twenty-seven percent of respondents to the 1991 survey indicated a member of their family had received long-term care during the past five years, compared with 24 percent in 1990 (EBRI/Gallup Surveys, no. G-15 and no. G-27).

Among respondents to the November 1991 EBRI/Gallup survey who said they would purchase long-term care insurance if available, the median amount they said they would be willing to pay annually for the insurance was $400. Forty-nine percent said they did not know how much they would be willing to pay for such insurance. In 1990, the median amount survey respondents said they would be willing to pay annually was $360 (the 1990 question asked respondents how much they would pay on a monthly basis, with a median amount of $30 per month). The average annual premium for individually purchased long-term care insurance in 1990 ranged from $483 for a 50-year old without an inflation protected policy to $4,199 for a 79-year old with an inflation protected policy (Health Insurance Association of America, 1991).[15]

Data from a 1991 EBRI/Gallup survey indicate that three out of four Americans (74 percent) would support the federal government providing long-term care assistance for all of the elderly even if it meant an increase in income taxes, a response that was essentially unchanged from a year ago when a similar survey showed that 72 percent of Americans thought the federal government should provide such assistance (EBRI/Gallup Surveys, no. G-15 and no. G-27). The only government program that currently funds long-term care is Medicaid, the federal health care program for the poor.

Among respondents to the 1991 EBRI/Gallup survey who indicated they would be willing to pay additional taxes to support a government long-term care program for the elderly, the median amount indicated was $150, compared with $100 in 1990. Forty-two percent of the 1991 survey respondents who supported government assistance for long-term care said they were unsure how much in additional taxes they would be willing to pay for such a program, compared with 48 percent of those responding to the 1990 survey (EBRI/Gallup Surveys, no. G-15 and no. G-27).[16]

Family Supportive Benefits

Changing demographics of the work force have created pressure on employers to consider implementing such family benefits as child care, elder care, and parental leave. In addition, while federal laws that require employers to provide family and medical leave have

[14]While the private long-term care insurance market has been growing, EBRI calculations of Health Insurance Association of American data indicate that only 6 percent of the elderly and 1 percent of the overall population were enrolled in a long-term care insurance policy in 1990 (Health Insurance Association of America, 1991).

[15]Inflation protection refers to a provision within some long-term care insurance policies that increases benefit amounts over time to keep pace with the projected increases in long-term care costs.

[16]For additional information regarding long-term care, see Karen Horkitz, "Long-Term Care Financing and the Private Insurance Market" *EBRI Issue Brief* no. 117 (Employee Benefit Research Institute, August 1991).

failed to be enacted, 38 states, the District of Columbia, and Puerto Rico have enacted such legislation.

Sixty-eight percent of respondents to a January 1992 EBRI/Gallup survey indicated that employers should play a role in providing child care assistance to employees, compared with 71 percent of respondents to both February 1991 and October 1989 EBRI/Gallup surveys. Of those responding to the 1992 survey who supported employer involvement, 57 percent said employers should provide assistance with child care even it if meant a reduction elsewhere in the wage or benefit package for all employees, compared with 64 percent in 1991 and 60 percent in 1989 (EBRI/Gallup Surveys, no. G-5, no. G-17 and no. G-29).

In response to the January 1992 survey, three out of four Americans (76 percent) indicated that employers should be required to provide an unpaid leave of absence to employees on the birth or adoption of a child, with guaranteed reemployment. In a similar EBRI/Gallup survey conducted in 1991, 77 percent of respondents supported such mandated leaves of absence. Of those respondents to the 1992 survey who support employers providing guaranteed leaves of absence, the average length of leave indicated was 21 weeks, compared with 16 weeks in 1991 (EBRI/Gallup Surveys, no. G-17 and no. G-29).

Seventy-six percent of respondents to the 1991 EBRI/Gallup survey indicated employers should be required to grant a minimum period of unpaid leave to employees to care for a sick child or family member (EBRI/Gallup Survey, no. G-17).

Given the choice between a job that offered free child care and an identical one that did not, respondents said they would require a median amount of $2,400 in order to accept the job without child care. In 1991, the median amount indicated was $2,000. However, in response to the 1992 survey, only 3 percent of respondents said they had ever accepted, quit, or changed jobs based on an employer's child care policies, compared with 4 percent in 1991 and 2 percent in 1989 (EBRI/Gallup Surveys, no. G-5, no. G-17, and no. G-29). According to a survey conducted by the Urban Institute, 1990 average weekly child care expenditures for all children in the family ranged from $64 for children in family day care to $94 for those being taken care of in their own home (Hofferth, 1991).[17]

Sixty-five percent of respondents to the January 1992 survey indicated that government should have some role in providing child care assistance for families. This response compared with 64 percent in 1991 and 67 percent in 1989 (EBRI/Gallup Surveys, no. G-17 and no. G-29).

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Sixty-eight percent of respondents to a January 1992 EBRI/Gallup survey indicated that employers should play a role in providing child care assistance to employees.

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However, when respondents were asked how much they would be willing to pay annually in additional taxes to fund government child care assistance, only one-third of respondents to the 1992 survey indicated a willingness to pay anything; the average amount indicated was $100, compared with $86 in 1991. Forty percent of respondents said they would not be willing to pay any additional taxes, and 24 percent said they did not know how much they would be willing to pay (EBRI/Gallup Surveys, no. G-17 and no. G-29).

Flexible Benefit Plans

Section 125 of the Internal Revenue Code, created by the Revenue Act of 1978, formally introduced flexible

[17]These figures are based on the primary care arrangement of the youngest child and on employed mothers with a youngest child under age 5. These figures do not include children cared for by relatives.

benefit plans. Section 125 allows employers to give employees a choice among benefits without requiring them to include the value of such benefits in their taxable income unless they choose taxable options.

Most Americans say they would prefer to have a choice in their benefit plans. **In response to an August 1992 EBRI/Gallup survey, 46 percent of those indicating their or their spouse's employer offered benefits said their employer offered a flexible plan.** Approximately two-thirds (63 percent) of those stating they had an employee benefit plan that was not flexible indicated they would prefer to have such a plan. In response to a survey conducted one year earlier, in April 1991, 50 percent of those who indicated their or their spouse's employer offered benefits said their employer offered a flexible plan. Sixty percent of those stating they had an employee benefit plan that was not flexible indicated they would prefer to have such a plan (EBRI/Gallup Surveys, no. G-19 and no. G-36). While approximately one-half of those with employer-sponsored benefits responding to both the 1991 and 1992 surveys indicated their employer offered a flexible plan, U.S. Department of Labor data indicate that only 24 percent of full-time employees in private firms employing 100 or more workers were eligible to participate in cafeteria plans and/or flexible spending accounts in 1989 (U.S. Department of Labor, 1990).[18]

Most Americans indicated that having a choice in the employee benefits offered by prospective employers would influence their decision to work for a given employer. Given the choice between two jobs with the same salary and benefit levels, one that provides choice in selecting benefit options and one that does not, 88 percent of Americans from worker families, in response to an August 1992 EBRI/Gallup survey, indicated that the choice in benefits provided by the first employer would have a great deal of influence (40 percent) or some influence (44 percent) in their selection of employer. Twelve percent indicated the choice in benefits would have very little influence on their decision of which job to accept, and 4 percent said it would have no influence. In response to an April 1991 EBRI/Gallup survey, 90 percent of respondents indicated they would select the employer allowing them to choose the mix of benefits (EBRI/Gallup Surveys, no. G-19 and no. G-36).

Although a majority of Americans indicated they would like a choice in designing their benefit packages, most respondents indicated they are satisfied with their current benefits (61 percent of those whose employer or spouse's employer offered benefits in 1992, compared with 70 percent in 1991). Seventeen percent of respondents to the 1992 survey indicated they would prefer the same level of benefits but a different combination, 13 percent indicated they would prefer additional benefits and less cash, and 7 percent said they would rather have additional cash and fewer benefits. This compares with 15 percent, 6 percent, and 4 percent, respectively, in 1991 (EBRI/Gallup Surveys, no. G-19 and no. G-36).

A large portion of respondents from worker families also expressed interest in setting aside money before taxes to pay for health or child care expenses, if their employer offered the opportunity through a flexible spending account (FSA). Seventy-three percent of individuals from worker families who responded to the 1992 survey indicated they would participate in such a plan if it were offered, compared with 70 percent in 1991. However, in 1990, less than 20 percent of eligible employees contributed to a health care FSA, and 3 percent of eligible employees contributed to a dependent care FSA (Hewitt Associates, 1991).

On average, respondents to the 1992 EBRI/Gallup survey who indicated a willingness to participate in a

[18]Cafeteria plans and flexible spending accounts (FSAs) are specific types of flexible benefits plans. Cafeteria plans provide employees with a choice among several qualified nontaxable and taxable benefits (including cash). FSAs provide employees with the option of setting money aside for qualified unreimbursed medical or dependent care expenses through pretax salary reduction. For additional information regarding flexible benefit plans, see Foley, 1991).

FSA indicated they would contribute 7.4 percent of their annual income to an FSA, compared with 8.3 percent in 1991 (EBRI/Gallup Surveys, no. G-19 and no. G-36). Contributions to health care FSAs averaged $594, and those to dependent care FSAs averaged $2,696 in 1990 (Hewitt Associates, 1991).

◆ Politics and Public Opinion

Public opinion, employee benefit issues, and the political process largely influence one another. The 1991 Pennsylvania election of Harris Wofford, who defeated the widely favored former U.S. Attorney

Chart 22

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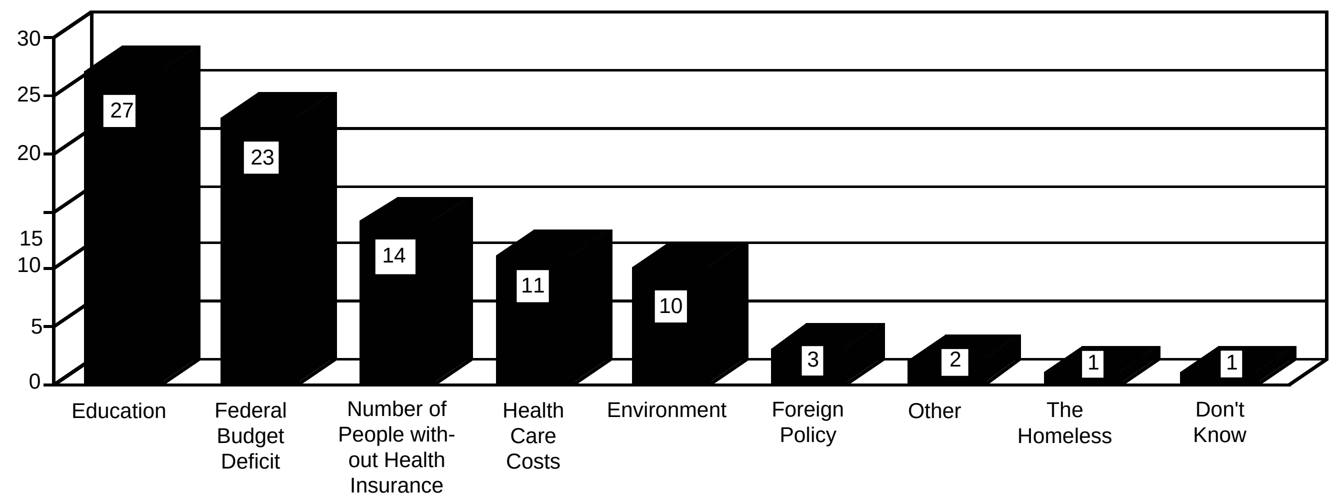
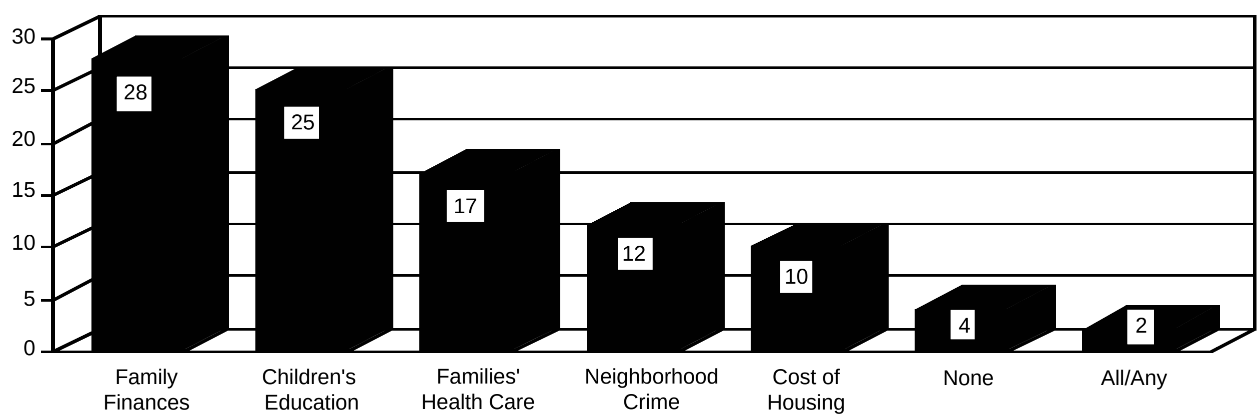
Which of the following issues is the most important facing the United States today?



Which of the following issues is the most important facing your family?



Source: Employee Benefit Research Institute/The Gallup Organization, Inc., *Public Attitudes on Health Insurance, 1991,* EBRI Report G-26 (Washington, DC: Employee Benefit Research Institute, October 1991).

General Richard Thornburgh for the U.S. Senate, served to indicate just how important a single issue can become in a political campaign. Wofford largely focused his campaign on the issues of health care reform and the economy and was able to draw votes, in part, based solely on these issues. According to exit polls conducted by the Health Insurance Association of America "roughly 33 percent of Wofford's voters said that health care was the reason they voted for him" (Health Insurance Association of America, 1992). In the November 1992 presidential race and in many of the 1992 congressional races, health care again played a prominent role.

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Conventional wisdom holds that Americans see health issues and government retirement programs as very important and want reform—until they find out they have to pay for it. Public opinion surveys support this conclusion.

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Retirement issues have also proven to hold an important place in public opinion and in the political arena. The Social Security system has been changed to assure positive cash flow for the balance of this decade. However, because Social Security benefits are so popular among the public, efforts to reduce the benefits have been viewed as "off limits" politically. Furthermore, during the 1980s, Congress changed some aspect of the private retirement system almost annually.

With regard to benefit issues, there exists a large gap between what the public says it wants and what health care analysts and policymakers say is possible. Conventional wisdom holds that Americans see health issues and government retirement programs as very important and want reform—until they find out they have to pay for it. Public opinion surveys support this conclusion.

When asked in an October 1991 EBRI/Gallup survey which of a number of issues they consider to be the most important facing the United States today, health care issues ranked third and fourth (14 percent of respondents indicated: *the number of people without health insurance* and 11 percent indicated *health care costs*), preceded only by education (27 percent) and the federal budget deficit (23 percent). When asked what was the most important issue facing their family, financial issues ranked first (28 percent) and health care ranked third (17 percent) (EBRI/Gallup Survey, no. G-26) (chart 22).

However, when asked about raising taxes to reform and increase access to benefits, Americans' enthusiasm for overhauling and augmenting these benefits declines. For example, 63 percent of all respondents to a 1992 survey said they think the federal government should provide health care to all Americans, compared with 60 percent in 1991 and 56 percent in 1990. Yet, when asked if they still support government-sponsored health insurance for everyone, even if it means an increase in taxes, the percentage of those in favor decreased to 48 percent in 1992, compared with 48 percent in 1991 and 45 percent in 1990 (EBRI/Gallup Surveys, no. G-13, no. G-26, and no. G-37) (chart 9). Additionally, while the proportion of Americans indicating a willingness to increase their contributions to Social Security to ensure they receive Medicare has increased, more than 4 out of 10 Americans (44 percent) responding to a 1992 survey indicated they were *not* willing to pay an increased Social Security tax (EBRI/Gallup Survey, no. G-38).

In addition to public opinion survey results, proponents of the view that Americans want major changes—but are not willing to pay for them—point to the repeal of the Medicare Catastrophic Coverage Act of 1988 as a classic example. The law expanded Medicare to cover catastrophic medical expenses and other benefits such as prescription drug costs. To pay for the expansion, it imposed a supplemental premium on beneficiaries based on income tax liability. After intense public outcry from the middle- and upper-income elderly who would have paid the premium, Congress repealed the law in 1989.

As election year dust settles and the political maneuvering that hampered the ability of Congress and the administration to legislate during the 1992 election year is reduced, the challenge to policymakers will be to find proposals that represent a compromise between what Americans say they want and what analysts say is possible. To do this, focus must be placed on proposals that can effectively control costs while simultaneously expanding access to benefits. Whether this is possible remains to be seen.

This *Issue Brief* was written by Sarah Snider of EBRI with assistance from the Institute's research and education staffs.

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