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## Trends in Retiree Health Benefits Offered by Employers

WASHINGTON—What are the recent trends in retiree health benefits offered by employers?

The January 2010 *EBRI Issue Brief* includes, among other things, a discussion of the recent trends in retiree health coverage and the reasons for those trends. Here are some of the main points:

### Overview: Benefits Eroding Since Mid-1990s

Retiree health benefits have been eroding since the mid-1990s. This has been driven by the excessive cost of offering this benefit due to new accounting rules and the increasing cost associated with providing the benefit. Fewer private-sector employers offer the benefits, both private- and public-sector employers have been increasing retiree premiums and cost sharing, and workers are finding it harder to qualify for a subsidized benefit. The Medicare Modernization Act has provided a subsidy to employers since 2003 to maintain drug benefits for Medicare-eligible retirees, which appears to have contributed to slowing the trend.

### Large Employers Most Likely to Offer Benefits

In 2008, 36 percent of establishments with 1,000 or more workers offered retiree health benefits to early retirees, compared with 1 percent among establishments with fewer than 10 workers. For the most part, small businesses never offered health insurance as a benefit to retirees. (Source: Medical Expenditure Panel Survey, AHRQ, HHS.)

### Large Employers Lead Trend Away from Benefits

The trend away from retiree health benefits is mainly a large-firm phenomenon. Among employers with 500 or more employees, 28 percent offered health benefits to early retirees (ages 55–64) and 21 percent to Medicare-eligible retirees (ages 65 and older) in 2009, down from 46 percent and 40 percent, respectively, in 1993. (Source: Mercer National Survey of Employer-Sponsored Health Plans.)

### Numbers Reflect Trend Away from Benefits

In 2008, 22 percent of workers were employed at a private establishment that offered health benefits to early retirees, down from 31 percent in 1997, while 17 percent of workers were employed at a private establishment that offered health benefits to Medicare-eligible retirees, down from 28 percent in 1997. (Source: Medical Expenditure Panel Survey, AHRQ, HHS.)

### Employers Make Qualifying for Benefits More Difficult

Employers have generally made it more difficult for retirees to qualify for health benefits in retirement, so not all of those who work for an employer that offers the benefit will qualify to receive it. In addition to tightening eligibility for benefits, some employers have made the cost of participating in retiree health benefits more expensive for retirees.

The full January 2010 *EBRI Issue Brief* is available at [www.ebri.org/publications/ib/index.cfm?fa=ibDisp&content\\_id=4433](http://www.ebri.org/publications/ib/index.cfm?fa=ibDisp&content_id=4433)

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