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FOR RETIREES AND NEAR RETIREES HEALTH CARE SQUEEZE IS HERE Older Americans increasingly caught between rising needs and cost, report says

More and more older workers are being forced to put off retirement, even when their health problems make continuing to work difficult, because of the high cost of individual health insurance and the drop in employer-provided health insurance for retirees. At the same time, a growing number of retired people are being forced to rely solely on Medicare as more employers respond to rising insurance costs by discontinuing retiree health coverage. These trends are documented in a report published by the Economic Policy Institute and released jointly today by EPI and the Center for American Progress.

The 64-page report – [Health Insurance Coverage in Retirement: The Erosion of Retiree Income Security](#), by Christian E. Weller, Jeffrey Wenger, and Elise Gould – tracks and analyzes the trends in health care access and costs, including prescription medicines, among the nation’s growing elderly population. It combines the authors’ new research findings with a comprehensive review of the findings of others’ earlier research. The report shows, among other things, that what many health care observers have described as tomorrow’s problem has already arrived for today’s retirees and workers who are nearing retirement.

The study points to these important data and trends:

- From 1996 to 2002, the percentage of pre-65 male retirees who were covered by their own employer-sponsored insurance (ESI) fell from 51.3% to 47.8%.
- Among retirees from 65 to 74, the percentage with supplemental ESI coverage also fell during that same period from 22.1% to 21.3%.
- In 2002, early retirees in poor health were less likely than healthier early retirees to have ESI coverage; overall, 53.8% of early retirees were covered by an employer-sponsored plan (either from their own or their spouse’s employer), but the percentage of ESI coverage for those in poor health was only 26.3%.
- Among near-elderly employees, the share of those in poor health with no health insurance grew from 18.7% in 1996 to 21.4% in 2002.

The report notes that among employers with 200 or more employees, the percentage offering retiree health care fell from 66% in 1988 to 38% in 2003. In 2003, only 10% of firms of 200 or fewer employees provided health care for retirees. One fifth of all firms said in 2003 that they are very or somewhat likely to end retiree health insurance. Among those that continue to offer the coverage, more of the costs are being shifted to retirees, eligibility rules are becoming harder to meet, and new hires are being excluded from any future retiree benefits.

“Just when workers need health care most – at or after retirement – they’re being cut off by employers’ decisions to discontinue or drastically curtail that insurance,” said Weller. “Unless we address this problem, the future will hold more and more older workers and retirees with rising health care needs, little or no insurance coverage, and costs that put the care they need beyond their reach.”

Older workers with health problems, who not long ago would have been retiring early, are now in an especially tight bind, according to the report. The health problems that are pushing them toward retirement also make it impossible to retire, since they need the insurance coverage more than ever. The report cites many research studies that show a clear and direct relationship between health, access to health insurance, and a decision to retire.

“More workers are caught in a lose-lose situation,” said Weller. “The health problems that make it hard to work are locking them into their jobs because they can’t risk losing their health insurance.”

Prescription drugs are an especially difficult part of the problem, according to the report. One-third of employer-sponsored retiree health plans do not cover prescriptions, which account for as much as 60% of retiree health costs that are not covered by Medicare. Between 1996 and 2000, prescription drug coverage for near-elderly retirees fell nearly 10 percentage points, from 80% to 70.1%.

“Prescription medicines are the key to determining the quality of life for many people,” said Gould. “Unfortunately we have an increasingly two-tiered system in which more and more retirees lack prescription drug coverage.”

About the authors and the organizations

Christian Weller is a senior economist at the Center for American Progress and an Economic Policy Institute research associate. **Jeffrey Wenger** is an Assistant Professor of Public Policy at the University of Georgia’s School of Public and International Affairs. **Elise Gould** is an economist at the Economic Policy Institute.

The **Economic Policy Institute** is an independent, nonprofit, nonpartisan research institute based in Washington, D.C. EPI researches the impact of economic trends and policies on working people in the United States and around the world.

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Health Insurance Coverage in Retirement: The Erosion of Retiree Income Security, can be ordered at www.epinet.org.