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Notes

AT A GLANCE

Characteristics of the Population With Consumer-Driven and High-Deductible Health Plans, 2005–2014, *by Paul Fronstin, Ph.D., EBRI, and Anne Elmlinger, Greenwald & Associates*

- The populations of adults within consumer-driven health plans (CDHPs), high-deductible health plans (HDHPs) and traditional health plans were each split about 50–50 between men and women in 2014.
- CDHP enrollees were less likely than those with traditional coverage to be between the ages of 21 and 34 in 2014, and more likely to be ages 45–54.
- CDHP enrollees were more likely than traditional-plan enrollees to be in households with $150,000 or more in income in every year except 2006, 2009 and 2010. They were also more likely to be in households with $100,000–$149,999 in income in most years. They were roughly twice as likely as individuals with traditional coverage to have college or postgraduate educations in nearly all years of the survey.

Examining the New Income Measure in the Current Population Survey, *by Craig Copeland, Ph.D., EBRI*

- The U.S. Census Bureau's Current Population Survey (CPS) is a primary source of income data for those whose ages are associated with being retired. In response to research showing that the survey has misclassified and under-reported certain types of income, the 2014 CPS included a redesigned set of questions aimed at better capturing income from individual retirement accounts (IRAs) and 401(k)-type plans, among other goals.
- This article finds the new measure of income in the CPS identifies significantly more income (and a much larger percentage of income) coming from IRAs and 401(k)-type plans. Compared with the estimated amount under the traditional-income questions for 2013, the redesigned questions have resulted in an estimated total annual income 9.1 percent larger for those ages 65 or older, an aggregate amount of almost an additional $133 billion. Retirement income is 27.9 percent larger, an aggregate difference of almost $71 billion.
- However, Social Security remains the overwhelmingly predominant source of income for those ages 65 or older. The redesigned CPS still finds that over 60 percent of individuals in the two lowest-income quartiles receive more than 90 percent of their total income from Social Security.

Characteristics of the Population With Consumer-Driven and High-Deductible Health Plans, 2005–2014

By Paul Fronstin, Ph.D., Employee Benefit Research Institute, and Anne Elmlinger, Greenwald & Associates

Introduction

In 2001, a handful of employers started offering health reimbursement arrangements (HRAs)—a then-new type of health plan. The most prevalent HRA-plan design then had a deductible of at least $1,000 for employee-only coverage and a tax-preferred account that could be tapped by workers and their families to pay out-of-pocket health care expenses. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 included a provision to allow individuals with certain high-deductible health plans to contribute to a health savings account (HSA).[1] HRA- and HSA-eligible plans are today collectively referred to as consumer-driven health plans (CDHPs).

By 2014, 27 percent of employers with 10–499 workers and 48 percent of employers with 500 or more workers offered either an HRA- or HSA-eligible plan.[2] As a result, these plans covered about 26 million people in 2014, representing about 15 percent of the privately insured market (Fronstin and Elmlinger, 2014).

This article examines the population with a CDHP and how it has differed from the population with traditional health coverage. Data from the 2005–2007 Employee Benefit Research Institute (EBRI)/Commonwealth Fund Consumerism in Health Care Survey and the 2008–2014 EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey (CEHCS) were used for the analysis. Differences between the populations with traditional coverage and those with high-deductible health plans (HDHPs) were also examined. Differences discussed in the remainder of this article were statistically significant. (More information about the data can be found in the appendix.)

Demographic Differences in the CDHP, HDHP, and Traditional-Plan Populations

Gender—Generally, regardless of plan type, the population of adults with private health insurance has been split 50–50 between men and women. Throughout 2005–2014, about 50 percent of traditional-plan enrollees were male and about 50 percent were female (Figure 1). No statistically significant differences have been found between HDHP enrollees and traditional-plan enrollees. Statistically significant differences in gender have been found between CDHP enrollees and those with traditional coverage in a few years—2007, 2008, 2010, 2011, and 2012—though not more recently, and when they were found the differences were not very large.

Age—In 2014, CDHP enrollees were less likely than those with traditional coverage to be between the ages of 21 and 34, and they were more likely to be between the ages of 45 and 54. This pattern was consistent in nearly all years of the survey, though the differences were not often statistically significant.

Similar results were found in comparing the HDHP population with traditional-coverage enrollees. Between 2010 and 2014, HDHP enrollees were less likely than those with traditional coverage to be ages 21–34. In addition, in all years of the survey, HDHP enrollees were more likely than those with traditional coverage to be ages 45–54, though the differences were not often statistically significant.

Race—With the exception of 2005, CDHP enrollees have only recently (2011–2014) been more likely than traditional-plan enrollees to be non-Hispanic white. The 2005 difference may have been due to a small sample size of minorities, which was addressed in 2006. When comparing HDHP enrollees and traditional-plan enrollees, it was found that in 2005, 2006, 2007, 2011, 2013 and 2014, a higher percentage of HDHP enrollees were non-Hispanic white. Again, the 2005 finding may also have been due to a small sample size.

Figure 1

Selected Demographics, by Type of Health Plan, 2005–2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Male										
Traditional[a]	49%	49%	50%	48%	50%	50%	50%	50%	49%	48%
HDHP[b]	51	48	48	50	46	44	48	46	45	44
CDHP[c]	59	51	56*	52*	52	47	45	46*	45	49
Female										
Traditional[a]	51	51	50	52	50	50	50	50	52	52
HDHP[b]	49	52	52	50	54	56	52	54	55	56
CDHP[c]	41	49	44	48	48	53*	55*	54*	55	51
Ages 21–34										
Traditional[a]	28	33	34	33	28	31	27	24	26	25
HDHP[b]	14	25	23	21	26	21*	19*	19*	23*	18*
CDHP[c]	20	23	19	22	25	20*	18*	18	20	19*
Ages 35–44										
Traditional[a]	26	23	22	23	23	23	24	24	23	25
HDHP[b]	21	23	24	25	24	30*	21	24	21	26
CDHP[c]	30	30	25	27	25	30*	27*	26	25	25
Ages 45–54										
Traditional[a]	29	26	27	26	28	27	27	29	26	26
HDHP[b]	32	29	30	27	25	28	34*	28	29*	30
CDHP[c]	32	29	31	30	28	28	31	31	30	32*
Ages 55–64										
Traditional[a]	17	18	18	19	21	19	22	24	24	24
HDHP[b]	33	23	24	27	24	22	27*	30*	26	25
CDHP[c]	17	18	25	22	22	21	24	25	24*	24
White, non-Hispanic										
Traditional[a]	68	71	71	72	70	70	69	71	68	75
HDHP[b]	92*	84*	76*	75	71	73	75*	71	75*	83*
CDHP[c]	92*	81	78	77	74	75	77*	78*	77*	82*
Minority										
Traditional[a]	32	29	29	28	30	30	31	29	32	25
HDHP[b]	8*	16*	24*	25	29	27	25*	29	25*	17*
CDHP[c]	8*	19	22	23	26	25	23*	22*	23*	18*

Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2005–2007; EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey, 2008–2014.

[a] Traditional = Health plan with no deductible or <$1,250 (individual), <$2,500 (family) in 2014.

[b] HDHP = High-deductible health plan with deductible $1,250+ (individual), $2,500+ (family), not HSA-eligible in 2014.

[c] CDHP = Consumer-driven health plan with deductible $1,250+ (individual), $2,500+ (family), with HRA, HSA, or HSA-eligible in 2014.

* Difference between HDHP/CDHP and traditional is statistically significant at p ≤ 0.05 or better.

Income Differences

CDHP enrollees have been more likely than traditional-plan enrollees to be in higher-income households in most years of the survey. In fact, CDHP enrollees were more likely than traditional-plan enrollees to be in households with $150,000 or more in income in every year except 2006, 2009 and 2010 (Figure 2). CDHP enrollees were also more likely than traditional-plan enrollees to be in households with $100,000–$149,999 in income since 2007 (with 2010 and 2014 being exceptions). Since 2010, traditional-plan enrollees have been more likely than CDHP enrollees to be in households with incomes less than $30,000.

In general, there have been few income differences between HDHP enrollees and traditional-plan enrollees.

Education Differences

CDHP enrollees were roughly twice as likely as individuals with traditional coverage to have college or postgraduate educations in nearly all years of the survey (Figure 3). In 2014, 22 percent of CDHP enrollees had graduate degrees and 49 percent had college degrees, compared with 18 percent and 27 percent, respectively, of traditional-plan enrollees. HDHP enrollees were also more likely than traditional-plan enrollees to have college or graduate degrees.

Health-Status Differences

With the exception of 2007, the survey has never found differences in self-rated health status between HDHP enrollees and individuals with traditional coverage. In contrast, in nine out of 10 years of the survey (2009 was the exception), it was found that CDHP enrollees were more likely than traditional-plan enrollees to report excellent or very good health (Figure 4). Furthermore, in seven of the 10 years of the survey (2005, 2007, 2008, 2011, 2012, 2013, and 2014), CDHP enrollees were less likely to report being in fair or poor health, though the actual differences were small.

CDHP enrollees exhibited more health-conscious behavior than individuals with traditional coverage. In all years of the survey except 2013, CDHP enrollees were less likely than those with traditional coverage to report that they smoked. Similarly, in all years except 2010, 2011, and 2014, CDHP enrollees were less likely to report that they did not regularly exercise. However, there were generally no differences in obesity rates between CDHP and traditional-plan enrollees.

With respect to HDHP and traditional-plan enrollees, there were no statistically significant differences in the obese percentage in any years of the survey and no recent differences in exercise. However, in all years of the survey except 2010, HDHP enrollees were less likely than traditional-plan enrollees to report that they smoked.

Employer Size Differences

In the earlier years of the survey (2005–2009), the CDHP population was more likely than the population with traditional coverage to have that coverage through small employers (between two and 49 employees) (Figure 5). More recently (2010–2014), there were few statistically significant differences by employer size between the CDHP population and the population with traditional coverage.

When comparing HDHP enrollees with traditional-plan enrollees, it was found that, in all years of the survey except 2007, HDHP enrollees were less likely than traditional-plan enrollees to work for large employers (500 or more employees). They were more likely to work for small employers in all years of the survey except for 2010.

Appendix—About the 2014 EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey

The Employee Benefit Research Institute (EBRI) and Greenwald & Associates created the EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey (CEHCS) to examine issues surrounding consumer-directed health care, including the cost of insurance, the cost of care, satisfaction with health care, satisfaction with a health care plan, reasons for choosing a plan, and sources of health information. The 2014 CEHCS was comparable with findings from the 2005–2007 EBRI/Commonwealth Fund Consumerism in Health Care surveys, and the 2008–2013 CEHCS.

The 2014 survey was conducted within the United States between Aug. 7 and Aug. 27, 2014, through an 11-minute Internet survey. The national or base sample was drawn from Ipsos's online panel of Internet users who have agreed to participate in research surveys. Nearly 2,000 adults ages 21–64 who had health insurance through an employer, purchased directly from a carrier, or purchased through a government exchange were drawn randomly from the Ipsos

Figure 2

Household Income, by Type of Health Plan, 2005–2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Less Than $30,000										
Traditional[a]	15%	12%	15%	14%	11%	14%	11%	8%	10%	10%
HDHP[b]	12	21	14	10	12	4*	9*	9	7*	10
CDHP[c]	11	11	9	7	5	4*	5*	5*	5*	4*
$30,000–$49,999										
Traditional[a]	19	20	18	19	17	17	16	13	14	15
HDHP[b]	22	30	20	15	16	14	16	15	22*	17
CDHP[c]	23	28	16	12	14	13	13*	11	13	12
$50,000–$99,999										
Traditional[a]	34	38	36	36	38	38	37	36	38	35
HDHP[b]	36	31	35	40	42	48*	36	37	39	40*
CDHP[c]	33	43	42	40	45	51*	35	36	36	38
$100,000–$149,999										
Traditional[a]	14	14	14	14	17	15	17	20	19	19
HDHP[b]	11	5*	13	18*	17	19*	17	16	15	17
CDHP[c]	11	7*	16*	23*	19*	17	20*	21*	22*	21
$150,000 or More										
Traditional[a]	7	7	7	9	10	10	12	16	13	18
HDHP[b]	2	3*	9	9*	8	7*	13*	13	13	11*
CDHP[c]	6*	3*	10*	11*	10	9	20*	20*	20*	22*

Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2005–2007; EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey, 2008–2014.

[a] Traditional = health plan with no deductible or <$1,250 (individual), <$2,500 (family) in 2014.

[b] HDHP = High-deductible health plan with deductible $1,250+ (individual), $2,500+ (family), not HSA-eligible in 2014.

[c] CDHP = Consumer-driven health plan with deductible $1,250+ (individual), $2,500+ (family), with HRA, HSA, or HSA-eligible in 2014.

* Difference between HDHP/CDHP and traditional is statistically significant at p ≤ 0.05 or better.

Figure 3

Education, by Type of Health Plan, 2005–2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
High School Graduate or Less										
Traditional[a]	32%	38%	42%	33%	35%	38%	34%	29%	33%	28%
HDHP[b]	9*	18*	14*	15*	15*	11*	14*	12*	16*	14*
CDHP[c]	7*	14*	12*	10*	10*	9*	9*	9*	10*	7*
Some College, Trade or Business School										
Traditional[a]	31	29	29	31	31	29	30	29	31	27
HDHP[b]	43	35*	28	29*	27	27	28	27	28	23
CDHP[c]	31	37*	30	25*	25*	25	25*	24*	24*	22*
College Graduate or Some Graduate Work										
Traditional[a]	24	22	20	24	23	23	24	26	25	27
HDHP[b]	33	36*	41*	40*	41*	47*	41*	43*	37*	45*
CDHP[c]	44*	37*	39*	44*	45*	43*	45*	46*	46*	49*
Graduate Degree										
Traditional[a]	13	11	9	12	11	10	12	16	12	18
HDHP[b]	15	12	18*	17*	17*	15*	17*	18	20*	18
CDHP[c]	18*	13	18*	20*	20*	23*	21*	21*	21*	22*

Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2005–2007; EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey, 2008–2014.

[a] Traditional = Health plan with no deductible or <$1,250 (individual), <$2,500 (family) in 2014.

[b] HDHP = High-deductible health plan with deductible $1,250+ (individual), $2,500+ (family), not HSA-eligible in 2014.

[c] CDHP = Consumer-driven health plan with deductible $1,250+ (individual), $2,500+ (family), with HRA, HSA, or HSA-eligible in 2014.

* Difference between HDHP/CDHP and traditional is statistically significant at p ≤ 0.05 or better.

Figure 4

Selected Health Status Indicators, by Type of Health Plan, 2005–2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Self-Rated Health Status										
Excellent/very good										
Traditional[a]	42%	54%	49%	56%	59%	59%	58%	60%	56%	55%
HDHP[b]	41	53	54	51	57	57	55	54	57	54
CDHP[c]	57*	55*	58*	62*	63	63*	63*	65*	61*	63*
Good										
Traditional[a]	45	35	38	34	32	34	34	32	33	33
HDHP[b]	42	34	35	37	32	33	34	35	34	37
CDHP[c]	35	33	34*	30	28	30*	30*	28*	32*	30
Fair/Poor										
Traditional[a]	13	12	13	10	9	7	9	9	11	12
HDHP[b]	17	13	11	12	12	10	11	10	9	10
CDHP[c]	9	12*	9*	8*	10	7	8*	7*	7*	7*
Obese										
Traditional[a]	36	30	27	26	31	29	29	28	27	25
HDHP[b]	35	31	30	26	27	26	26	28	26	23
CDHP[c]	26*	25	30	28	27	26*	28	23	25	23
Smokes cigarettes										
Traditional[a]	21	24	24	20	18	15	15	14	16	14
HDHP[b]	13*	18*	13*	16*	12*	12	11*	10*	11*	9*
CDHP[c]	16*	16*	15*	14*	14*	12*	10*	11*	13*	11*
No regular exercise										
Traditional[a]	n/a	25	25	25	21	23	24	20	20	18
HDHP[b]	n/a	26	20*	22	21	18	20	19	19	16
CDHP[c]	n/a	22*	18*	19*	14*	20	21	15*	16*	15

Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2005–2007; EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey, 2008–2014.

[a] Traditional = Health plan with no deductible or <$1,250 (individual), <$2,500 (family) in 2014.

[b] HDHP = High-deductible health plan with deductible $1,250+ (individual), $2,500+ (family), not HSA-eligible in 2014.

[c] CDHP = Consumer-driven health plan with deductible $1,250+ (individual), $2,500+ (family), with HRA, HSA, or HSA-eligible in 2014.

* Difference between HDHP/CDHP and traditional is statistically significant at p ≤ 0.05 or better.

Figure 5

Firm Size, by Type of Health Plan, 2005–2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Self-Employed With No Employees										
Traditional[a]	2%	3%	3%	2%	3%	3%	3%	3%	5%	3%
HDHP[b]	12*	10*	11*	8*	7*	6*	9*	9*	6	7*
CDHP[c]	9*	7*	6*	6*	6	5	6	6	5	3
2–49 Employees										
Traditional[a]	15	19	19	16	15	16	16	17	16	16
HDHP[b]	44*	37*	30*	30*	31*	28	30*	27*	32*	31*
CDHP[c]	29*	26*	25*	22*	20*	23	21	16	16	16
50–199 Employees										
Traditional[a]	8	10	11	12	11	8	13	8	12	11
HDHP[b]	11	14	16	15	17*	14*	14	15*	15	14
CDHP[c]	7	12	10	12	13	12	12	11	11	13
200–499 Employees										
Traditional[a]	9	8	9	8	11	8	9	9	8	11
HDHP[b]	6	7	6	7	7*	7	7	9	10	12
CDHP[c]	6*	10	8	7	8*	8	9	10	8	7*
500 or More Employees										
Traditional[a]	54	46	43	50	48	52	49	54	46	50
HDHP[b]	21*	24*	28	31*	31*	38*	32*	34*	28*	28*
CDHP[c]	43*	37*	44	45	50	47	46	51	53*	54

Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2005–2007; EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey, 2008–2014.

[a] Traditional = Health plan with no deductible or <$1,250 (individual), <$2,500 (family) in 2014.

[b] HDHP = High-deductible health plan with deductible $1,250+ (individual), $2,500+ (family), not HSA-eligible in 2014.

[c] CDHP = Consumer-driven health plan with deductible $1,250+ (individual), $2,500+ (family), with HRA, HSA, or HSA-eligible in 2014.

* Difference between HDHP/CDHP and traditional is statistically significant at p ≤ 0.05 or better.

sample for this base sample. This sample was stratified by gender, age, region, income, and race. The response rate was 36.3 percent (26 percent for the base sample or national sample, and 48 percent for the oversample). As a non-probability sample, traditional survey margin of error estimates did not apply. However, had the survey used a probability sample, the margin of error for the national sample would have been ±2.2 percent.

To examine the issues mentioned above, the sample was divided into three groups: those with a consumer-driven health plan (CDHP), those with a high-deductible health plan (HDHP), and those with traditional health coverage. Individuals were assigned to the CDHP and HDHP groups if they had a deductible of at least $1,250 for individual coverage or $2,500 for family coverage. To be assigned to the CDHP group, they must also have been eligible to contribute to an HSA or had a health reimbursement arrangement (HRA) with a rollover provision that they could use to pay for medical expenses or the ability to take their account with them should they change jobs. Individuals with only a flexible spending account (FSA) were not included in the CDHP group.

Because the base sample (national sample) included only 294 individuals in a CDHP and 237 individuals with an HDHP, an oversample of individuals with a CDHP or HDHP was added. The oversample included 1,162 individuals with a CDHP and 741 individuals with an HDHP, resulting in a total sample (base plus oversample) of 1,459 for the CDHP group and 978 for the HDHP group. After factoring out the base sample—the 294 individuals with a CDHP and the 237 individuals with an HDHP—there were 1,450 individuals in the sample with traditional health coverage.

In addition to being stratified, the base sample was also weighted by gender, age, education, region, income, and race/ethnicity to reflect the actual proportions in the population ages 21–64 with private health insurance coverage.[3] The CDHP and HDHP oversamples were weighted by gender, age, income, and race/ethnicity.

While panel Internet surveys are nonrandom, studies have demonstrated that such surveys, when carefully designed, obtain results comparable with random-digit-dial telephone surveys. In a study that provides the results from a number of surveys that were conducted at the same time using the same questionnaires both via telephone and online (Taylor, 2003), the researcher found that the use of demographic weighting alone was sufficient to bring almost all of the results from the online survey close to the replies from the parallel telephone survey. He also found that in some cases, propensity weighting (meaning the propensity for a certain type of person to be online) reduced the remaining gaps, but in other cases it did not reduce the remaining gaps. Perhaps the most striking difference in demographics between telephone and online surveys was the under-representation of minorities in online samples.

References

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Taylor, Humphrey. "Does Internet Research 'Work'? Comparing Online Survey Results With Telephone Surveys." *International Journal of Market Research* 42, no. 1 (August 2003).

Endnotes

[1] See Fronstin and Elmlinger, 2014, for more information about HRAs and HSAs.

[2] See http://www.mercer.com/content/mercer/global/all/en/newsroom/modest-health-benefit-cost-growth-continues-as-consumerism-kicks-into-high-gear.html

[3] In theory, a random sample of 2,000 yields a statistical precision of plus or minus 2.2 percentage points (with 95 percent confidence) of what the results would be if the entire population ages 21–64 with private health insurance coverage was surveyed with complete accuracy. There are also other possible sources of error in all surveys that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is impossible to quantify the errors that may result from them.

Examining the New Income Measure in the Current Population Survey

By Craig Copeland, Ph.D., Employee Benefit Research Institute

Introduction

As participation in employment-based retirement plans in the private sector shifted from defined benefit (DB) pension plans to defined contribution (DC) plans, the sources of income in retirement have become an increasingly important policy topic. Historically, annuity payments have been predominantly made from DB plans at retirement, but the shift to DC plans has resulted in the increasing use of lump-sum distributions. Consequently, the traditional manner used to measure the sources of income in retirement became obsolete.

One of the most cited sources of income data for those whose ages are associated with being retired is the Current Population Survey (CPS), conducted by the U.S. Census Bureau. The Annual Social and Economic Supplement to the CPS (fielded in March of each year) has been the source of the much-cited numbers for retirement income. However, research has shown that this survey has misclassified certain types of income and has generally under-reported income—and in particular, sources of retirement income.[1]

In response to this research, the Census Bureau redesigned the income questions in the CPS to reduce the discrepancies from the prior design. In 2014, researchers at the Census Bureau conducted a test of the new set of CPS-income questions by doing a spilt-panel design, where 3/8 of the sample received the redesigned questions while the remaining 5/8 received the traditional questions.[2]

This *Notes* article provides a comparison of the income levels from the redesigned questions with those from the traditional questions. The focus in this article is on the income of those ages 65 or older and on the income categories associated with retiree income to see the impact of the changes in the questions on sources of income in retirement. Particular emphasis is given to the income from individual retirement accounts (IRAs) and 401(k)-type plans, as this appears to be the income type with the most underreporting, given the lump-sum nature of the payments typically found from these plans, instead of regular annuity payments traditionally received from pensions.

Overall Comparisons

Compared with the estimated amount of income under the traditional income questions for 2013, the redesigned questions resulted in an estimated total annual income 9.1 percent larger for those ages 65 or older, an aggregate amount of almost an additional $133 billion (Figure 1). Furthermore, annual retirement income was 27.9 percent larger, an aggregate difference of almost $71 billion annually. Income from IRAs and 401(k)-type plans was an important component of this higher amount of annual retirement income found in the new questions, which overall was more than 250 percent higher than that found by the traditional measure.

IRA and 401(k) Type Plan Income

When examining the IRA and 401(k)-type plan income of those ages 65 or older by the income quartiles of these individuals, each income quartile showed higher levels of IRA and 401(k)-plan type income under the new measure. The first (lowest) income quartile showed $0.4 billion more, or a 200 percent increase over the traditional measure (Figure 2). This amount increased for each successively higher income quartile to $2.0 billion (1,000 percent), $10.7 billion (764 percent), and $22.4 billion (182 percent), respectively.

Despite the increasing levels of the higher amounts of this income type for each income quartile, the distribution of this income type across the income quartiles shifted to a larger percentage of the income going to the lower income

Figure 1

Comparison of the Traditional and New Total Annual Income Measures in the Current Population Survey, Individuals Ages 65 or Older, by Income Quartile, 2013

		Income Quartile			
	All	First Quartile	Second Quartile	Third Quartile	Fourth Quartile
Traditional Income Measure			(in billions)		
Total Income	$1,451.32	$90.09	$176.48	$310.64	$874.11
Social Security	531.24	76.15	144.04	161.41	149.64
Total Retirement	253.57	2.32	10.07	63.22	177.96
Company	107.44	1.08	5.57	33.37	67.41
State	76.20	0.55	2.71	15.80	57.13
Federal	32.00	0.30	0.88	7.14	23.68
IRA, 401(k)	14.08	0.15	0.21	1.42	12.30
Annuities	1.82	0.02	0.02	0.45	1.34
Interest	75.09	1.37	3.00	9.88	60.83
Dividend	57.83	0.93	2.50	7.91	46.48
New Income Measure					
Total Income	$1,584.03	$89.27	$181.56	$328.87	$984.32
Social Security	551.12	74.98	149.14	161.99	165.02
Total Retirement	324.42	2.29	11.08	74.91	236.14
Company	141.70	0.73	4.60	33.41	102.96
State	56.24	0.64	1.48	12.87	41.26
Federal	28.46	0.13	0.77	5.48	22.09
IRA, 401(k)	49.56	0.58	2.18	12.12	34.67
Annuities	20.91	0.15	1.28	6.59	12.88
Interest	84.22	1.26	3.41	10.81	68.75
Dividend	49.84	0.78	1.63	5.56	41.88
Percentage Change New Measure Relative to Traditional Measure					
Total Income	9.1%	-0.9%	2.9%	5.9%	12.6%
Social Security	3.7	-1.5	3.5	0.4	10.3
Total Retirement	27.9	-1.1	10.0	18.5	32.7
Company	31.9	-32.3	-17.5	0.1	52.7
State	-26.2	15.0	-45.5	-18.5	-27.8
Federal	-11.0	-57.3	-12.2	-23.3	-6.7
IRA, 401(k)	252.0	284.8	934.7	754.5	181.9
Annuities	1,046.4	752.7	6,485.7	1,362.9	864.2
Interest	12.2	-8.5	13.6	9.4	13.0
Dividend	-13.8	-16.2	-34.9	-29.8	-9.9

Source: Employee Benefit Research Institute estimates of the March 2014 Current Population Survey (Traditional and New Income Measures).

Note: The income quartiles are only for those individuals ages 65 or older. 401(k) income includes income from any similar defined contribution plan.

quartiles. In the highest-income quartile, the percentage of IRA and 401(k)-type plan income decreased from 87.3 percent under the traditional measure of income to 70.0 percent for the new income measure (Figure 3). The third quartile had the largest percentage-point increase of IRA and 401(k)-type plan income relative to the traditional measure—its share rose from 10.1 percent to 24.5 percent. The lowest-income quartile had a small increase in its share, from 1.1 percent to 1.2 percent.

In addition to the higher *amount* of IRA and 401(k)-type plan income, a larger *percentage* of individuals receiving this income was also found. Among those in the lowest-income quartile, 0.4 percent were found to have received income

Figure 2
Comparison of IRA, 401(k) Aggregate Income, by Income Quartile, Traditional and New Measures of Income in the Current Population Survey, Individuals Ages 65 or Older, 2013
(in billions of dollars)

Source: Employee Benefit Research Institute estimates of the March 2014 Current Population Survey (Traditional and New Income Measures).
Note: The income quartiles are only for those individuals ages 65 or older. 401(k) income includes income from any similar defined contribution plan.

Types of Income

Retirement Income—This income comes from pensions or retirement plans from private- and/or public-sector employers or unions and includes traditional defined benefit plans and defined contribution plans (401(k)-type plans). It also includes income from individual retirement accounts and Keoghs, as well as payments from annuities and paid-up life insurance.

Company—Income from a private-sector defined benefit (DB) pension plan.

State—Income from a state- or local-government employer DB pension plan.

Federal—Income from a federal-employer DB pension plan.

IRA, 401(k)—Income (distributions or withdrawals) from individual retirement accounts, Keoghs, and employment-based defined contribution plans (such 401(k) plans).

Annuities—income from annuities and paid-up life insurance purchased outside of an employment-based plan.

In addition, there are payments from other specific sources (e.g., U.S. railroad retirement) and undefined or unknown sources of retirement income reported in the survey (the total of all these other sources is less than 10 percent of the total retirement income).

from IRAs and 401(k)-type plans under the traditional measure, compared with 2.1 percent under the new measure (Figure 4). The percentage in the second income quartile was also higher (6.2 percent vs 0.5 percent). In the third and fourth income quartiles, the percentages of recipients of this time of income were more than 13 percentage points higher under the new measure.

Furthermore, IRA and 401(k)-type plan income also accounted for a larger share of total retirement income for each income quartile. The percentage of retirement income from IRAs and 401(k)-type plans in the first quartile showed the largest difference under the new income measure—25.4 percent of total retirement income, compared with 6.5 percent under the traditional measure (Figure 5). The fourth-income quartile had the smallest change in the fraction of total retirement income coming from IRA and 401(k)-type plan income under the new measure (6.9 percent traditional, compared with 14.7 percent new).

Social Security

While the new income measure in CPS found significant increases in retirement income as defined in this article, income from Social Security still provided the overwhelming majority of income for those in the lowest three income quartiles when combined with retirement income, as well as almost half of this income in the fourth quartile (Figure 6). In fact, under both income measures, 97.0 percent of the retirement and Social Security income received by those in the lowest-income quartile was from Social Security. The percentage from Social Security in the fourth quartile was 45.7 percent under the traditional measure compared with 41.1 percent under the new measure.

When adding Social Security income to retirement income, the percentage of income coming from IRA and 401(k)-type plans looks different due to the higher relative amount of Social Security income going to those in the lower-income quartiles. Under this definition of income (including Social Security), the share of income from IRA and 401(k)-type plan income in the first quartile was 0.8 percent under the new measure of income (Figure 7). This percentage was larger for each higher income quartile, reaching 8.6 percent for the fourth-income quartile.

Even with the higher amounts of income identified under the new income measure, Social Security remains by far the most important source of income for those ages 65 or older who have incomes in the lower half. In fact, 68.3 percent of the individuals who received income in 2013 and were in the lowest-income quartile received more than 90 percent of their total income from Social Security (Figure 8). Those in the second-income quartile had a similar level, at 61.4 percent.

Conclusion

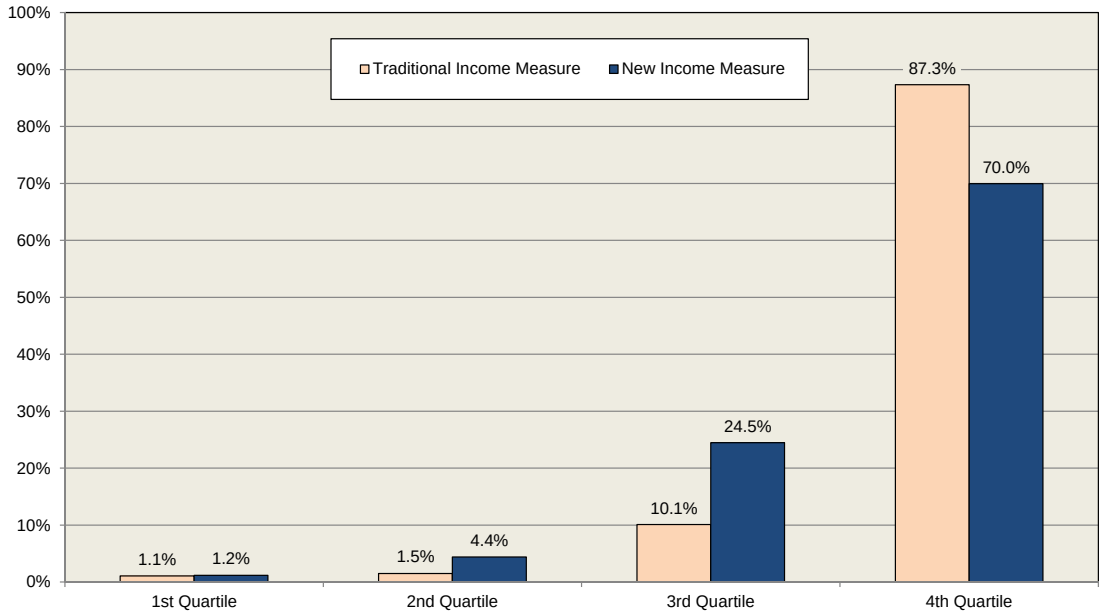
The new measure of income in the CPS was able to identify significantly more income coming from IRAs and 401(k)-type plans, which researchers have noted was being missed by the survey. This income was also shown to be a much larger percentage of retirement income (excluding Social Security) than had been previously found in the CPS. It was a particularly large share for those in the lowest-income quartile, reaching just over 25 percent.

However, Social Security remains the overwhelmingly predominant source of income for those ages 65 or older. Over 60 percent of individuals in the two lowest-income quartiles received more than 90 percent of their total income from Social Security.

Yet, income from retirement sources such as IRAs and 401(k)-type plans and DB pensions from private- and public-sector employers plays a significant role in supplementing Social Security. Therefore, it is important to point out that those with these income sources are more likely to be in the upper-income quartiles because they have these sources of income. Moreover, these individuals' incomes before they were in retirement cannot be determined from a single year's snapshot of income. Consequently, those who had access and took advantage of these plans are the ones with higher amounts of this income—not necessarily those who had the highest overall incomes prior to retirement.

Figure 3

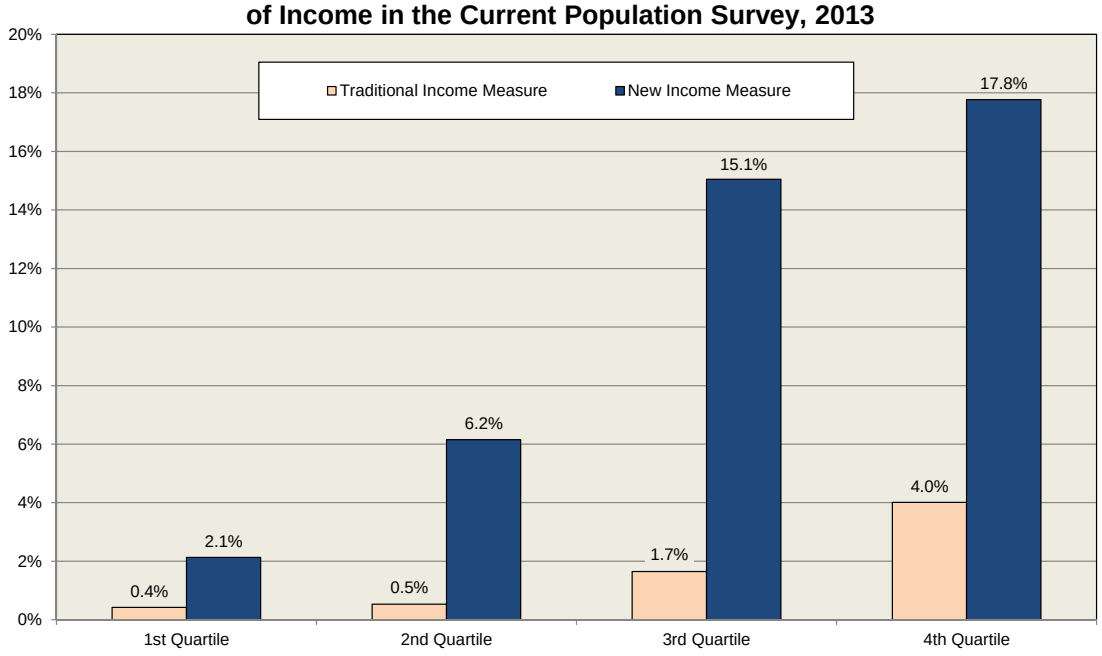
Distribution of Aggregate IRA, 401(k) Income, by Income Quartile, Traditional and New Measures of Income in the Current Population Survey, Individuals Ages 65 or Older, 2013



Source: Employee Benefit Research Institute estimates of the March 2014 Current Population Survey (Traditional and New Income Measures).
Note: The income quartiles are only for those individuals ages 65 or older. 401(k) income includes income from any similar defined contribution plan.

Figure 4

Percentage of Individuals Ages 65 or Older With Income Who Have IRA, 401(k) Income, by Income Quartile, Traditional and New Measures of Income in the Current Population Survey, 2013



Source: Employee Benefit Research Institute estimates of the March 2014 Current Population Survey (Traditional and New Income Measures).
Note: The income quartiles are only for those individuals ages 65 or older. 401(k) income includes income from any similar defined contribution plan.

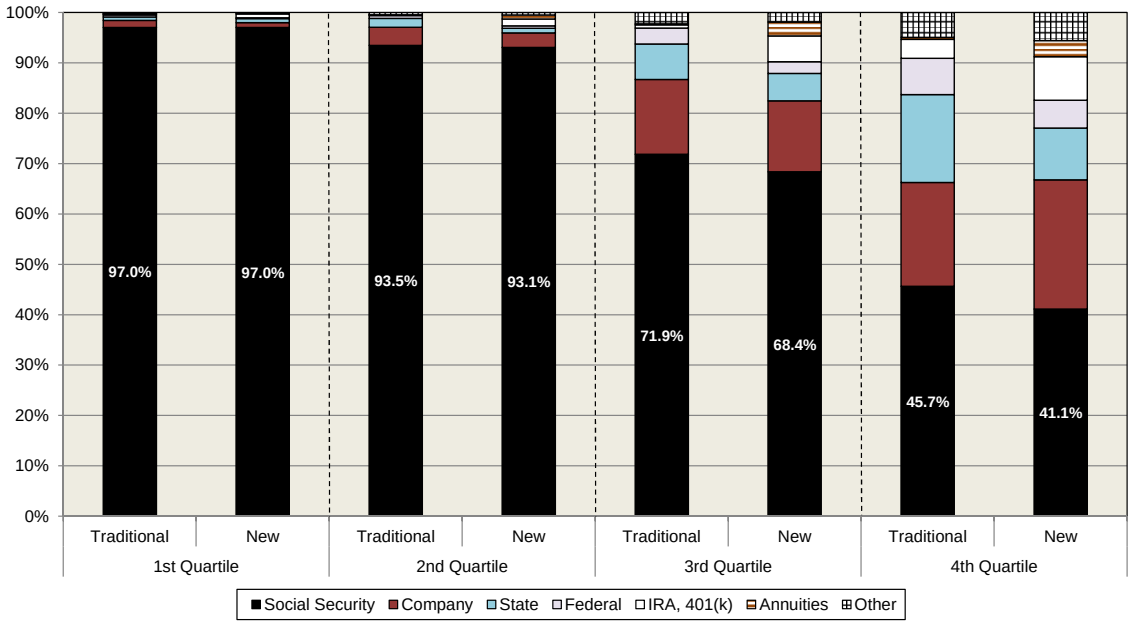
Figure 5

Percentage of Retirement Income From IRA, 401(k) Income, by Income Quartile, Traditional and New Income Measures in the Current Population Survey, Individuals Ages 65 or Older, 2013

Source: Employee Benefit Research Institute estimates of the March 2014 Current Population Survey (Traditional and New Income Measures).
Note: The income quartiles are only for those individuals ages 65 or older. 401(k) income includes income from any similar defined contribution plan.

Figure 6

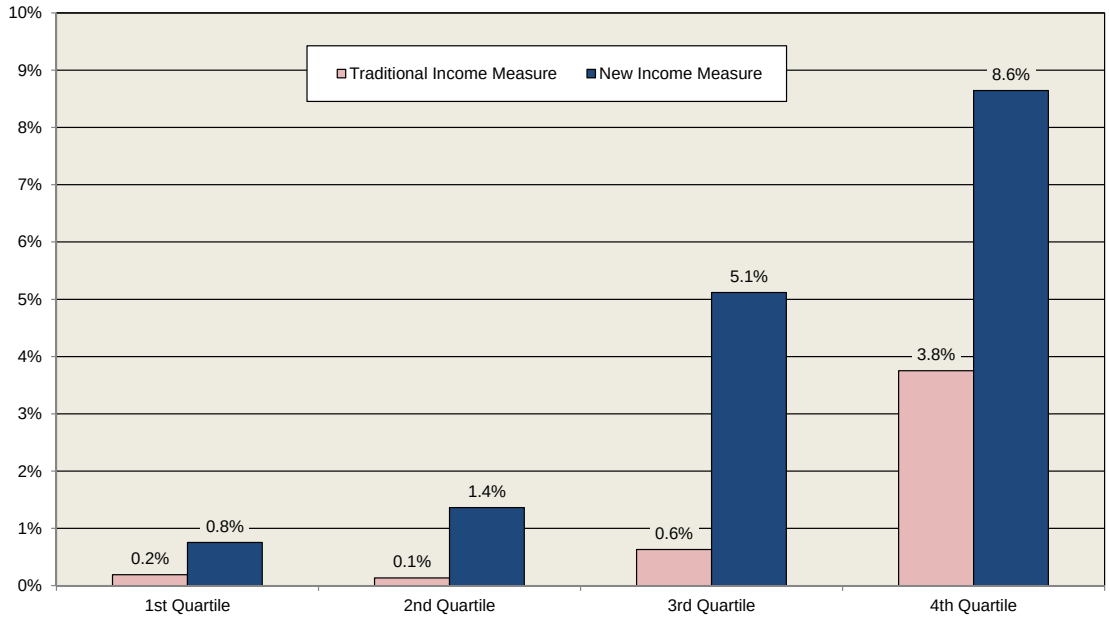
Distribution of Retirement Income Plus Social Security Income, by Income Quartile and Source of Retirement Income, Traditional and New Measures of Income in the Current Population Survey, Individuals Ages 65 or Older, 2013



Source: Employee Benefit Research Institute estimates of the March 2014 Current Population Survey (Traditional and New Income Measures).
Note: The income quartiles are only for those individuals ages 65 or older. 401(k) income includes income from any similar defined contribution plan.

Figure 7

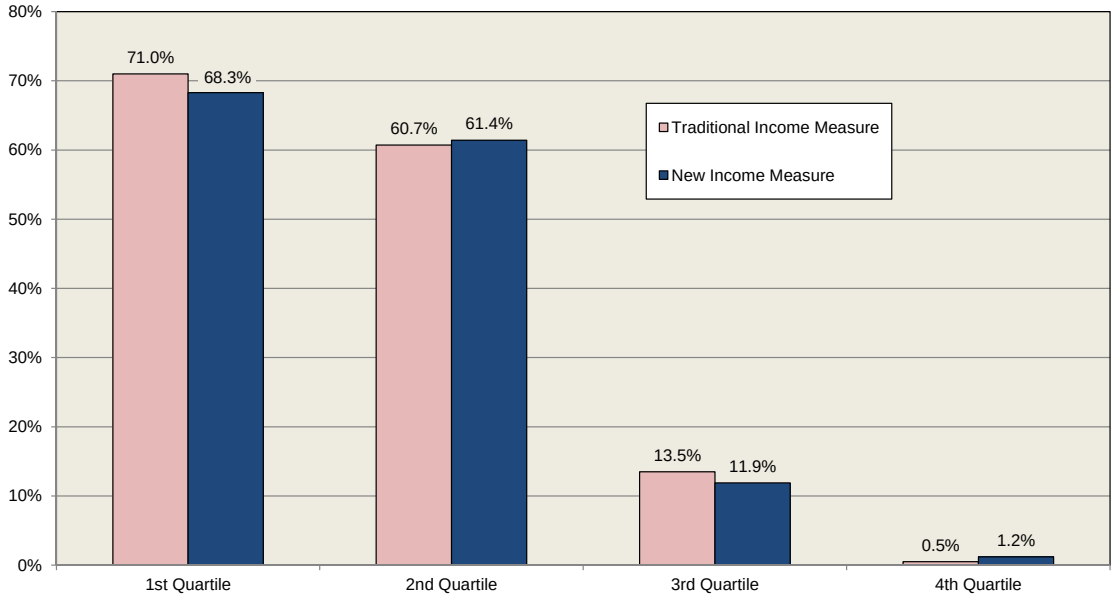
Percentage of Retirement Income Plus Social Security Income From IRA, 401(k) Income, by Income Quartile, Traditional and New Measures of Income in the Current Population Survey, Individuals Ages 65 or Older, 2013



Source: Employee Benefit Research Institute estimates of the March 2014 Current Population Survey (Traditional and New Income Measures).
Note: The income quartiles are only for those individuals ages 65 or older. 401(k) income includes income from any similar defined contribution plan.

Figure 8

Percentage of Individuals Ages 65 or Older With Income Who Receive More Than 90% of Their Total Income From Social Security, by Income Quartile, Traditional and New Measures of Income in the Current Population Survey, 2013



Source: Employee Benefit Research Institute estimates of the March 2014 Current Population Survey (Traditional and New Income Measures).
Note: The income quartiles are only for those individuals ages 65 or older. 401(k) income includes income from any similar defined contribution plan.

Endnotes

[1] For example, see Bruce Meyer, Wallace K. C. Mok, and James X. Sullivan. "The Under-Reporting of Transfers in Household Surveys: Its Nature and Consequences." Harris School Working Paper #09.03, 2009 and John L. Czajka and Gabrielle Denmead. "Income Data for Policy Analysis: A Comparative Assessment of Eight Surveys." Mathematica Reference No.: 6302-601, 2008 available at http://www.mathematica-mpr.com/~/media/publications/PDFs/incomedata.pdf

[2] For a complete explanation of the changes to the survey, see Jessica L. Semega and Edward Welniak, Jr. "The Effects of the Changes to the Current Population Survey Annual Social and Economic Supplement on Estimates of Income," *Proceedings of the 2015 Allied Social Science Association (ASSA) Research Conference*, available at http://www.census.gov/content/dam/Census/library/working-papers/2015/DEMO/ASSA-Income-CPSASEC-Red.pdf

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