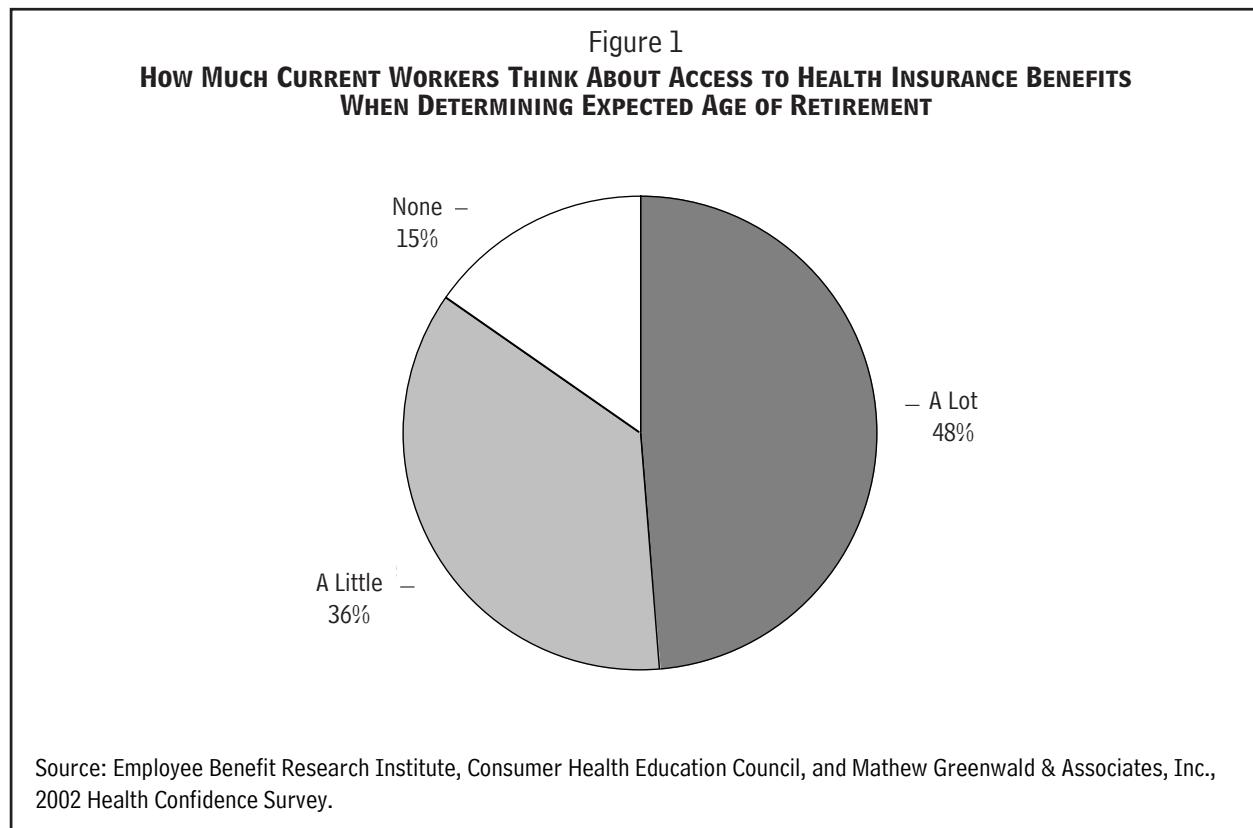


## Retiree Health Benefits: Public Perception vs. National Reality

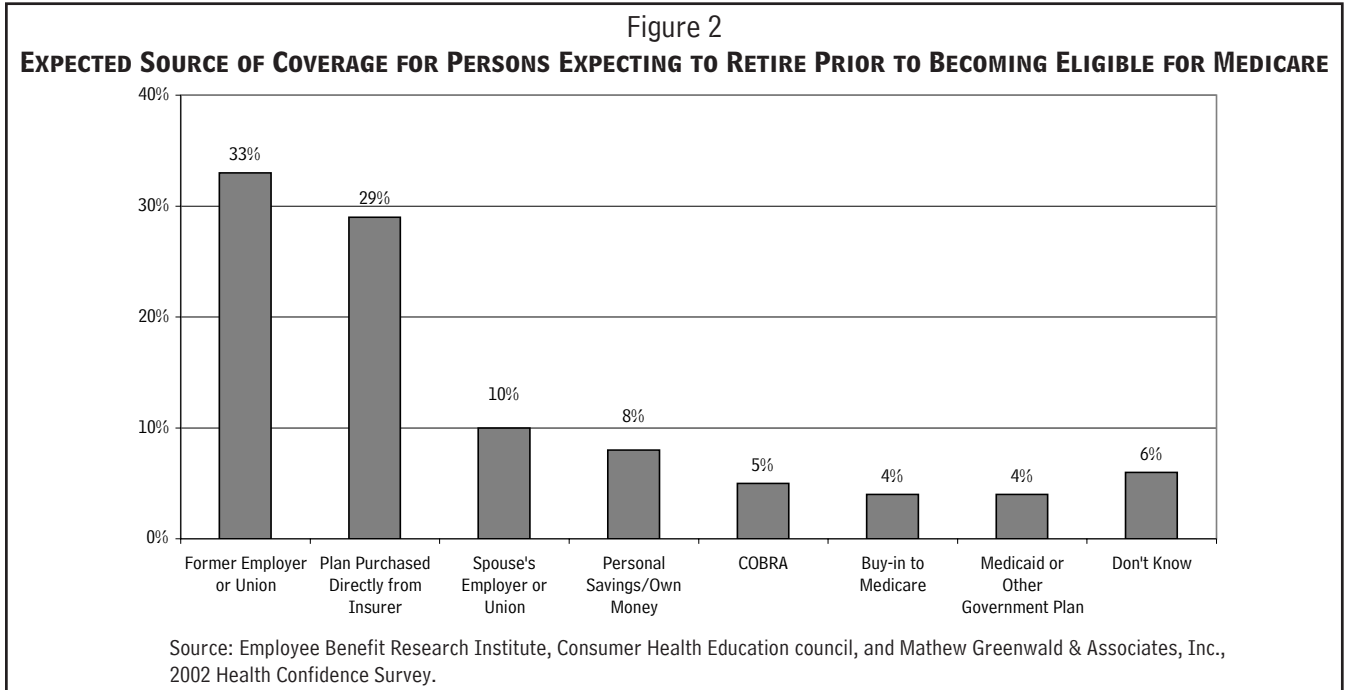
According to the 2002 Health Confidence Survey (HCS), there is a strong link between the decision to retire and the availability of retiree health benefits. Sixty percent of workers who expect both to receive retiree health benefits and to retire before age 65 would not retire before becoming eligible for Medicare if their former employer or union did not provide retiree health benefits. It is not surprising then that most workers and retirees considered access to health insurance benefits when determining retirement age (Figure 1).



### Retiree Health Expectations

*Many current workers expect retiree health benefits to be available in the future.*

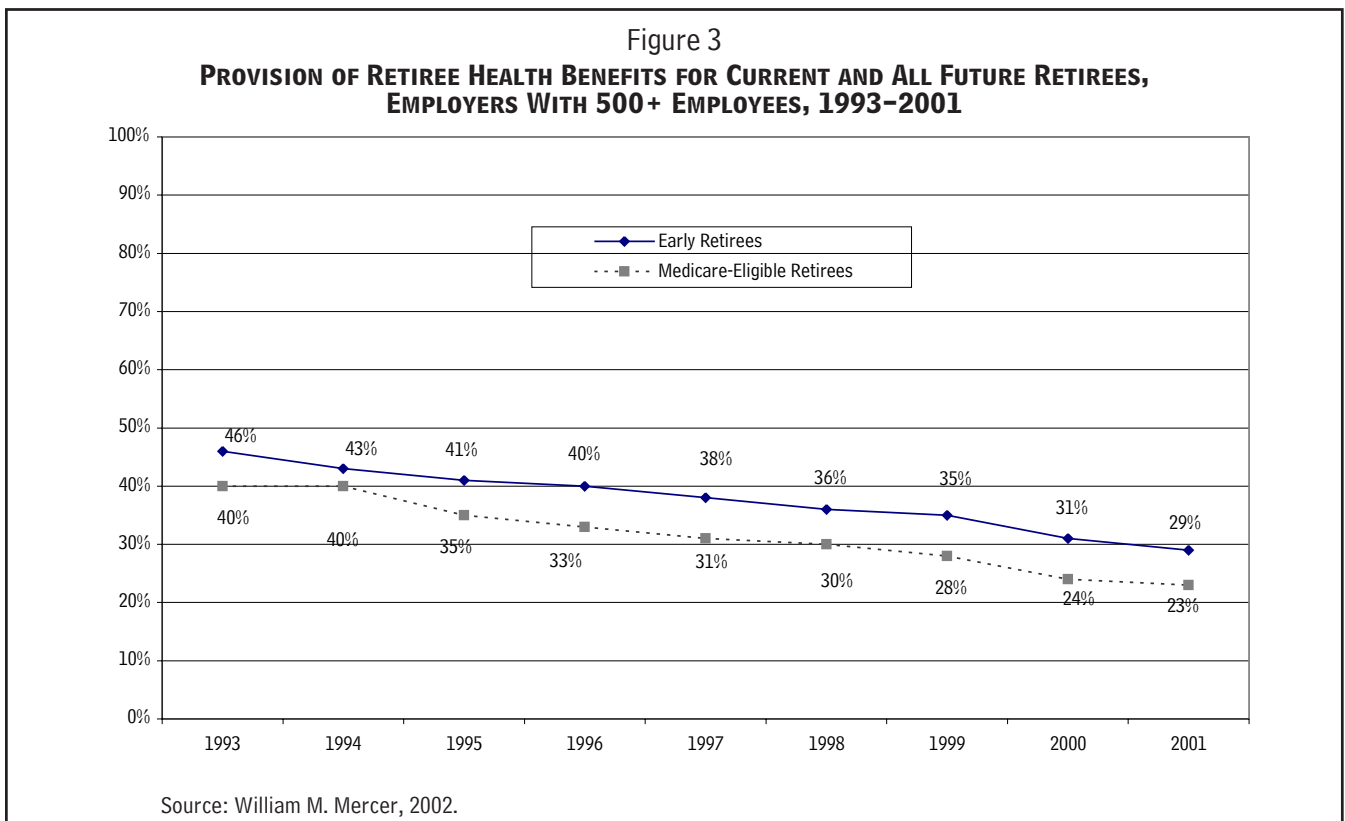
- Fifty percent of the workers in the 2002 HCS sample expect to receive health insurance coverage through a former employer or union during their retirement, although fewer (33 percent) expect to receive it before they are eligible for Medicare (Figure 2).
- Among the workers in our sample, only 21 percent report that their employer has made any changes in the way it provides retiree health coverage. This may reflect the fact that some workers are employed by firms that either never offered retiree health benefits or that some workers became employed on their job after an employer announced changes.



**Future of Retiree Health Benefits**

*Despite expectations, many workers may never qualify or be able to afford retiree health benefits.*

- The percentage of employers offering retiree health benefits has been declining. In 2001, 29 percent of employers offered retiree health benefits to early retirees, down from 46 percent in 1993 (Figure 3).



- Employers have tightened eligibility requirements for retiree health benefits, for instance, by increasingly requiring workers to attain a certain age and/or tenure with the company before they become eligible to receive any benefits (Figure 4).

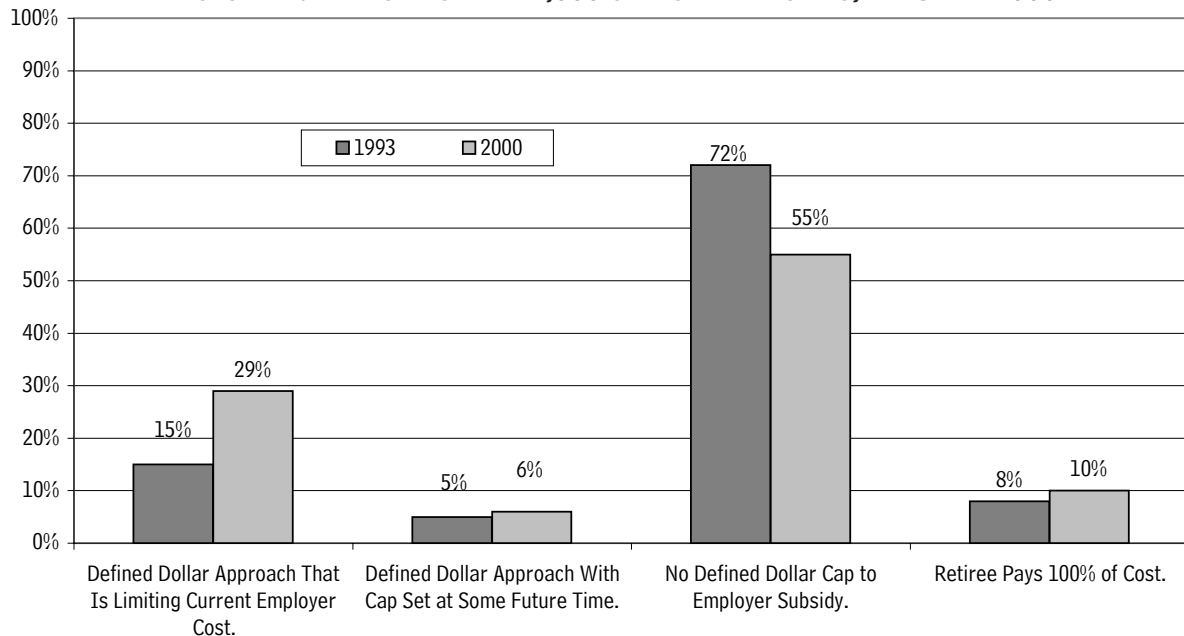
Figure 4  
**ELIGIBILITY REQUIREMENTS FOR RETIREE HEALTH BENEFITS,  
 EMPLOYERS WITH 1,000 OR MORE EMPLOYEES, 1996 AND 2000**

	1996	2000
Age 50 + 10 years service	1%	2%
Age 50 + 15 years service	1	1
Age 55 + 5 years service	9	10
Age 55 + 10 years service	30	38
Age 55 + 15 years service	5	8
Age 55 + 20 years service	0	2
Age 60 + 10 years service	0	1
Based on age/service points	1	5
Based on age and/or service plus age/service points	6	3
Two or more alternatives	35	19
Other (e.g., age only or service only)	11	11

Source: McArdle, et al. (1999) and Hewitt Associates (2000).

- Employers have increasingly imposed caps on the total amount of money they are willing to spend on retiree health benefits (Figure 5.)

Figure 5  
**USE OF DEFINED DOLLAR APPROACH TO CAP EMPLOYER CONTRIBUTION TOWARD RETIREE HEALTH BENEFITS,  
 RESPONDING EMPLOYERS WITH 1,000 OR MORE EMPLOYEES, 1993 AND 2000**



Source: Hewitt Associates (1993, 2000).

- While many workers expect that they will retire early or when eligible for Medicare and also will receive health benefits from their former employer, many of them may never qualify for benefits because of changes that employers have recently made. This has policy implications for both the Medicare program and for employers as labor market dynamics may be affected.

Sources:

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