

EMPLOYER HEALTH BENEFITS

2014 ANNUAL SURVEY

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Retiree Health  
Benefits

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SECTION

11

55%

\$6,025

\$16,834

2014

## RETIREE HEALTH BENEFITS

RETIREE HEALTH BENEFITS ARE AN IMPORTANT CONSIDERATION FOR OLDER WORKERS MAKING DECISIONS ABOUT THEIR RETIREMENT. HEALTH BENEFITS FOR RETIREES PROVIDE AN IMPORTANT SUPPLEMENT TO MEDICARE FOR RETIREES AGE 65 OR OLDER. OVER TIME, THE PERCENTAGE OF FIRMS OFFERING RETIREE COVERAGE HAS DECREASED.

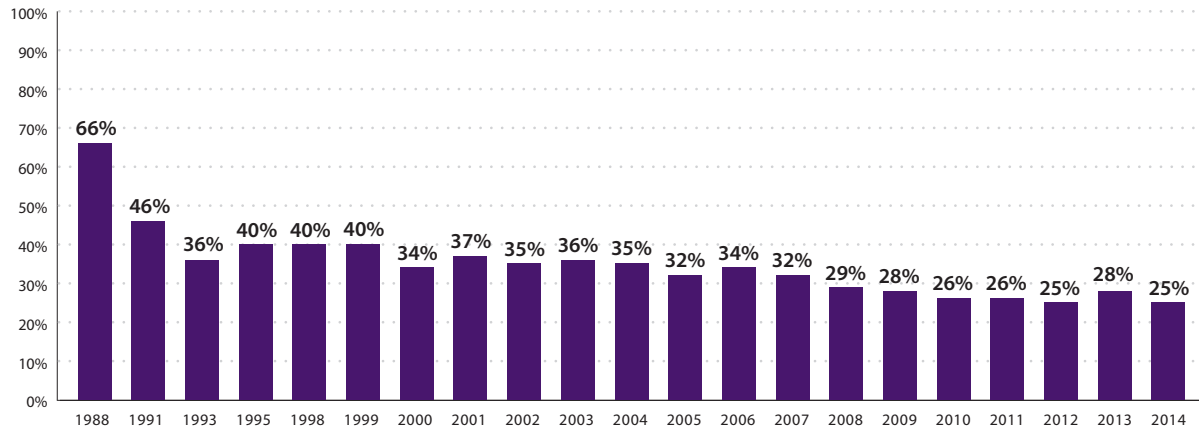
- ▶ Twenty-five percent of large firms (200 or more workers) that offer health benefits to their employees offer retiree coverage in 2014, similar to 28% in 2013. There has been a downward trend in the percentage of firms offering retirees coverage, from 34% in 2006 and 66% in 1988 (Exhibit 11.1).
- ▶ The offering of retiree health benefits varies considerably by firm characteristics.
  - Very large firms (5,000 or more workers) are more likely to offer retiree health benefits than firms with 200-999 workers – 49% vs. 23% (Exhibit 11.2).
  - Among large firms (200 or more workers) that offer health benefits, state and local governments (83%) are more likely than large firms in other industries to offer retiree health benefits. In contrast, large firms in the wholesale industry are less likely (5%) to offer retiree health benefits when compared to large firms in other industries (Exhibit 11.2).
  - Large firms with fewer lower-wage workers (less than 35% of workers earn \$23,000 or less annually) are more likely to offer retiree health benefits than large firms with many lower-wage workers (28% vs. 6%). A comparable pattern exists in firms with a larger proportion of higher-wage workers (35% or more earn \$57,000 or more annually) versus firms with a small proportion of higher-wage workers (37% vs. 18%) (Exhibit 11.3).
  - Large firms with at least some union workers are more likely to offer retiree health benefits than large firms without any union workers – 45% vs. 19% (Exhibit 11.3).
  - Large, public employers such as state or local governments are more likely to offer retiree benefits than large private for-profit firms or private not-for-profit employers. (67% vs. 16% and 22%, respectively) (Exhibit 11.3).
- ▶ Among all large firms (200 or more workers) offering retiree health benefits, most firms offer them to early retirees under the age of 65 (92%). A lower percentage (72%) of large firms offering retiree health benefits offer them to Medicare-age retirees (Exhibit 11.4). These percentages are similar to 2013 and have remained stable over time.
- ▶ Among all large firms (200 or more workers) offering health benefits to active workers and offering retiree coverage, 65% offer health benefits to both early and Medicare-age retirees.
- ▶ Among all large firms (200 or more workers) offering retiree health benefits, 3% offer coverage which covers only prescription drugs (Exhibit 11.6).

### PRIVATE EXCHANGES AND PUBLIC EXCHANGES

- ▶ A private exchange is created by a consulting company or insurer, not by either a federal or state government. Private exchanges allow employees or retirees to choose from several health benefit options offered on the exchange. Four percent of large employers offering retiree health benefits do so through a private exchange (Exhibit 11.7). For more information on the use of private exchanges for active employees, please see Section 14.
- ▶ Starting in 2014, households with an income between 100% and 400% of the federal poverty line and without an offer of employer coverage may be eligible for subsidized health insurance on federal and state exchanges. Some current retirees may be eligible for premium tax credits for coverage provided through these marketplaces.
  - Twenty-five percent of large firms (200 or more workers) offering retiree health coverage say they are considering changes in the way they offer retiree health benefits because of the new marketplaces (Exhibit 11.8).

## EXHIBIT 11.1

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers,  
Percentage of Firms Offering Retiree Health Benefits, 1988–2014



## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2014; KPMG Survey of Employer-Sponsored Health Benefits, 1991, 1993, 1995, 1998; The Health Insurance Association of America (HIAA), 1988.

NOTE: Tests found no statistical difference from estimate for the previous year shown ( $p < .05$ ). No statistical tests are conducted for years prior to 1999.

## EXHIBIT 11.2

Among Large Firms (200 or More Workers) Offering Health Benefits to Active Workers, Percentage of Firms Offering Retiree Health Benefits, by Firm Size, Region, and Industry, 2014

	All Large Firms (200 or More Workers)
<b>FIRM SIZE</b>	
200–999 Workers	23%*
1,000–4,999 Workers	34*
5,000 or More Workers	49*
<b>REGION</b>	
Northeast	29%
Midwest	25
South	26
West	21
<b>INDUSTRY</b>	
Agriculture/Mining/Construction	29%
Manufacturing	13*
Transportation/Communications/Utilities	65*
Wholesale	5*
Retail	10*
Finance	39
Service	19*
State/Local Government	83*
Health Care	23
<b>ALL FIRMS</b>	<b>25%</b>

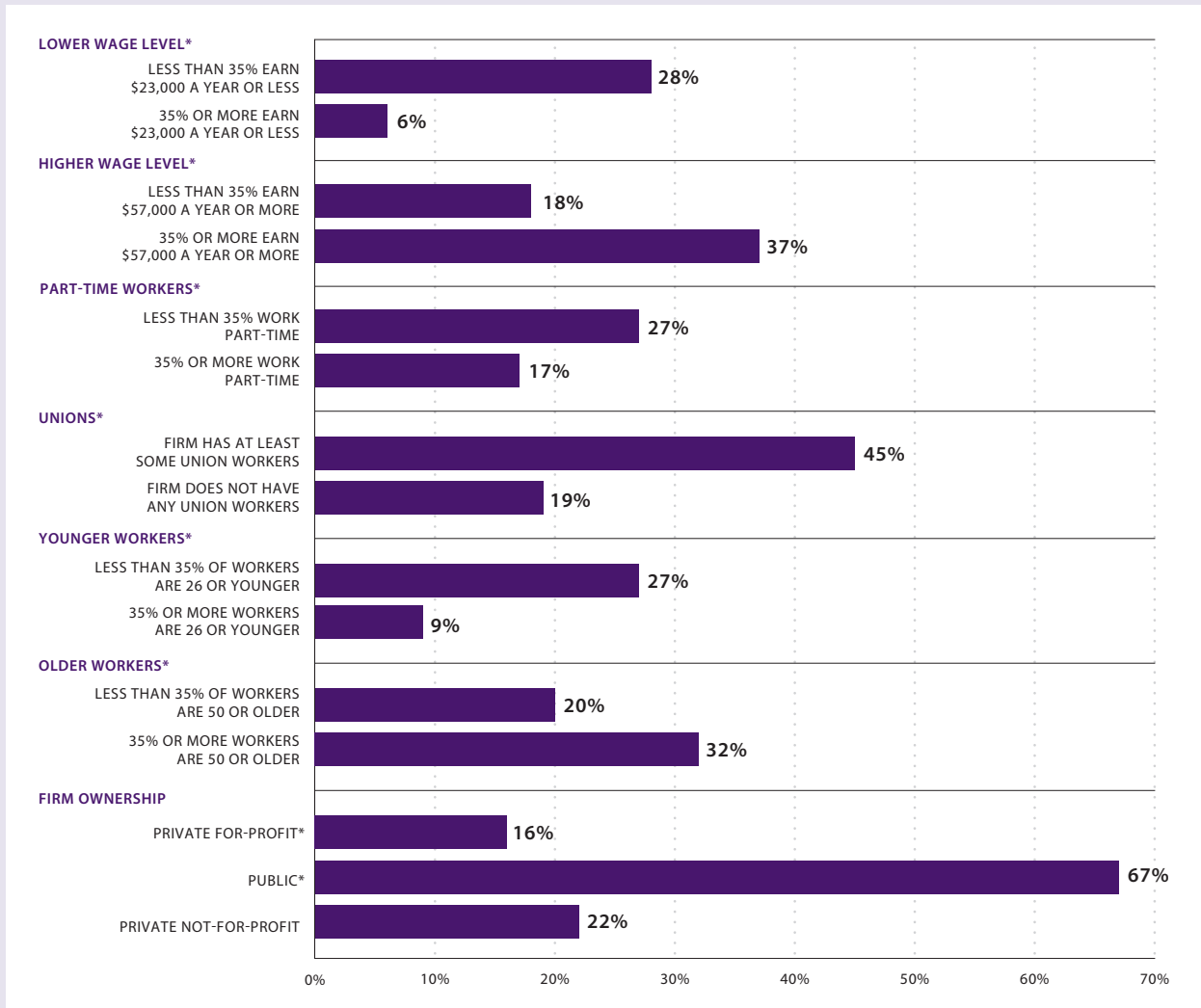
## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

\*Estimate is statistically different from estimate for all other large firms not in the indicated size, region, or industry category ( $p < .05$ ).

EXHIBIT 11.3

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers, Percentage of Firms Offering Retiree Health Benefits, by Firm Characteristics, 2014



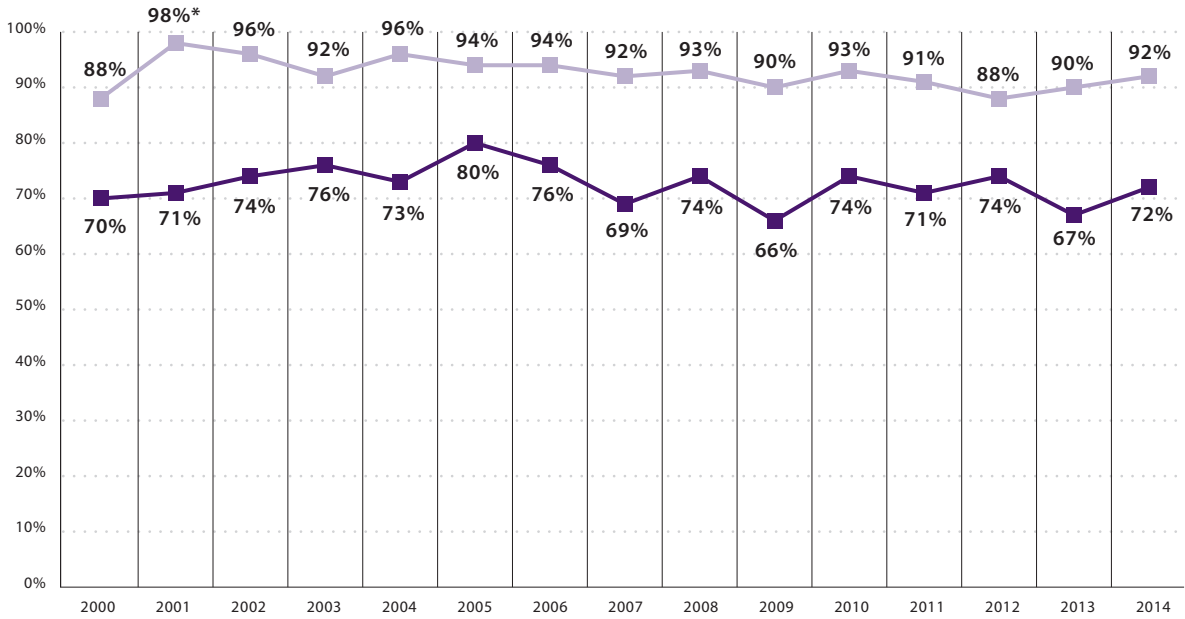
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

\*Estimates are statistically different from each other within category (p<.05).

EXHIBIT 11.4

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Offering Retiree Coverage, Percentage of Firms Offering Health Benefits to Early and Medicare-Age Retirees, 2000–2014



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2014.

\* Estimate is statistically different from estimate for the previous year shown ( $p < .05$ ).

NOTE: Early Retirees are workers retiring before the age of 65. Among All Large Firms (200 or More Workers) offering health benefits to active workers and offering retiree coverage, 65% offer health benefits to both early and Medicare-age retirees.

- OFFER HEALTH BENEFITS TO EARLY RETIREES
- OFFER HEALTH BENEFITS TO MEDICARE-AGE RETIREES

## EXHIBIT 11.5

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Offering Retiree Coverage, Percentage of Firms Offering Retiree Health Benefits to Early and Medicare-Age Retirees, by Firm Size, Region, and Industry, 2014

	Percentage of Large Employers Offering Retiree Health Benefits to Early Retirees	Percentage of Large Employers Offering Retiree Health Benefits to Medicare-Age Retirees
<b>FIRM SIZE</b>		
200–999 Workers	91%	71%
1,000–4,999 Workers	96	73
5,000 or More Workers	94	83*
<b>REGION</b>		
Northeast	83%	78%
Midwest	97	71
South	96	61*
West	92	87*
<b>INDUSTRY</b>		
Agriculture/Mining/Construction	NSD	NSD
Manufacturing	90%	88%*
Transportation/Communications/Utilities	99*	95*
Wholesale	NSD	NSD
Retail	NSD	NSD
Finance	92	62
Service	94	67
State/Local Government	94	72
Health Care	88	69
<b>ALL LARGE FIRMS (200 or More Workers)</b>	<b>92%</b>	<b>72%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

\* Estimate is statistically different from estimate for all other large firms not in the indicated size, region, or industry category ( $p < .05$ ).

NSD: Not Sufficient Data.

NOTE: Early Retirees are workers retiring before age 65.

## EXHIBIT 11.6

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Offering Retiree Coverage, Percentage of Firms Whose Retiree Health Benefits Cover Only Prescription Drugs, by Firm Size, Region, and Industry, 2014

	Percentage of Large Employers Offering Retiree Health Benefits That Only Cover Prescription Drugs
<b>FIRM SIZE</b>	
200–999 Workers	3%
1,000–4,999 Workers	1
5,000 or More Workers	5
<b>REGION</b>	
Northeast	2%
Midwest	2
South	6
West	1
<b>INDUSTRY</b>	
Agriculture/Mining/Construction	NSD
Manufacturing	0%
Transportation/Communications/Utilities	0
Wholesale	NSD
Retail	NSD
Finance	1
Service	<1
State/Local Government	2
Health Care	2
<b>ALL LARGE FIRMS (200 or More Workers)</b>	<b>3%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

\* Estimate is statistically different from estimate for all other large firms not in the indicated size, region, or industry category ( $p < .05$ ).

NSD: Not Sufficient Data.



## EXHIBIT 11.7

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Retirees, Percentage of Firms Who Offer Retiree Coverage through a Private Exchange, by Firm Size and Region, 2014

	Among All Large Firms (200 or More Workers) Percentage of Large Employers Offering Retiree Health Benefits Through a Private Exchange
<b>FIRM SIZE</b>	
200–999 Workers	2%*
1,000–4,999 Workers	6
5,000 or More Workers	8
<b>REGION</b>	
Northeast	1%*
Midwest	4
South	6
West	1*
<b>ALL LARGE FIRMS (200 or More Workers)</b>	<b>4%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

\* Estimate is statistically different from estimate for all other large firms not in the indicated size, region, or industry category ( $p < .05$ ).

## EXHIBIT 11.8

Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers and Retirees, Percentage of Firms Considering Changing the Way They Offer Retiree Coverage Because of Healthcare Exchanges, by Firm Size and Region, 2014

	Yes, Considering Changing	No, Not Considering Changing	Don't Know
<b>FIRM SIZE</b>			
200–999 Workers	20%	79%	2%
1,000–4,999 Workers	34	60	6
5,000 or More Workers	49	48	3
<b>REGION</b>			
Northeast	21%	77%	2%
Midwest	35	65	1
South	28	69	3
West	12	82	5
<b>ALL LARGE FIRMS (200 or More Workers)</b>	<b>25%</b>	<b>72%</b>	<b>3%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

