

May 2016 | Data Note

Fading Fast: Fewer Seniors Have Retiree Health Insurance

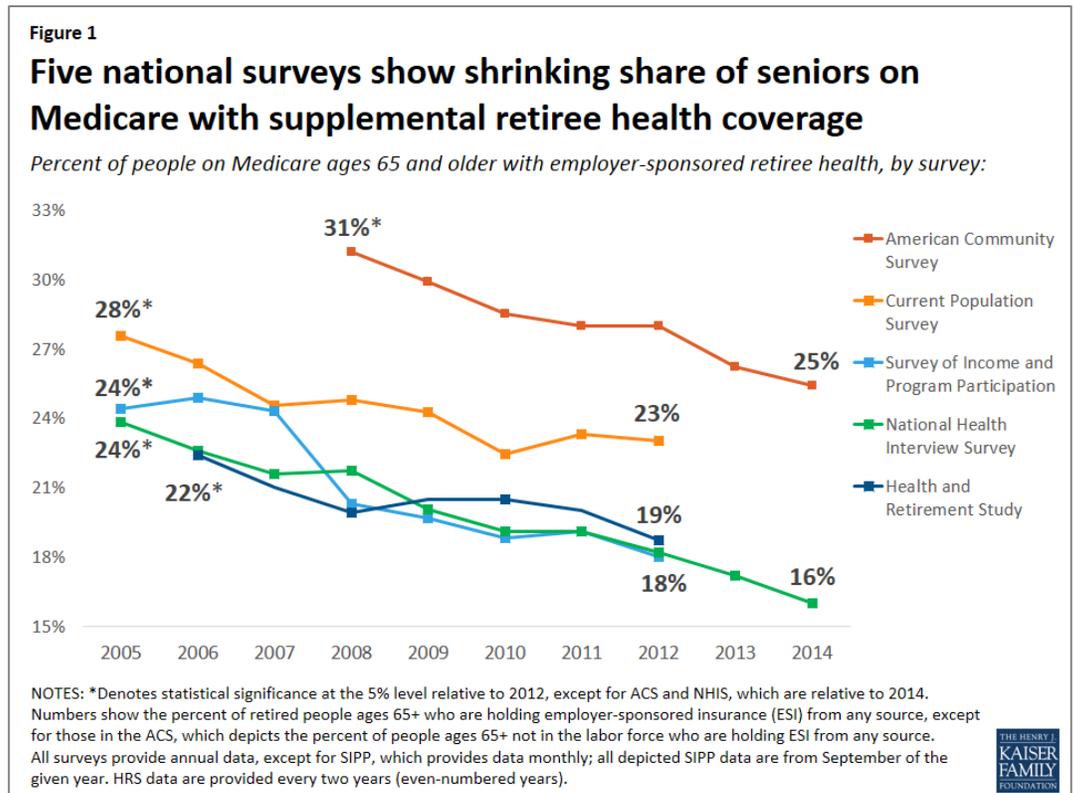
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Employer- and union-sponsored [retiree health benefits have served as an important source of supplemental coverage for people on Medicare](#). Retiree health plans help fill the gaps in Medicare’s benefit design, often cover some or all of Medicare’s cost-sharing requirements and deductibles, and include a cap on out-of-pocket spending – a benefit that is [required to be provided by all Medicare Advantage plans](#), but not covered under traditional Medicare, and of great value to retirees needing costly medical care. For retirees, employer-sponsored supplemental coverage limits the costs they would otherwise incur for their medical care.

The Kaiser Family Foundation has been tracking trends in employer-sponsored health coverage, and has documented a significant [drop in the share of large employers \(200+ workers\) offering retiree health coverage, from 66 percent in 1988 to 23 percent in 2015](#). Firms that continue to offer retiree health benefits have adopted various strategies to limit their liability for these costs, including: hard caps on their financial liability, a shift from a defined benefit to a defined contribution approach, and increases in premiums and cost-sharing requirements paid by retirees and their spouses. In recent years, some employers have elected to offer retiree [benefits through contracts with Medicare Advantage plans and private health insurance exchanges](#).

In this data note, we draw upon five large national surveys to assess how the termination of retiree health coverage has affected coverage among seniors on Medicare (Figure 1). These five surveys produce different estimates of retiree health coverage – differences that may be due to variations in sample size, question wording, skip patterns and sample population (Table 1).^{1, 2}

Together, however, these five national surveys paint



a clear picture: the share of seniors on Medicare with employer-sponsored retiree health coverage is shrinking. For example, in the survey providing the highest estimates of retiree coverage among people ages 65 and older on Medicare—the American Community Survey—the share declines from 31% in 2008 to 25% in 2014. In the National Health Interview Survey, the share declines from 24% in 2005 to 16% in 2014.³

The drop in retiree health coverage has important implications for retiring boomers who are approaching their Medicare years with a different set of insurance needs and choices than their parents' generation. A growing number of boomers are aging on to Medicare without the additional financial protection of an employer-subsidized retiree health plan. Some will shift on to traditional Medicare, without supplemental coverage, and face multiple deductibles and cost-sharing requirements when they seek medical care, unless they forego care due to costs. The decline in retiree coverage could lead to an increase in the demand for individually-purchased [Medicare supplemental \(Medigap\) insurance policies](#) and contribute to the rise in Medicare Advantage enrollment, particularly among those who are willing to trade more limited provider networks for the financial protection that comes with a limit on out-of-pocket spending.

Employer-sponsored retiree health coverage once played a key role in supplementing Medicare. Any way you slice it, this coverage is eroding.

Table 1: Comparison of National Surveys Used to Document Trends in Retiree Health

	Current Population Survey (CPS) ¹	Health and Retirement Study (HRS) ²	Survey of Income and Program Participation (SIPP) ³	National Health Interview Survey (NHIS) ⁴	American Community Survey (ACS) ⁵
Extract Used for 2012 Statistics	Annual Social and Economic Component (ASEC), March 2013 - coverage and poverty statistics for the prior calendar year	Wave #11 (2012 Core)	2008 Panel, Wave #13	2012 personsx file	2012 1-year Public Use Microdata Sample (PUMS)
Interviewed Population	Non-Institutional Civilian Population	Non-Institutional Civilian Population Aged 50+	Non-Institutional Civilian Population	Non-Institutional Civilian Population	US Resident Population
Unweighted Number of Non-Institutional Medicare Beneficiaries Ages 65+	21,614	9,852	11,949	12,693	521,317
Weighted Number of Non-Institutional Medicare Beneficiaries Ages 65+	40,066,711	40,193,603	40,880,884	39,357,611	41,578,251
How retiree health is determined: share of seniors who hold ESI from any source and report being...	Retired	Retired	Retired	Retired	Not in the labor force
Question used to determine health coverage from employer for retirees ages 65+	At any time in 2012, (was/were) (you/ anyone in this household) covered by a health insurance plan provided through (their/your) current or former employer or union?	Do you obtain this health insurance through a former employer of yours? Do you obtain this health insurance through your (spouse's/partner's) former employer? Do you obtain this health insurance through your former (spouse's/partner's) former employer?	Was the health insurance obtained through-- -Current employer or work -Former employer -Union -TRICARE/CHAMPUS -CHAMPVA -Or the Military/VA health care -Privately purchased -Or in some other way	Which one of these categories best describes how this plan was obtained? -Through employer -Through union -Through workplace, but don't know if employer or union -Through workplace, self-employed or professional association -Purchased directly -Through a state/local government or community program -Other, specify	Is this person currently covered by any of the following types of health insurance or health coverage plans? -Insurance through a current or former employer or union -Insurance purchased directly from an insurance company -Medicare -Medicaid, Medical Assistance, or any kind of government-assistance plan for those with low incomes or a disability -TRICARE or other military health care -VA (including those who have ever used or enrolled for VA health care) -Indian Health Service -Any other type of health insurance or health coverage plan

SOURCES:

¹ U.S. Department of Commerce, U.S. Census Bureau, 2013 Annual Social and Economic Supplement Items Booklet - Feb/March/April 2013, http://ceprdata.org/wp-content/cps/CPS_March_Questionnaire_2013.pdf.

² RAND Center for the Study of Aging, RAND HRS Data Documentation, Version O, http://hrsonline.isr.umich.edu/modules/meta/rand/randhrso/randhrs_O.pdf; "HRS 2012 - Section N," <http://hrsonline.isr.umich.edu/modules/meta/2012/core/qnaire/online/15hr12N.pdf>.

³ U.S. Census Bureau, "Appendix B: Questionnaire," <https://www.census.gov/content/dam/Census/programs-surveys/sipp/questionnaires/2008/SIPP%202008%20Panel%20Wave%2013%20-%20Core%20Questionnaire.pdf>.

⁴ CDC, "2012 NHIS Questionnaire - Family," May 2013, ftp://ftp.cdc.gov/pub/Health_Statistics/NCHS/Survey_Questionnaires/NHIS/2012/English/qfamily.pdf.

⁵ U.S. Department of Commerce, U.S. Census Bureau, The American Community Survey, <http://www2.census.gov/programs-surveys/acs/methodology/questionnaires/2012/quest12.pdf>.

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¹ This analysis does not include data from the Medicare Current Beneficiary Survey due to methodological changes that are likely to impact coverage assignment and trends.

² Improvements to the Health Insurance Questionnaire of the Current Population Survey created a break in the coverage trend between 2012 and 2013, therefore 2013 and 2014 statistics are not shown. See: <http://kff.org/health-reform/issue-brief/measuring-changes-in-insurance-coverage-under-the-affordable-care-act/>.

³ An analysis by EBRI (October 2012 No. 377) similarly shows a reduction in non-working retirees over age 65 with retiree benefits from 20 percent in 1997 to 16 percent in 2010. The coverage estimates are somewhat lower because that report focused on coverage for policyholders whereas this analysis includes retirees and their spouses.