

Retiree Health Benefits and Expectations

The 2003 Health Confidence Survey (HCS) represents the sixth wave of an annual survey to assess the attitudes of the American public regarding the health care system in the United States. The 2003 HCS finds that Americans put thought into their access to health insurance when planning for retirement, and that fewer than in the past plan to retire early or expect to receive health benefits from an employer when they retire. Many American workers also feel that they must keep working—perhaps longer than they would like—in order to retain health insurance benefits.

Strong Link Between Benefits and Retirement

There is a strong link between the decision to retire and the availability of retiree health benefits. In fact, in the 1998 HCS, three-fourths of workers said they would not retire before they were eligible for Medicare if a 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 their retirement age (Figure 1).

Figure 1

How Much Current Workers and Retirees Think/Thought About Access to Health Insurance When Determining Expected Age of Retirement, 2003

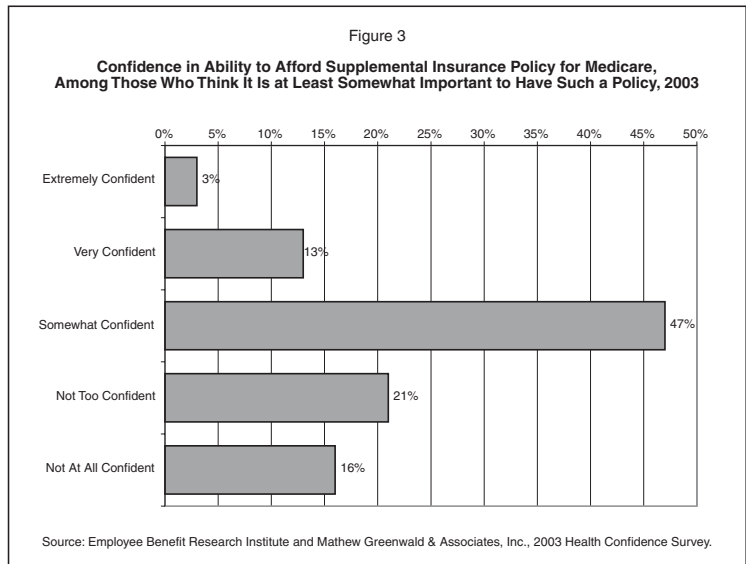
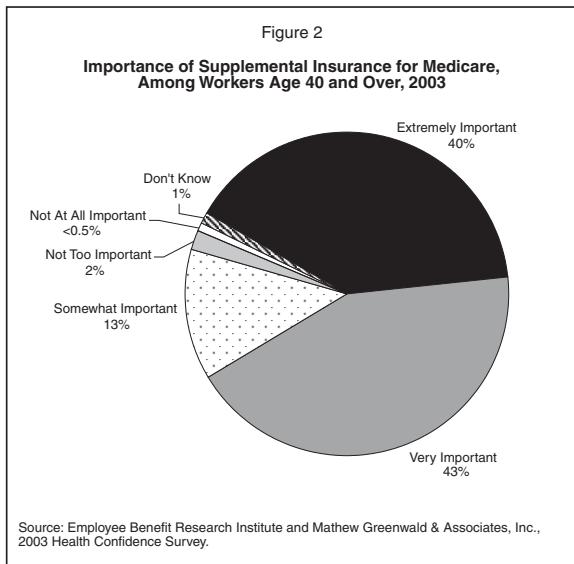
	Workers, Age 40 and Over	Retirees
A Lot	47%	49%
A Little	31	24
Not At All	21	26

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2003 Health Confidence Survey.

- Almost half of current workers age 40 and over say they think about access to health insurance a lot when determining the age at which they expect to retire (47 percent, down from 56 percent in 2002). Three in 10 think about it a little (31 percent), while 21 percent say they do not think about it (up from 11 percent in 2002).
- Nevertheless, almost 3 in 10 plan to retire before age 65 (28 percent), that is, before the age at which they become eligible for benefits from Medicare.
- Retirees also say they thought about access to health insurance when determining the age at which to retire. Half thought about it a lot (49 percent) and one-fourth thought about it a little (24 percent).

Medical Expenses Important in Retirement Planning

- Three in 5 workers age 40 and over and retirees say that medical expenses are *extremely* (27 percent) or *very* (31 percent) important in planning for retirement. Another one-fourth think they are somewhat important (25 percent).
- More than 8 in 10 workers age 40 and over who are not yet on Medicare think it is important to have a supplemental insurance policy in addition to Medicare during retirement: 40 percent say it is *extremely* important and 43 percent say it is *very* important to have one. Thirteen percent think it is *somewhat* important to have this type of policy (Figure 2).
- However, among those who think supplemental coverage is at least somewhat important, only 3 percent are *extremely* confident of their ability to afford it, and 13 percent are *very* confident. About half are *somewhat* confident (47 percent), while almost 4 in 10 are not confident (36 percent) (Figure 3).



Fewer American Workers Expect to Retire Early, Receive Health Benefits

In general, 3 in 10 workers age 40 and over expect to retire before age 65 (28 percent), down from 45 percent in 1998 and 36 percent in 2002, and a much smaller proportion than the three-fourths of all retired Americans who did leave the labor force before age 65 (74 percent). While many retirees were able to rely on employment-based health coverage to help them through early retirement, fewer current workers expect these benefits than in the past (Figure 4).

- In 2003, 4 in 10 workers age 40 and over who plan to retire before age 65 expect to receive health insurance coverage through an employer or union, down from nearly 6 in 10 in 1998. One-third expect coverage through their own former employer or union (34 percent), 6 percent say they will be covered through their spouse's employer or union, and 1 percent through someone else's employer or union.
- Of current retirees surveyed in the 2003 HCS who left the labor force before age 65, about 6 in 10 received health insurance coverage through an employer or union during the period between leaving the work force and becoming eligible for Medicare, down from about 7 in 10 of those surveyed in 2002. In 2003, 37 percent said they had received coverage from their former employer or union, 19 percent from their spouse's employer or union, and 3 percent from someone else's employer or union. Six percent indicate they went without coverage.
- Overall, one-third of American workers age 40 and over expect to receive health insurance coverage through a former employer or union during their retirement (34 percent, down from 40 percent in 2002 and 46 percent in 1998).

It is reasonable that fewer employees expect employment-based retiree health benefits, since the percentage of employers offering retiree health benefits has been declining. Employers also 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. Furthermore, employers have increasingly imposed caps on the total amount of money they are willing to spend on retiree health benefits. While many workers expect that they will retire early or when eligible for Medicare and 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. (See Fronstin, 2001.)

Figure 4

Expected and Actual Sources of Coverage for Those Retiring Prior to Becoming Eligible for Medicare

	Workers, Age 40 and Over			Retirees	
	1998	2002	2003	2002	2003
Your Former Employer or Union	42%	34%	34%	46%	37%
A Private Plan You Buy Yourself	20	36	16	7	18
Medicaid or Other Government Plan	<0.5	2	14	8	5
Personal Savings/Your Own Money	6	2	10	2	3
Your Spouse's Employer or Union	16	11	6	17	19
COBRA	0	5	5	0	1
Go Without Coverage	4	1	2	6	6
Someone Else's Employer or Union	0	1	1	6	3
Other	7	7	8	0	3
Don't Know	5	3	5	1	1
Medicare	n/a	n/a	n/a	7	3

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1998–2003 Health Confidence Surveys.

Note: Data on sources of coverage for retirees under age 65 were collected differently in the 1998 HCS than in the 2002 and 2003 surveys. Therefore, the retiree coverage data are not directly comparable, and the 1998 data have been omitted from the figure.

Americans Unable to Stop Working; Need to Retain Health Insurance Benefits

The majority of insured American workers age 40 and over plan to work longer than they would like to in order to keep their health insurance coverage. And the majority of those who plan to retire early and get coverage would keep working if they could no longer expect retiree health benefits. Even if they were guaranteed health insurance, most say they would not retire early if their had to pay the entire costs of that insurance.

- Of workers age 40 and over who expect to receive health insurance coverage in retirement and expect to retire before age 65, about two-thirds would change their minds (and not retire early) if a former employer or union did not provide retiree health benefits.
- Three in 5 workers age 40 and over who currently receive health insurance intend to work longer than they would like in order to continue receiving health insurance (62 percent). However, only 13 percent of retirees report that they did take this action— worked longer than they would have liked—in order to keep health insurance.
- Fifteen percent of workers who plan to retire at age 65 or later say they would retire earlier if they were guaranteed health insurance but were required to pay the full premium. About the same proportion of retired respondents indicate they would have retired earlier than they did if they had been guaranteed health insurance but had to pay the full premium (12 percent).

Sources:

Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1998–2003 Health Confidence Surveys.

Fronstin, Paul. "Retiree Health Benefits: Trends and Outlook." *EBRI Issue Brief* no. 236 (Employee Benefit Research Institute, August 2001).