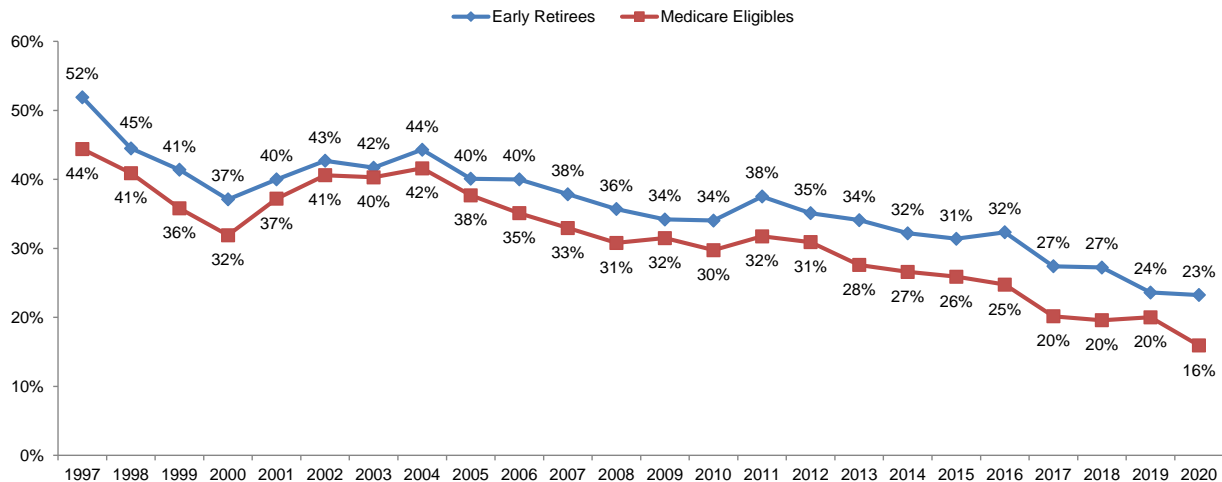


How Has the Percentage of Employers Offering Retiree Health Benefits Changed?

Very few private-sector employers offer retiree health benefits, and the number offering them has been declining. [Recent research from the Employee Benefit Research Institute](#) (EBRI) found that only about 4 percent of private-sector establishments offered health benefits to early retirees, down from only 10 percent for Medicare-eligible retirees in 1997. Furthermore, about 5 percent of private-sector establishments offered health benefits to early retirees in 2020, down from 11 percent in 1997.

Larger firms were much more likely than smaller ones to offer retiree health benefits. Among private-sector establishments with 1,000 or more workers in 2020, 16 percent offered health coverage to Medicare-eligible retirees, and 23 percent offered it to early retirees. Even among larger firms, the percentage offering retiree health benefits to either early retirees or Medicare-eligible retirees has been declining.

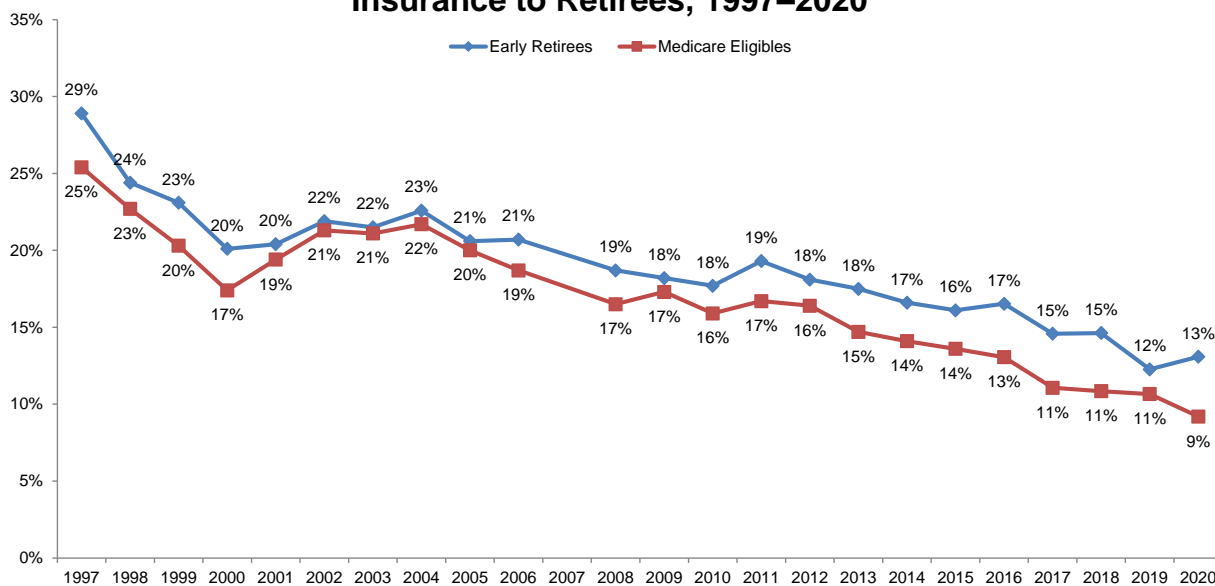
Figure 1
Percentage of Private-Sector Establishments With 1,000 or More Employees Offering Health Insurance to Retirees, 1997–2020



Source: EBRI estimates from various tables at http://meps.ahrq.gov/mepsweb/data_stats/quick_tables_search.jsp?component=2&subcomponent=1.

As a result of the decline in the percentage of employers offering coverage, the percentage of workers at firms that offer coverage has declined as well. In 2020, 13 percent of workers were employed at establishments that offered health coverage to early retirees, down from 29 percent in 1997. Similarly, 9 percent of workers were employed at establishments that offered health coverage to Medicare-eligible retirees, down from 25 percent in 1997.

Figure 2
Percentage of Private-Sector Workers
Employed by Establishments Offering Health
Insurance to Retirees, 1997–2020

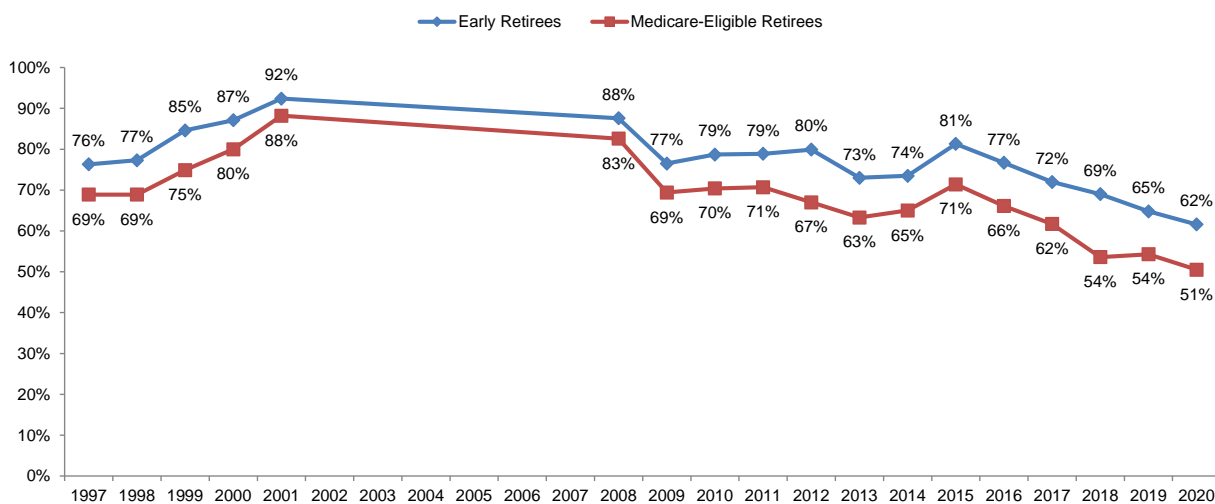


Source: EBRI estimates from various tables at http://meps.ahrq.gov/mepsweb/data_stats/quick_tables_search.jsp?component=2&subcomponent=1.

These statistics should not be interpreted as meaning that 9 percent of workers should expect supplemental health coverage to Medicare when enrolled in the program, nor should it be implied that 13 percent of workers should expect to receive health coverage if they retire before age 65. Many of these workers will not be eligible for retiree health coverage for a number of reasons. They may be part time; they may have not had enough years of service to qualify for the benefit; or new hires may not be eligible for coverage.

State and local government employers appear to be following the private sector. Among state employers, after an increase in the late 1990s, the percentage offering retiree health benefits has been falling.

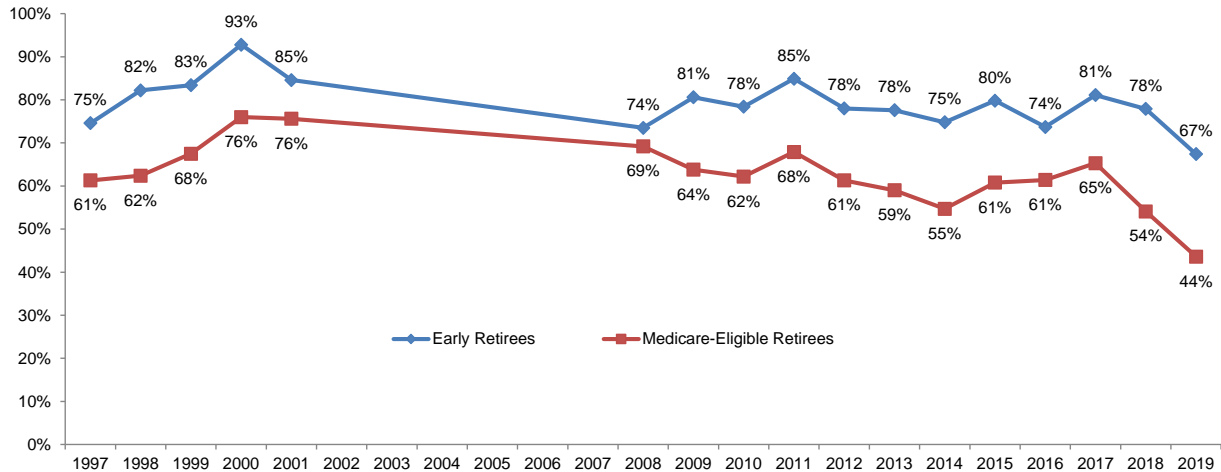
Figure 3
Percentage of State Government Employers Offering Health
Insurance to Retirees, 1997–2020



Source: Various tables at http://meps.ahrq.gov/mepsweb/data_stats/quick_tables_search.jsp?component=2&subcomponent=1.

The decline in the percentage of local government employers offering retiree health benefits started more recently. For example, in 2011, 85 percent of local government employers with 5,000–9,999 workers offered health coverage to early retirees. By 2020, it was down to 67 percent.¹

Figure 4
Percentage of Local Government Employers With 5,000–9,999 Workers Offering Health Insurance to Retirees, 1997–2020



Source: Various tables at http://meps.ahrq.gov/mepsweb/data_stats/quick_tables_search.jsp?component=2&subcomponent=1.

Covering the cost of health insurance premiums and out-of-pocket expenses should be an important component of individuals’ retirement savings calculus. Medicare generally covers only about two-thirds of the cost of health services for Medicare beneficiaries ages 65 and older. Meanwhile, the percentage of both private- and public-sector organizations offering retiree health benefits has been falling.

The Employee Benefit Research Institute is a private, nonpartisan, and nonprofit research institute based in Washington, D.C., that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which include a broad range of public and private organizations. For more information visit www.ebri.org.

¹ Because sample sizes for local government employers tend to be much smaller than for private-sector employers, there is more variation from year to year in the local government estimates.

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