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# The aging of the baby boomer generation: **Some implications for employers and insurers**

Fourth in a series

“We were all on this ship in the sixties, our generation, a ship going to discover the New World. And the Beatles were in the crow’s nest of that ship.”<sup>1</sup>

– John Lennon (1940 – 1980)

<sup>1</sup>Quotes of the 60s Generation. Available at: [www.the60sofficialsite.com/Quotes\\_of\\_the\\_Baby\\_Boomer\\_Generation.html](http://www.the60sofficialsite.com/Quotes_of_the_Baby_Boomer_Generation.html). Accessed April 6, 2015.

**Baby boomers** — the generation born between 1946 and 1964, is about 77 million strong in the U.S. Baby boomers have made their way through time as a demographic bubble so large that they have been called the “pig in the python.”<sup>2</sup> The boomer generation was actually named “Man of the Year” by *Time* magazine in 1966. It is not a homogeneous group. Its members include Bill Clinton, George W. Bush, and Barack Obama — three presidents with very different political philosophies and approaches to governance. And yet, by virtue of its sheer size, it has changed the landscape every step of the way. From the civil rights movement, to the sexual revolution, to the feminist movement, to rock and roll, this generation has made its mark. And as its oldest members approach age 70, it appears that they’re not done quite yet.

As Mick Jagger and Paul McCartney continue to belt out lyrics and go on tours, their contemporaries also refuse to grow old gracefully. This has certainly been one of the defining characteristics of the boomer generation. Fifty became the new 30. And now 65 may be the new 50. Glance at any issue of *AARP The Magazine* and you will find a celebration of aging people who look young and are committed to staying young, both physically and mentally. Today’s grandma looks more like today’s mom, and nothing like yesterday’s grandma. A recent *USA Today* survey indicates that 65 percent of baby boomers intend to work past the traditional retirement age of 65, and 27 percent of retirees remain employed.<sup>3</sup> Twenty five percent claim they will never retire.<sup>4</sup> In part, this may be because they have not saved enough money to retire in the style to which they have become accustomed. But, in part, this also reflects the same attitude that has characterized this generation: a rejection of tradition, of doing things the way they have always been done, and striving to find a different path.

That boomers are working past normal retirement age is good news for many employers, particularly in industries where they will be difficult to replace. Older workers are generally well-trained, they tend to be more safety conscious, and they generally value loyalty and benefits more than the base salary figure. Keeping these workers on the job should make good business sense. However, they also come with some baggage. Much as they might like to deny it, age does take a toll on the body — and the mind. You may be able to hide your graying hair by dyeing it, but it is much more difficult to hide your expanding middle and remain fit as you age. And some changes may be immutable altogether. This creates a challenge for employers, namely addressing the age-related issues faced by their aging workforce so as to keep their workers healthy, motivated, productive and working longer.

This challenge has not gone unnoticed. In the last couple of years, it seems that every major player in the insurance business has issued some warning that the aging worker issue needs to be acknowledged.<sup>5,6</sup> The arguments made in these white papers, magazine articles and blogs, by and large, are generic:

- The workforce is aging.
- Don’t ignore the demographic wave.
- Pay attention to ergonomics.
- Make sure to have a return-to-work policy in place that encourages returning to work.
- Be aware of comorbidities.

We have no quarrel with any of these recommendations, and indeed we support them. However, given Aetna’s size and the large number of disability claims we handle each year, we are in a position to go beyond the generic conclusions and recommendations by taking a closer look at our disability claims.

<sup>2</sup>Jones, Landon. *Great Expectations: America and the Baby Boom Generation*. New York: Coward, McCann and Geoghegan; 1980.

<sup>3</sup>Hellmich, N. Key tips for retirees starting a business. *USA Today*. January 21, 2015: 4B.

<sup>4</sup>Nuschke, Michael. Redefining retirement: A much longer lifespan means more to consider. *LivingBetter50 Money & Business*. July 1, 2011. Available at: [www.livingbetter50.com/redefining-retirement-longer-lifespan-means/](http://www.livingbetter50.com/redefining-retirement-longer-lifespan-means/). Accessed April 22, 2015.

<sup>5</sup>Aon Risk Solutions, Global Risk Consulting. Responding to the needs of an aging workforce, Aon White Paper. April 2014. Available at: [www.aon.com/attachments/Ageonomics-Report\\_April-2014.pdf](http://www.aon.com/attachments/Ageonomics-Report_April-2014.pdf). Accessed March 30, 2015.

<sup>6</sup>Coventry Workers’ Comp Services. A tsunami or a ripple? Examining the impact of the expected wave of age-related claims. Coventry White Paper. January 2014. Available at: [www.coventrywcs.com/web/groups/public/@cvty\\_workerscomp\\_coventrywcs/documents/newsletter/c114074.pdf](http://www.coventrywcs.com/web/groups/public/@cvty_workerscomp_coventrywcs/documents/newsletter/c114074.pdf). Accessed March 30, 2015.

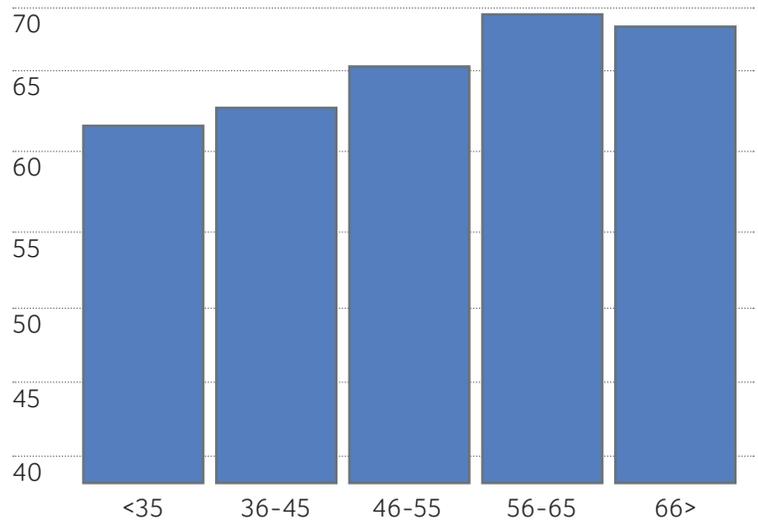
# Looking beyond the obvious

This first graph presents the average duration (in days) of Aetna short-term disability (STD) claims as a function of age, for 2013. This figure fully supports the generic argument — as workers age, they require more time to get back to normal and get back to work following a disability. There seems to be a levelling off at about age 65, possibly because by then many of the workers who are less healthy have left the workforce, through death, early retirement or long-term disability. On the whole, this is what one would expect. No surprise here.

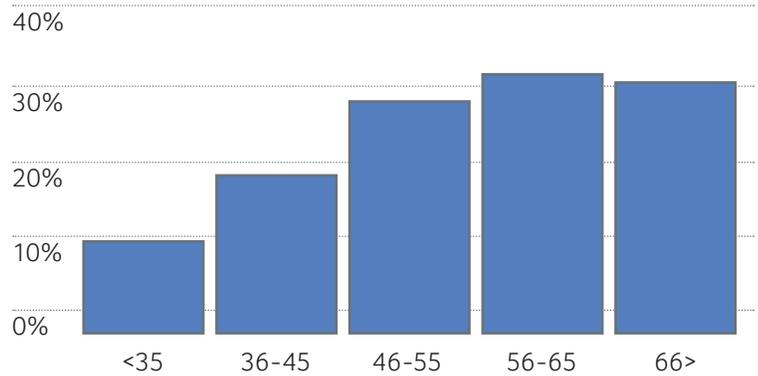
About a third of Aetna's STD claims are musculoskeletal in nature. Claims based on major diagnoses of a musculoskeletal nature include more specific diagnoses such as osteoarthritis, rheumatoid arthritis, backache, radiculitis, spondylosis, sprains and strains, myalgia, neuralgia, fractures, meniscus tears, bursitis, post-laminectomy syndrome, tenosynovitis, rotator cuff syndrome and sciatica.

The next two graphs show both the frequency (the proportion of claims in each age group that are musculoskeletal in nature) and the duration data for those claims as a function of age.

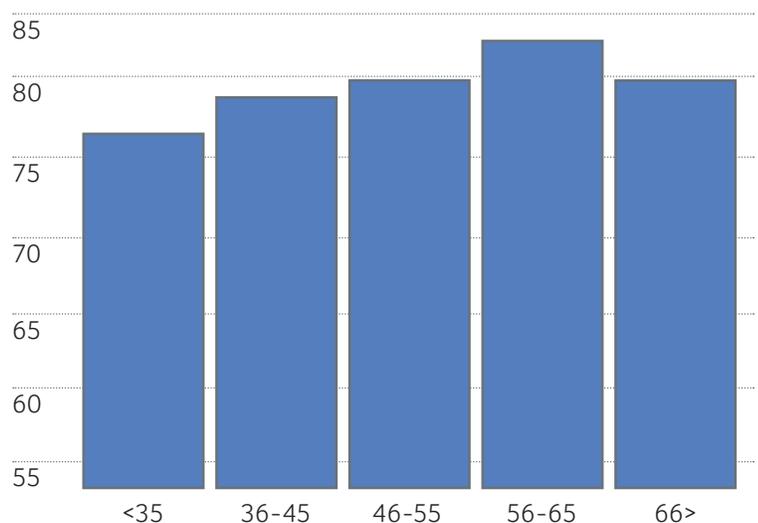
**Mean claims duration (days)\*: Age**



**Claims frequency: Musculoskeletal**  
(Percent of each age group)



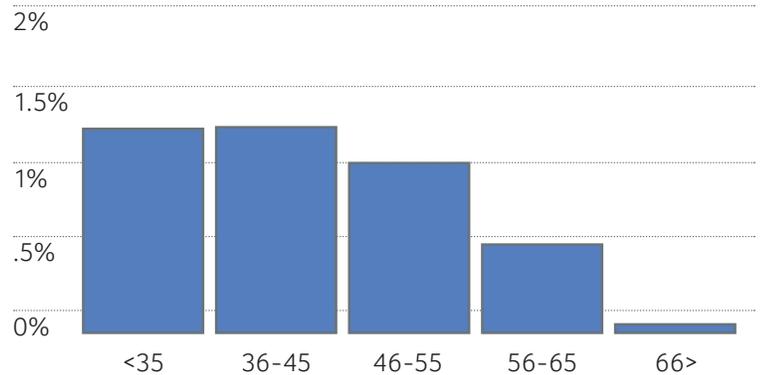
**Mean claims duration (days)\*: Musculoskeletal**



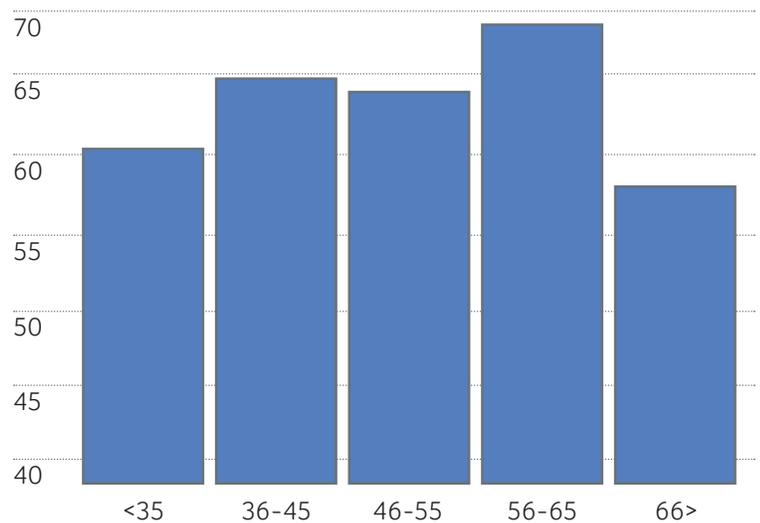
As with the overall claims data, these functions show a clear and systematic relationship with age: Both the frequency of these claims and the duration of these claims increase systematically with age. This is consistent with what we know about the physiology of the aging body: With age comes decreased muscle strength, particularly in the lower body, decreased sensory acuity, slower reflexes and an increased likelihood of contributing comorbidities. All of this would be expected to lead to more musculoskeletal conditions, and slower recoveries.

But not all diagnostic groups follow this function. For example, the next two graphs present the frequency and duration data for claims based on substance abuse. You will see that the frequency of these claims actually goes down with age, but if there is a claim, it will generally last longer as a function of age (please ignore the data for >65 because the number of such claims is too small for statistical reliability).

**Claims frequency: Substance abuse**  
(Percent of each age group)



**Mean claims duration (days)\*: Age**



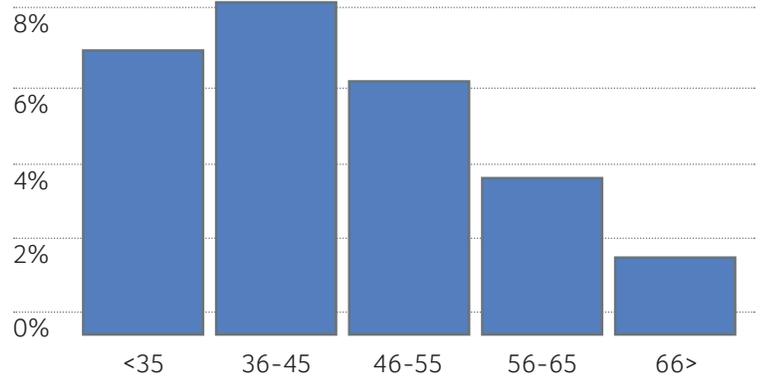
“Musicians don’t retire; they stop when there’s no more music in them.”<sup>7</sup>

– Louis Armstrong (1901 – 1971)

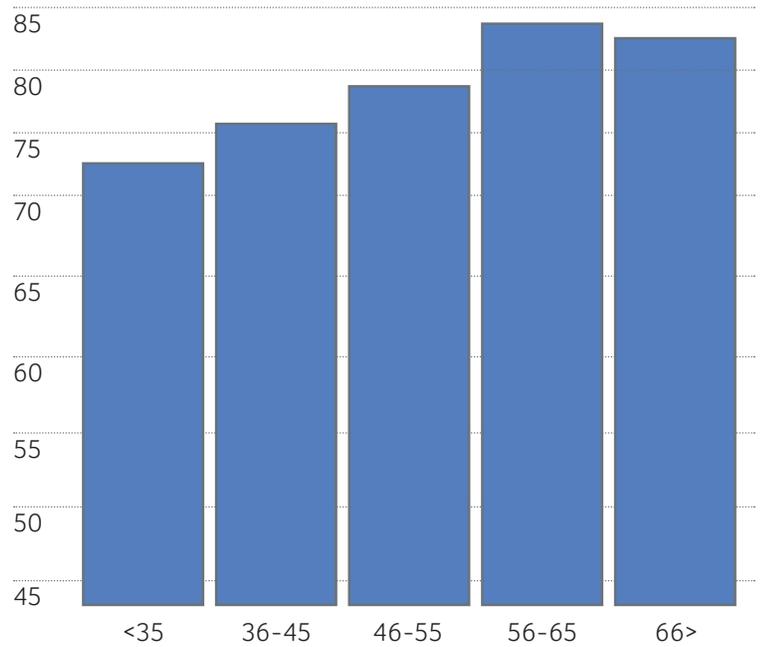
<sup>7</sup>Stage of Life. Quotes about retirement and empty nest. Available at: [www.stageoflife.com/StageRetirement/OtherResources/Quotes\\_about\\_Retirement\\_and\\_Empty\\_Nest.aspx](http://www.stageoflife.com/StageRetirement/OtherResources/Quotes_about_Retirement_and_Empty_Nest.aspx). Accessed April 6, 2015.

Or consider claims for mental disorders. Diagnoses in mental disorders include anxiety, bipolar disorder, depression, post-traumatic stress disorder, schizophreniform and schizoaffective disorders. The next two charts show the frequency and duration data. Like substance abuse claims, the frequency of these claims shows a *negative* relationship with age. But here also, when they are present in older members, they tend to last longer.

**Claims frequency: Mental disorder**  
(Percent of each age group)



**Mean claims duration (days)\*: Mental disorder**



# Implications for employers

It is not our intention to go through every major diagnostic category, but rather to make the point that, just as it is critical for an employer to understand the nature of its business, customers' needs and competitors, it is critical for an employer to understand the nature of its workforce as it may be affected by age. As an employer, it is to your advantage to team up with your disability and workers' compensation insurers and third-party administrators. Together, take a close look at the nature of your claims and how they are likely to change as your workforce gets older. Most employers are not doing that now and they are not prepared for the future. In a recent survey, 85 percent of employers indicated that they were either "very" or "somewhat" concerned about the impact of their aging workforce. Yet 64 percent stated they had not considered that factor in designing their disability and absence management programs.<sup>8</sup>

The outcomes of this exercise will vary. For example, employers in the construction or manufacturing industries who experience musculoskeletal and on-the-job injury claims disproportionately, may want to incorporate workplace preventive measures that differ from employers in the banking or health care sectors. One size does not fit all. For employers with physically demanding jobs, it would make sense to invest in ergonomic evaluations and redesign workstations. In some cases, they may "retrofit" workers to job tasks so older workers could move to less physically demanding jobs as they age.

For employers with many mental health claims,<sup>9</sup> it would be wise to triage these claims to a behavioral specialist, particularly those from older members, for early and special handling. At Aetna, mental health claims are referred to a specialized internal unit. This unit consists of licensed mental health specialists who coordinate with the employer and communicate with the treaters. This proactive approach has proven its value, resulting in savings of over 11 calendar days per claim against industry averages, or \$1,177 per claim in illustrative savings.<sup>10</sup>

Here is another example of how a more targeted approach might translate into specifics. For employers with predominantly female populations, obstetrics claims constitute an area where savings might be achieved by automating the handling of these claims for younger women. Claims for older women who become pregnant should be flagged so they don't go through the automated or expedited claims process. Older women may benefit from more personalized claims handling and case management that addresses comorbidities and complications.

More generally, we have found (not surprisingly) that while younger and older workers have some similar concerns (for example, the financial impact of being unable to work, likelihood of the job still being there upon their return and length of recovery), there are also some notable differences. Older workers appear generally more concerned with:

- The impact of the disability on their ability to finance their retirement.
- Fear of decreasing employability as they age. This occurs when an injured older worker is not able to return to the job or is terminated from employment. This fear is due in part to (often unacknowledged) age discrimination, and in part to higher compensation demands by older workers.
- A greater likelihood of comorbidities, leading to enhanced health concerns.

This suggests that financial counseling may be a valuable add-on service for older disabled workers regardless of their diagnosis. It also suggests that when older workers are involved it might be wise to bring in vocational rehabilitation services earlier in the disability process to address concerns about job availability, before those concerns develop and further impact the claim.

<sup>8</sup>Disability Management Employer Coalition, (2013) State of the Field: Absence and Disability Management Practices for an Aging Workforce. Available at: <http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1320&context=edicollect>. Accessed March 30, 2015.

<sup>9</sup>In a recent sample of Aetna plan sponsors, the proportion of mental claims showed a good deal of variability among employers, varying from 3 percent to 10 percent. Internal report, November 10, 2014.

<sup>10</sup>Case in Point. 5th Annual Platinum Awards. May 2014; p. 11. Available at: [www.dorlandhealth.com/Media/Default/files/CIP\\_awards\\_web.pdf](http://www.dorlandhealth.com/Media/Default/files/CIP_awards_web.pdf).

# Comorbidities

A statistical reality of aging is that as we age, more and more parts of the body tend to start breaking down. Some of these changes may not be significant enough to generate a disability on their own, but as “comorbid” conditions, they can enhance the impact of other medical conditions. Elevated blood pressure is not a killer on its own, but it does increase the likelihood of strokes and heart attacks. Many comorbidities increase with age, including arthritis and diabetes. Their presence may therefore complicate recovery from other conditions to a greater extent in older workers.<sup>11</sup>

What to do? In the best circumstances, a concerned and kind family physician would take the time to sit down with the patient and counsel him or her on the importance of keeping comorbid factors under control through exercise, diet and medication. One of the stated goals of the Affordable Care Act is to encourage primary care physicians to help keep their patients healthy, rather than paying them on a “procedure” basis. While there are indications that some progress is being made in this direction<sup>12</sup> no one would argue that we are returning to the good old days of general practitioners, like 70s television regular Marcus Welby, M.D. (if indeed those good old days ever truly existed). In the meantime, technology has stepped into the gap. As the public has become more and more accepting of, and reliant on, web-based sources of information, there are now very good disease management programs that can provide step-by-step assistance to patients/claimants in managing many diseases. These are gaining acceptance. For example, Aetna’s experience with claimants identified as potentially benefiting from one of the web-based psychological programs has been that over 60 percent of them will access the programs.

These disease management programs provide yet another opportunity for employers to influence the health (and productivity) of their employees. And we have found them to be relatively inexpensive and cost effective. Again, the onus is on the employer (in collaboration with their insurer), to understand their workforce in terms of disability claims and correlated factors. Moreover, many employers are increasingly seeking to further enhance buy-in and participation in health-oriented programs such as these by using some combination of incentives and/or penalties for employee participation.<sup>13</sup>

## Other implications for insurers

With many boomers wanting to work well past retirement age, and some of them planning never to retire at all, it makes sense for employers and disability insurers to help them accomplish those goals. This often coincides with the employer’s interest in keeping the employee at work and productive as long as possible. Historically, disability insurance has been just that, insurance to pay people who are deemed “disabled.”

However, in a series of white papers that began in August 2014, Aetna has been exploring the concepts of disability vs. ability, and work capacity. Many people who meet a legal or contractual criterion for “disability” nonetheless have residual abilities and work capacities. We think it’s a disservice to both claimants and their employers to not pay closer attention to employees’ residual abilities and to help them resume full and functioning lives whenever possible, lives that involve some level of productive employment. In the process, we have been helping to redefine the mission of disability insurance, from simply issuing checks to helping people get back on their feet and resume productive and meaningful lives.

The baby boom generation’s seemingly never-ending quest for youthfulness presents other opportunities for insurers. As with all people, all boomers will eventually die. But many of them apparently will not “go gentle into that good night.”<sup>15</sup> Many in the generation that refuses to acknowledge it is growing old want to suck the marrow of life until the end.<sup>14</sup> This attitude raises interesting possibilities for the insurance industry, specifically for policies beyond disability and workers’ compensation. For example, life insurance policies traditionally have been payable on the death of the policy holder. Medicine is increasingly able to specify narrow windows with respect to life expectancy for people with terminal conditions. Consequently, some boomers would prefer to cash in the life insurance policy while still alive. They could use the proceeds to check off remaining items from their “bucket lists” or cash in the policy to make their last few weeks or months more comfortable, rather than leave the money to loved ones who may not need it. Life insurance policies which provide for accelerated death benefits for policy holders with terminal illness are increasingly being provided as an option to the more traditional policies. Our experience, however, is that employers are not publicizing those features even when they purchase them. Here also is an opportunity for employers to address emerging needs of their aging workforces in a very visible way, and yet typically at little or no additional cost.

<sup>11</sup>Harrison, S. Employers concerned about aging workforce: Study. Business Insurance. August 6, 2013. Available at: [www.businessinsurance.com/article/20130806/NEWS08/130809914#](http://www.businessinsurance.com/article/20130806/NEWS08/130809914#). Accessed March 30, 2015.

<sup>12</sup>Von Drehle, D. Medicine Gets Personal. Time. December 29, 2014: 49-54.

<sup>13</sup>Towers Watson. Staying@Work Survey Report 2013/2014, United States. January 2014.

<sup>14</sup>Thoreau, H.D. Walden; or, Life in the Woods. Boston: Ticknor and Fields; August 9, 1854.

<sup>15</sup>Thomas, Dylan. Do not go gentle into that good night. 1951. Available at: [www.poets.org/poetsorg/poem/do-not-go-gentle-good-night](http://www.poets.org/poetsorg/poem/do-not-go-gentle-good-night). Accessed April 30, 2015.

“I wanted to live deep and suck out all the marrow of life.”<sup>14</sup>

## The bottom line

America is graying. Older workers are frequently an employer's most valuable workers, given their experience and commitment. Many of them want to continue to live meaningful, productive lives through continued employment. However, as they age, time often takes both a physical and a mental toll. The impact of age on a person's ability to work will vary, not only between individuals, but also between industries. There is no one-size-fits-all model. The key takeaway for employers who are concerned about the impact of age on their workforce is that they need to take a long look at the demographics of their workforce, in terms of the interactions between and among age, gender, and their disability and workers' compensation claims. On the basis of these analyses, they should be willing to explore creative, proactive approaches for dealing with disability claims, and for keeping their employees productive and motivated. As we have tried to show in this paper, this is not an overly complicated task. Investing in this effort will likely yield shorter disability periods and happier, more productive and committed employees.



<sup>14</sup>Thoreau, H.D. Walden; or, Life in the Woods. Boston: Ticknor and Fields; August 9, 1854.





For more information about how you can tailor your disability and absence management programs to meet your organization's and employees' unique needs, contact your Aetna representative. Or visit [www.whyaetnadisability.com](http://www.whyaetnadisability.com).

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