EBRI Fast Facts
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Levers That Change the Price Tag on a Medicare Buy-In Policy

An essential part of policy analysis is studying the costs of alternatives. To that end, the Employee Benefit Research Institute (EBRI) examined a hypothetical Medicare buy-in policy in for three age cohorts — ages 50–64, 55–64, and 60–64 — in its recent *Issue Brief*, "Money Can't Buy Me Love, but It Might Buy Me Medicare: An Analysis of the Impact of a Medicare Buy-In Policy on Employers."

To contextualize how the impact of a Medicare buy-in changes depending on who is eligible, we calculated how many workers in each cohort receive employment-based health insurance. EBRI used data from the Current Population Survey to estimate that there are:

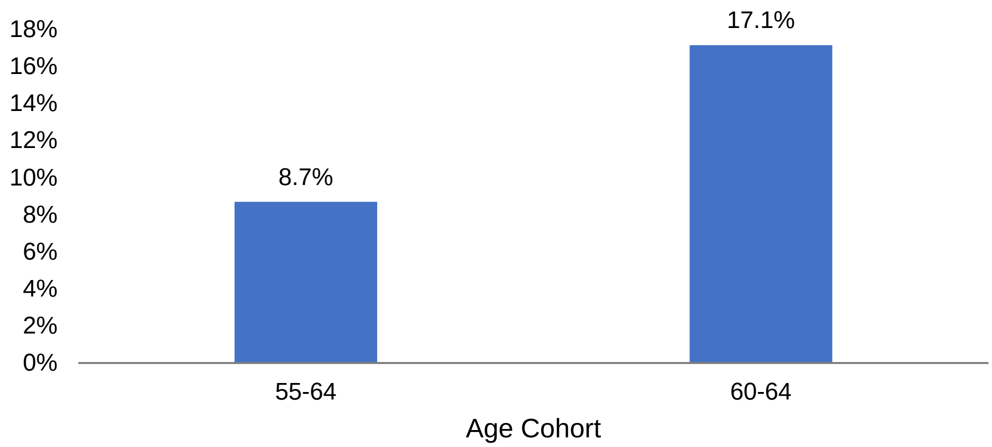
- 39 million 50–64-year-old workers with employment-based insurance coverage.
- 25.2 million 55–64-year-old eligible workers.
- 11.6 million 60–64-year-old eligible workers.

These cohorts are responsible for spending approximately $372 billion, $260 billion, and $133 billion in employment-based health care, respectively.

By their very nature, cohorts with a smaller worker size lead to fewer workers switching to Medicare if it were made available to them. This results in smaller amounts of health care spending transferring from private employment-based insurance plans to public rolls. However, the cost of insuring those workers is also smaller, which could manifest in a lower price tag for the policy and can potentially have a lesser impact on younger workers staying in the employment-based plan.

In our baseline analysis, we compare a Medicare buy-in program with a hypothetical employment-based plan that features a $1,000 deductible and $4,000 out-of-pocket maximum. EBRI's simulation model found that if eligibility were open to workers aged 50–64 in such a program, then 28.4 percent of total spending by all workers covered by the employer-sponsored insurance would be transferred to public insurance. However, if enrollment is restricted to the smaller ages 55–64 and 60–64 cohorts, then the cost savings a typical firm could realize is smaller. Specifically, if eligibility were restricted to workers aged 55–64, a hypothetical firm would see their cost savings shrink by 8.7 percent compared with the 50–64 cohort. Restricting enrollment further to 60–64-year-old workers would see cost-saving reductions shrink by 17.1 percent. Restricting eligibility to older workers could shrink the price tag of a Medicare buy-in, but that comes at the cost of fewer workers switching and taking a smaller share of their health care spending to public insurance rolls.

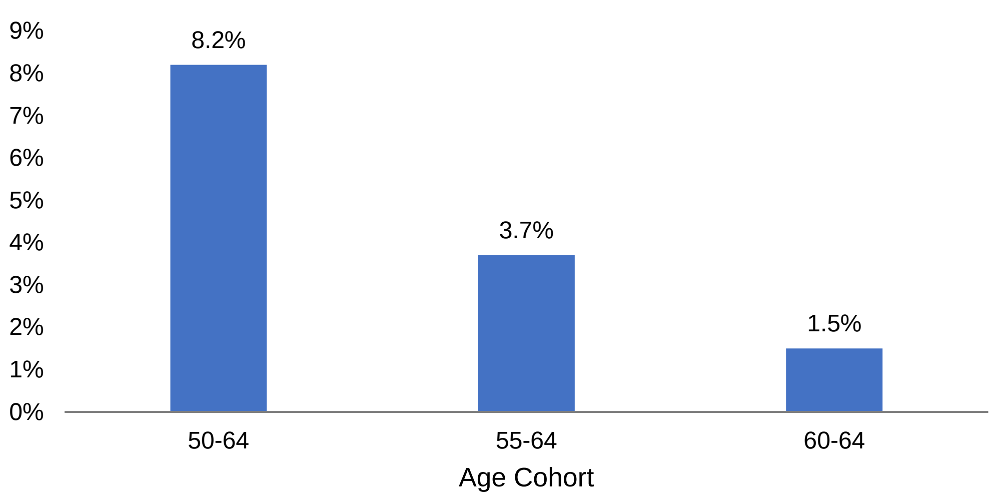
Figure 1
Smaller Cost Savings Reductions Relative to 50–64 Cohort



Impact on Workers Who Remain in the Employer Plan

EBRI's simulation model further shows that workers who switched to Medicare tended to be healthier and lower-spending than the workers who stayed on the employment-based plan. The eligible workers who remained on the employer plan tended to spend at higher levels, which often has the effect of increasing premiums for workers who remain in the employer plan. EBRI's simulation model indicated that restricting eligibility to older cohorts blunts this effect. Specifically, we find that the median firm could see premiums increase by 8.2 percent when 50–64-year-old workers are eligible to switch to Medicare. However, when eligibility is restricted to 55–64-year-olds, the median firm could see premiums increase by 3.7 percent, and when eligibility is further restricted to 60–64-year-olds, the median firm could see premiums increase by only 1.5 percent.

Figure 2
Premium Increase as a Result of Buy-In



Conclusion

The cost savings of restricting Medicare buy-in eligibility to 55–64-year-old or 60–64-year-old workers is less than that of expanding eligibility to 50–64-year-old workers. But since proposals that restrict eligibility come with a smaller price tag and a smaller impact on remaining employees, they could prove to be more viable options for policymakers.

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