

At a Glance | October 29, 2020

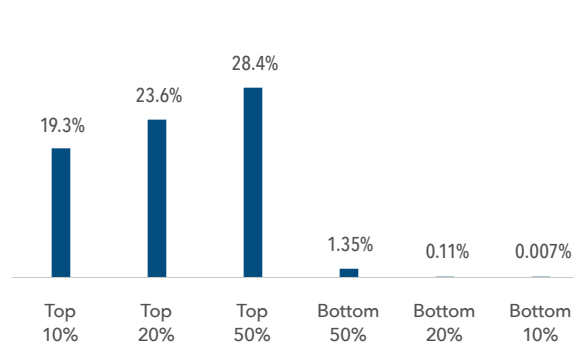
The Implications of a Medicare Buy-In for Employers

Using administrative claims data, EBRI calculated the health care spending of workers aged 50-64 and built a simulation model to estimate who might switch to Medicare if it were made available.

SPENDING BY ELIGIBLE WORKERS

High-spending workers in the 50-64 cohort represent 19 percent of spending by those covered by employer-sponsored insurance; meanwhile, low spenders in that same cohort represent essentially a rounding error. To examine which workers might switch from their employer plan to Medicare, if it were available, and how employers might be impacted, we turn to a simulation model.

Share of Total Employer-Sponsored Insurance Spending, by Spending Decile 50-64 Age Group



The 50-64 age cohort accounts for a large proportion of spending. If employees in that group enrolled in a Medicare buy-in program, it would lower employer insurance spending, though it could increase the premiums for employees remaining on the private plan.

TESTING SCENARIOS

Our baseline simulation indicates that the median firm saw a 19.5 percent decrease in health care spending as a result of eligible workers switching to a Medicare buy-in and taking their spending with them.

We tested several hypotheticals that varied the generosity of the workplace plan. We show the impact on the firm's health care spending when deductibles, out-of-pocket-maximums, or premiums are changed, causing Medicare to be more or less attractive than the workplace plan.

Varying the plan premiums produced larger differences in take-up and spending changes than other sensitivity analyses.

Results From EBRI's Medicare Buy-In Simulation Model
Ages 50-64, Firm Size of 1,000 Employees

	Employer Health Care Spending Reduction	Assumptions
Baseline Assumption	-19.5%	<ul style="list-style-type: none"> \$1,000 deductible for the private plan \$4,000 maximum out-of-pocket No cost difference in premiums between the employer-sponsored plan and the buy-in
Sensitivity Analysis		
Lowering or Raising the Deductible	-18.6%	Deductible lower by \$500 (to \$500)
	-21.6%	Deductible higher by \$1,000 (to \$2,000)
Lowering or Raising the Out-of-Pocket Maximum	-17.4%	Out-of-pocket max lower by \$1,000 (to \$3,000)
	-21.6%	Out-of-pocket max higher by \$1,000 (to \$5,000)
Lowering or Raising Premiums	-15.0%	Premium higher for Medicare buy-in (by \$1,000)
	-21.5%	Premium lower for Medicare buy-in (by \$1,000)

SOURCE: Jake Spiegel, "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," EBRI Issue Brief, no. 512 (Employee Benefit Research Institute, September 3, 2020).