
Subject Index

- Activities of daily living (ADLs): in
AHEAD survey, 174; instrumental activities of daily living (IADLs), 221; as variable in subjective probabilities of survival, 185–90
- Actuarial Research Corporation (ARC):
forecast of PSA 2000 plan, 69–70; projections of trust fund balances under PSA 2000, 71
- Advisory Council on Social Security: PSA 2000 plan, 59–77; recommended individual accounts, 4–5, 59
- Annuities: in life-cycle model of consumption, 359–64
- Annuitization: importance of, 1; mandatory, 75–76, 122; over-annuitization, 93–95; under PSA 2000 plan, 67
- Annuity offset model: consumption of Social Security income, 115–17; data sources for, 100–101; empirical support for, 98–99; of life insurance demand, 93–95; previous empirical support for, 98–100; term and whole life insurance in, 96–97; test of correlation between insurance and Social Security, 105–14; test of simultaneous holdings, 103–5; test of term insurance as inferior good, 111, 115
- Asset and Health Dynamics among the Oldest Old (AHEAD) survey, 7, 92, 100–102, 173–74, 358, 365–69
- Benefits: portability of 401(k) plans, 2–3, 24; under proposed PSA 2000 plan, 69, 82, 84–85
- Benefits, Social Security: dependents of covered workers, 317; effect on holding of life insurance, 101–17; payouts, 67; proposed tier-one defined benefit, 62–66; under PSA 2000 plan, 64–68
- Bequest probabilities: changes in subjective, 375–84; as index of saving intentions, 384–88; predictive validity of subjective, 373
- Bequests: actual, 389–90; anticipated, 370–84, 389–90; when illness precedes death, 366–67; in life-cycle consumption for couples, 363–64; in life-cycle consumption for singles, 359–63; life insurance as, 7; measurement of actual, 365–66; as reason for over-annuitization, 93–95. *See also* Estates
- Center for Epidemiological Studies (CESD) scale, 174, 185
- Data sources: AHEAD survey, 9, 72, 100–102, 173–74, 358, 365–69; Berkeley Mortality Database (BMD), 140; Consumer Price Index Urban (CPS-U), 219; Current Population Survey (CPS), 26, 30, 39, 41, 54; German Socio-Economic Panel (GSOEP), 288–91, 295; Health

- Data sources (*cont.*)
 and Retirement Survey (HRS), 27–28, 37–41, 54, 173–74, 314–15, 320–22, 343–44, 358, 365–66; Health Care Financing Administration (HCFA), 203; health insurance claims data, 15, 242, 244; Life Insurance Market Research Association, 119; Medicare claims data, 203; Medicare Provider Analysis and Review File (MEDPAR), 203; National Longitudinal Mortality Study (NLMS), 9, 129, 144, 146, 148; National Long-Term Care Surveys (NLTCS), 219; Pension Provider Survey of HRS, 345–48; Pension Provider Survey part of SCF, 346–48; Retirement History Survey (RHS), 95–96; Survey of Income and Program Participation (SIPP), 28–30, 39, 41, 50, 52
- Disability: ADLs and IADLs to measure, 221; functional status as measure of, 221; rates among elderly people (1984–94), 13–14, 225–26
- Economic inequality: relation to health, 8, 129–31, 165–66
- Education: protective of health, 131–32, 168
- Elderly people: acute and postacute Medicare services for, 14; annuity offset model to test holding of life insurance, 98–117, 122–23; decline in disability rates of, 215, 217, 224–25; decline in mortality rates of, 224; disability and mortality rates (1984–94), 225–26; explanations for holding life insurance, 6–7, 91–95, 117–23; subjective view of life expectancy, 11, 172–73, 181–85. *See also* Asset and Health Dynamics among the Oldest Old; Bequests; Disability; Life Insurance; Medicare spending; Mortality
- Estates: determinants of, 19–20, 370–71; distribution of AHEAD decedents, 19–20, 367–70
- 401(k) retirement plans: administrative expenses of, 46, 49, 57–58; ages of participants, 31–33, 52, 54; extent and uses of distributions from, 26–27; job separation and job tenure, 55; lump-sum distributions from, 44–51, 54, 57–58; participation in and contributions to, 2, 23, 64; portability of benefits, 2–3, 24; post-1993 participation and contributions, 50, 52–53; predicted balances (2024, 2034), 3, 54; preretirement withdrawals from, 2–3, 24–28, 37–39, 43–45, 54; projected balances at retirement, 3–4, 23–24, 28–38, 41–51; projecting future asset balances in, 28–38, 57; projecting future rates of participation, 30–33; tax-deferred accumulations in, 3, 23–24; universal coverage model, 46, 48–49; U.S. families eligible for, 2
- Health: association between marital status and, 198; as cost-saving form, 214–15; effect of improved, 215; effect on income, 168; improvements in older people, 201–2; income and education protective of, 166–68; production of health capital, 132; related to economic inequality, 8, 129–31, 165–66
- Health care services: growth of spending for postacute services, 13, 236–37; Medicaid coverage, 219; Medicare spending for skilled nursing facility (SNF), 235–36
- Health insurance, private: differences in rates, 14–16
- Health maintenance organizations (HMOs): Medicare administered pricing system for, 237
- Hospitals: Medicare PPS payments for inpatient services, 235–36; unbundling of Medicare inpatient services, 235–36
- Incentives. *See* Retirement incentives
- Income: associated with mortality rates, 8; protective of health, 131–32, 148, 167–68
- Jensen's inequality concept, 130
- Labor force participation: of older men (1960–2000), 16–17, 311–12; of older women (1960–2000), 16–17, 311, 313
- Life-cycle hypothesis (LCH): changes in life expectancy under, 171; features and restrictions in, 358; model of consumption for couples, 363–64; model of consumption for singles, 359; survival chances in model of, 172
- Life expectancy: changes in subjective view

- of, 185–90; for elderly Medicare beneficiary, 213; subjective survival probabilities of, 11, 172–73; subjective view in AHEAD survey, 173–74, 181–85
- Life insurance: annuity offset model to test holding of, 98–117; distinction between term and whole, 96–100; effect of Social Security benefits on holdings of, 101–17; group and individual coverage, 97–98; lifetime financial resources affect holding of, 101–17; to offset excessive levels of Social Security, 95; other reasons for holding, 117–23; in portfolio of retired life-cycle consumer, 6, 91–93; saving and insurance elements in, 96–97
- Life Insurance Market Research Association (LIMRA): Buyer Study, 119; Life Insurance Ownership Study, 119
- Medicaid: coverage of long-term care by, 219
- Medical spending: acute-care, 225, 227–30; change in distribution (1953–87), 220–21; differences in insurance among firms, 14–16; postacute-care, 225, 231–33. *See also* Medicare spending
- Medicare: administered pricing systems, 235, 237; diagnosis-related group (DRG), 235; gaming of system, 14; prospective payment system (PPS), 235, 237–39; reimbursement to institutional providers, 235; spending growth of, 11–13. *See also* Prospective payment system (PPS), Medicare
- Medicare spending: by age for each beneficiary, 13–14; changes related to mortality declines, 207–9; changes related to spending per beneficiary, 209–11, 217; controlled for disability status, 223–24; forecasts of, 215; growth for survivors and decedents, 212–13; increases in acute- and nonacute-care, 206, 211–13; individual, 222–23; mortality limiting growth of, 209–11, 213; utilization effect on growth of, 209–12
- Mortality: differences by socioeconomic status, 10–11, 172–73; as function of income, 8, 144–46, 148; income and education protective against, 8–10, 131–32; income inequality related to, 129–30; in Jensen's inequality concept, 130; measurement and reaction to risks, 171; Medicare spending with lower levels of, 11–13; predicted by subjective survival probability, 11; predictors in AHEAD study, 10, 173; rates among elderly people (1984–94), 225–26; relation between socioeconomic status and, 171–73, 196; relation to socioeconomic status, 8; subjective view of life expectancy as predictor of, 181–85
- OASDI. *See* Social Security system, U.S.
- Option value: of continuing to work, 349; formula for, 350–51; original derivation of, 349; peak value restrictions on, 349–50
- Payroll tax: in proposed PSA 2000 plan, 63–68, 88
- Peak value: defined, 348; formula for, 350–51; heterogeneity in after-tax Social Security, 333–34; as measure of Social Security wealth, 331–33; relation to option value, 348–50
- Pension plans, private: defined-benefit and defined-contribution, 88; job leaving associated with, 37–38, 55; lump-sum distributions or withdrawals from, 26–28; retirement incentives in, 329
- Pension system, German public: disability benefits, 284–85; homogeneity of, 284; old-age pensions, 284–85
- Personal Security Account (PSA 2000): ARC forecast of plan, 69–70; changes to Social Security system under, 88; investment choice and risk under, 77–85, 87–89; principles in plan, 5–6, 59–63, 85–86; retirement age under, 65
- Primary insurance amount (PIA) formula: adjusted for wage growth, 78; benefits under PSA 2000 plan, 69, 82, 84–85
- Prospective payment system (PPS), Medicare: under Balanced Budget Act, 237–39; implementation for postacute institutional providers, 237–39; for inpatient hospital services, 235
- Retirement: age under PSA 2000 plan, 65; options in PSA 2000 plan, 65; option value of, 343; relation between provisions of social security and, 16–19
- Retirement, early: eligibility under PSA 2000 plan, 65; incentives in German public pension system, 284–86, 291–92

- Retirement incentives: in German public pension system, 16, 284–88; heterogeneity in Social Security, 323–28, 343–45; peak value measure of Social Security, 331–33; in private pensions, 343, 345–48; Social Security decisions about, 343
- Retirement savings accounts: annuitization in, 1; 401(k) assets rolled over into IRAs, 2, 24; lump-sum distributions from, 26–28; withdrawals from, 26–28. *See also* 401(k) retirement plans
- Retirement wealth. *See* Wealth
- Social Security programs, proposed: tier one defined benefit (DB), 62–66; tier-two defined contribution (DC), 62–66
- Social Security system, U.S.: actuarial estimate of PSA 2000 plan, 70; benefits to dependents of covered workers, 317; changes under proposed PSA 2000, 88–90; cost of shift to PSA 2000 plan, 74; earnings test under PSA 2000, 65; literature on incentives for retirement in, 317–20; OASDI trust fund under proposed PSA plan, 70–76; PSA 2000 proposed reform plan, 59–77; recommended individual accounts under, 4–5; redistribution under, 89–90; retirement incentives, 17–19; subsidies associated with retirement decisions, 332; trust fund accumulations under PSA 2000, 70–71; trust fund under current OASDI, 70–71. *See also* Advisory Council on Social Security; Benefits, Social Security; Personal Security Account (PSA 2000)
- Social Security wealth: after-tax patterns of, 329–31, 344–45; formula for computation of, 338–40; peak value as, 331–33; ratio of projected 401(k) assets to, 43–51; working toward peak year for, 331
- Socioeconomic status (SES): relation between mortality and, 8, 129, 171–73, 196
- Subjective survival probabilities. *See* Elderly people; Life expectancy; Mortality
- Wealth: determinants of, 368–69; prediction in LCH, 390; tax-deferred accumulation in 401(k) plans, 2, 23–24. *See also* Social Security wealth