

For Immediate Release: Jan. 31, 2013

Contact:

Stephen Blakely, EBRI: 202/775-6341, blakely@ebri.org

Paul Fronstin, EBRI (author): 202/775-6352, fronstin@ebri.org

New Research from EBRI:

Wishful Thinking? Workers Planning to Work Longer to Keep Health Coverage

WASHINGTON—More than half of all workers say they intend to work longer than they would like in order to keep their health insurance at work, according to new research by the nonpartisan Employee Benefit Research Institute (EBRI).

However, the actual experience of retirees suggests that may be wishful thinking: Less than 1 in 5 (19 percent) retirees say they were able to work longer to continue receiving health insurance through their jobs, the EBRI report says.

Overall, according to findings from the 2012 Health Confidence Survey (HCS), sponsored by EBRI and Mathew Greenwald and Associates, more than one-half of workers (53 percent) reported that they planned to work longer than they would otherwise in order to continue receiving health insurance through work.

The HCS also found a growing proportion of older American workers who would retire earlier if they were assured of health coverage: In 2003, 15 percent of workers reported that they would retire earlier than planned if they were guaranteed access to health insurance, but by 2012, that percentage had nearly doubled (27 percent).

Paul Fronstin, director of EBRI's Health Research and Education program and author of the report, said the 2010 federal health reform law might change the current labor-market dynamics of older workers.

Under the Patient Protection and Affordable Care Act of 2010 (PPACA), retirees (as well as many other Americans) will be able to purchase health insurance directly from health insurance exchanges, and they also stand to benefit from other insurance-market reforms combined with those exchanges, including guaranteed issue, modified community rating, and premium and cost-sharing subsidies for those under 400 percent of poverty, as well as increased health plan choices, he noted.

“With those expanded alternatives, employers that currently provide retiree health benefits may well find themselves considering an exit strategy,” Fronstin said. “That, in turn, may affect the willingness of many older workers to stay on the job.”

The HCS notes that health care expenses are a key component of spending in retirement: In 2009, health care accounted for 18 percent of expenses for people 85 and older, 15 percent of expenses for people ages 75–84, and 12 percent of expenses for people ages 65–74. Medicare beneficiaries ages 65 and older paid an average of 13 percent of the cost of their health care services in 2009 (Medicare covered 59 percent, while private insurance covered 14 percent). The Medicare program (the federal/state program for the elderly) was never designed to cover health care expenses in full, Fronstin explained.

It has been estimated that a 65-year-old couple, both with median drug expenses, would need \$163,000 set aside in 2012 to have a 50 percent chance of having enough money to cover health care expenses (excluding long-term care) in retirement, and \$283,000 to have a 90 percent chance of doing so.

The full report is published in the January 2013 *EBRI Notes*, “Views on Health Coverage and Retirement: Findings from the 2012 Health Confidence Survey,” online at www.ebri.org

The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, 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 includes a broad range of public, private, for-profit and nonprofit organizations. For more information go to www.ebri.org or www.asec.org

###