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Notes

EXECUTIVE SUMMARY

Income of the Elderly Population Age 65 and Over, 2008

WHERE RETIREES GET THEIR INCOME: This article reviews the latest available data on the older population's income (from the U.S. Census Bureau's March 2009 Current Population Survey) and how it has changed over time, as well as how the elderly's reliance on these sources varies across demographic characteristics.

SOCIAL SECURITY THE DOMINANT SOURCE: In 2008, Social Security was the largest source of income for those currently age 65 and older, accounting for 39.8 percent of their income on average. Pension and annuities income was 19.7 percent, income from assets 13.0 percent, and income from earnings was 25.6 percent. Nearly all individuals (89.2 percent) age 65 and over were receiving income from Social Security in 2008, while 55.3 percent received income from assets, 35.4 percent received income from pensions and annuities, and 20.4 percent received income from earnings.

MEDIAN INCOME LEVELS: Real median income of the elderly (the midpoint, 50 percent above and 50 percent below) reached $18,001 in 2008, the highest point in the Census Bureau time series.

Examination of the Short-term Impact of the COBRA Premium Subsidy and Characteristics of the COBRA Population

THE SUBSIDY: On Feb. 13, 2009, Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5), which included a provision for the federal government to pay 65 percent of the premiums for individuals covered under the continuation of employment-based health insurance by COBRA who incurred an involuntary job loss between Sept. 1, 2008, and Dec. 31, 2009. The subsidy was made available for up to nine months, and has been extended by Congress three times. At this writing it now lasts 15 months, having been extended through May 2010, and eligibility has been expanded to individuals who first became eligible for COBRA due to a reduction in work hours and then experienced an involuntary employment termination between March 2, 2010, and March 31, 2010.

LITTLE EFFECT SO FAR: Current data indicate that the COBRA subsidies that became available in April 2009 do not appear to have had an immediate impact on the percentage of individuals with coverage through a former employer, but it is too early to tell from nationally representative surveys if and when take-up of COBRA accelerated. Data through August 2009 (and limited data through November 2009) are expected to be available in September 2010, when it will be possible to examine the impact that the premium subsidy has had on take-up of COBRA.

Income of the Elderly Population Age 65 and Over, 2008

By Ken McDonnell, Employee Benefit Research Institute

The U.S. retirement income system—including employment-based retirement plans, Social Security, individual savings, and post-retirement employment—can be assessed in part by examining the income of the current elderly population (age 65 and older). This article reviews the latest available data on the older population's income (from the U.S. Census Bureau's March 2009 Current Population Survey) and how it has changed over time, as well as how the elderly's reliance on these sources varies across demographic characteristics.

In 2008, Social Security was the largest source of income for those currently age 65 and older, accounting for 39.8 percent of their income on average (Figure 1). Pension and annuities income was 19.7 percent, income from assets 13.0 percent, and income from earnings was 25.6 percent.

Nearly all individuals (89.2 percent) age 65 and over were receiving income from Social Security in 2008 (Figure 2), while 55.3 percent received income from assets, 35.4 percent received income from pensions and annuities, and 20.4 percent received income from earnings.

Income Levels

The *median* income level of the elderly population (the midpoint, 50 percent above and 50 percent below) increased from $13,264 (in constant 2009 dollars) in 1974 to $17,507 (in 2009 dollars) in 1999 (Figure 3). By 2004, the median income of the elderly had declined to $17,085. Real median income increased by 2008, to $18,001, the highest point in this time series. The average income of the elderly increased from $18,715 in 1974 to $24,076 by 1989. Following 1989, *average* income of the elderly was up and down, being higher in 2008 than in 1989 by $4,702 (calculated from Figure 3).

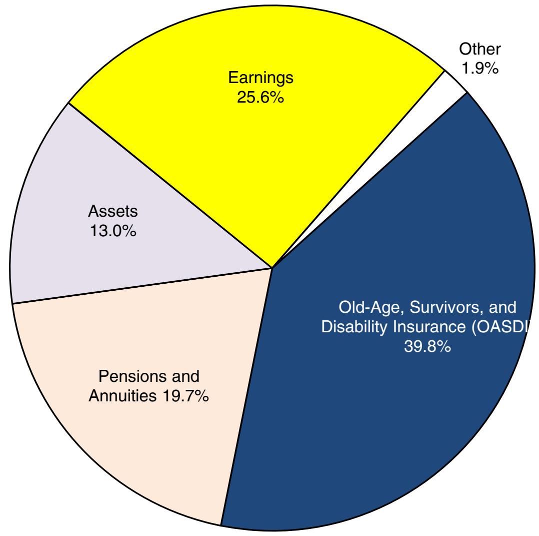
Income Composition

Income Group—Income composition varies significantly across income groups. In 2008, the lowest income quintile among the elderly received 88.4 percent of its income from Social Security, and the highest income quintile received 18.6 percent of its income from Social Security (Figure 4). The other three main sources of the elderly's income (pensions and annuities, assets, and earnings) all increased in importance for the higher-income quintiles. In 2008, the lowest-income quintile received 3.4 percent of its income from pensions and annuities, 4.0 percent from assets, and 2.0 percent from earnings. By comparison, the highest-income quintile received 22.6 percent of its income from pensions and annuities, 17.7 percent from assets, and 39.3 percent from earnings.

Age—The oldest age group of the elderly, those age 85 and over, receive a greater percentage of their total income from Social Security than those in the younger age groups. In 2008, elderly persons age 85 and over derived 54.5 percent of their income from Social Security, compared with 29.7 percent for those ages 65–69 (Figure 5). Younger age groups derive a greater share of their total income from earnings from work. In 2008, among those elderly ages 65–69, 41.2 percent of their income was from work-related earnings, compared with 6.5 percent of the income of individuals age 85 and over.

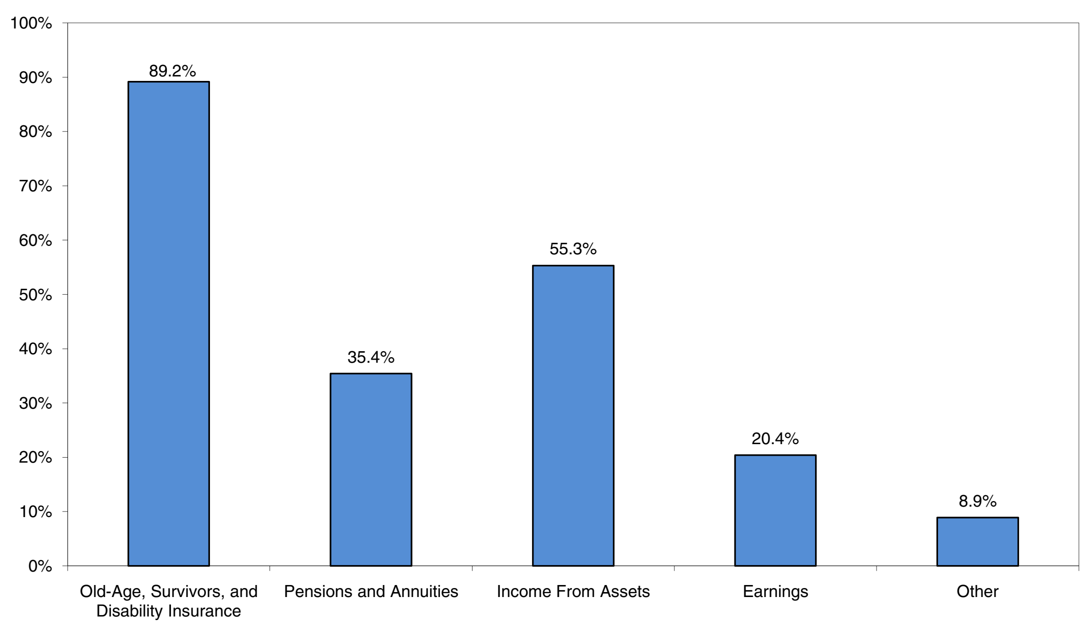
For the two younger age groups (65–69 and 70–74) earnings from work increased significantly as a source of income from 1985 to 2008. For the youngest group (65–69 year olds) the increase was most significant, increasing 18.1 percentage points from 1985 to 2008 (calculated from figure 5). Among the two oldest age groups (80–84 and 85 and over) pension and annuities have increased as a source of income. Pension and annuities increased from 9.2 percent of total income (in 1975) for individuals age 85 and over to 22.4 percent in 2008. For individuals ages 80–84, pension and annuity income, while slightly decreasing from 1975 (12.6 percent) to 1985 (11.7 percent), showed a significant increase from 1985 to 2008 (23.1 percent).

Figure 1
Distribution of the Older Population's Income, 2008



Source: EBRI estimates of the March 2009 Current Population Survey.

Figure 2
Percentage of the Older Population Receiving Income From Various Sources, 2008

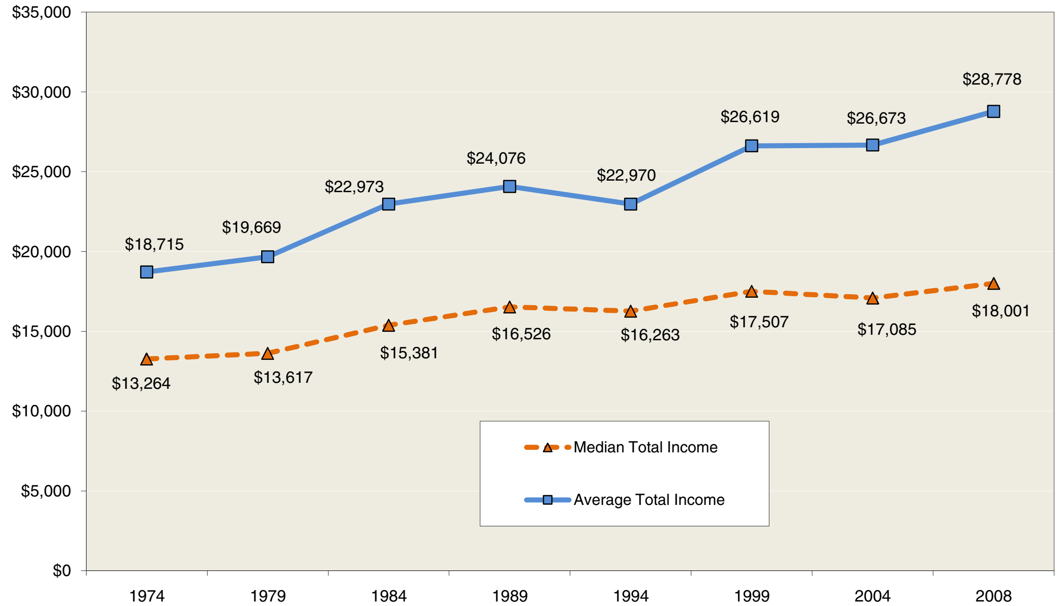


Source: EBRI estimates of the March 2009 Current Population Survey.

Figure 3

Income of the Older Population, Selected Years 1974–2008

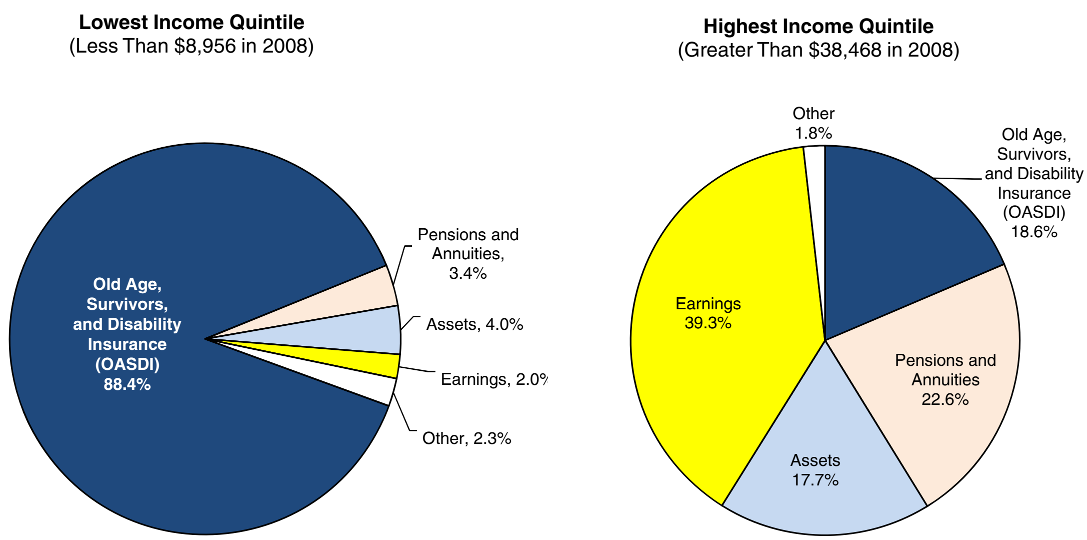
(2009 $s)



Source: EBRI estimates of the March 1975, 1980, 1985, 1990, 1995, 2000, 2005, and 2009 Current Population Surveys.

Figure 4

Income of the Elderly, Lowest and Highest Quintiles, 2008



Source: EBRI estimates of the March 2008 Current Population Survey.

Figure 5
Distribution of the Older Population's Average Annual Income,[a] by Source and Age, 1975, 1985, 1995, and 2008

	1975		1985		1995		2008	
	Income	Percentage	Income	Percentage	Income	Percentage	Income	Percentage
Age 65–69								
Total income	$5,404	100.0%	$12,783	100.0%	$20,005	100.0%	$34,481	100.0%
Social Security	1,864	34.5	4,326	33.8	6,632	33.1	10,242	29.7
Pensions	798	14.8	2,224	17.4	3,661	18.3	5,819	16.9
Assets	841	15.6	2,902	22.7	3,184	15.9	3,694	10.7
Earnings	1,711	31.7	2,957	23.1	6,089	30.4	14,192	41.2
Other	191	3.5	375	2.9	439	2.2	534	1.5
Age 70–74								
Total income	4,651	100.0	11,286	100.0	17,388	100.0	28,308	100.0
Social Security	2,135	45.9	5,009	44.4	7,416	42.7	11,377	40.2
Pensions	670	14.4	1,821	16.1	3,747	21.5	5,545	19.6
Assets	957	20.6	2,886	25.6	3,072	17.7	3,700	13.1
Earnings	714	15.4	1,256	11.1	2,724	15.7	7,202	25.4
Other	174	3.8	313	2.8	429	2.5	485	1.7
Age 75–79								
Total income	4,322	100.0	10,243	100.0	15,651	100.0	24,382	100.0
Social Security	2,115	48.9	4,821	47.1	7,746	49.5	11,389	46.7
Pensions	562	13.0	1,512	14.8	3,033	19.4	5,489	22.5
Assets	973	22.5	3,099	30.3	3,135	20.0	3,882	15.9
Earnings	449	10.4	548	5.4	1,343	8.6	3,108	12.7
Other	223	5.2	262	2.6	394	2.5	513	2.1
Age 80–84								
Total income	4,107	100.0	9,869	100.0	14,268	100.0	22,824	100.0
Social Security	2,088	50.8	4,772	48.4	7,930	55.6	11,578	50.7
Pensions	519	12.6	1,153	11.7	2,398	16.8	5,266	23.1
Assets	941	22.9	3,224	32.7	3,019	21.2	3,409	14.9
Earnings	269	6.6	408	4.1	716	5.0	1,994	8.7
Other	290	7.1	311	3.2	206	1.4	577	2.5
Age 85+								
Total income	3,581	100.0	9,172	100.0	13,511	100.0	21,758	100.0
Social Security	1,877	52.4	4,416	48.1	7,625	56.4	11,859	54.5
Pensions	330	9.2	1,014	11.1	2,101	15.5	4,881	22.4
Assets	948	26.5	3,265	35.6	3,111	23.0	3,074	14.1
Earnings	112	3.1	116	1.3	392	2.9	1,414	6.5
Other	314	8.8	361	3.9	282	2.1	530	2.4

Source: Employee Benefit Research Institute tabulations of data from the Current Population Survey March 1976, 1986, 1996, and 2009 Supplements.

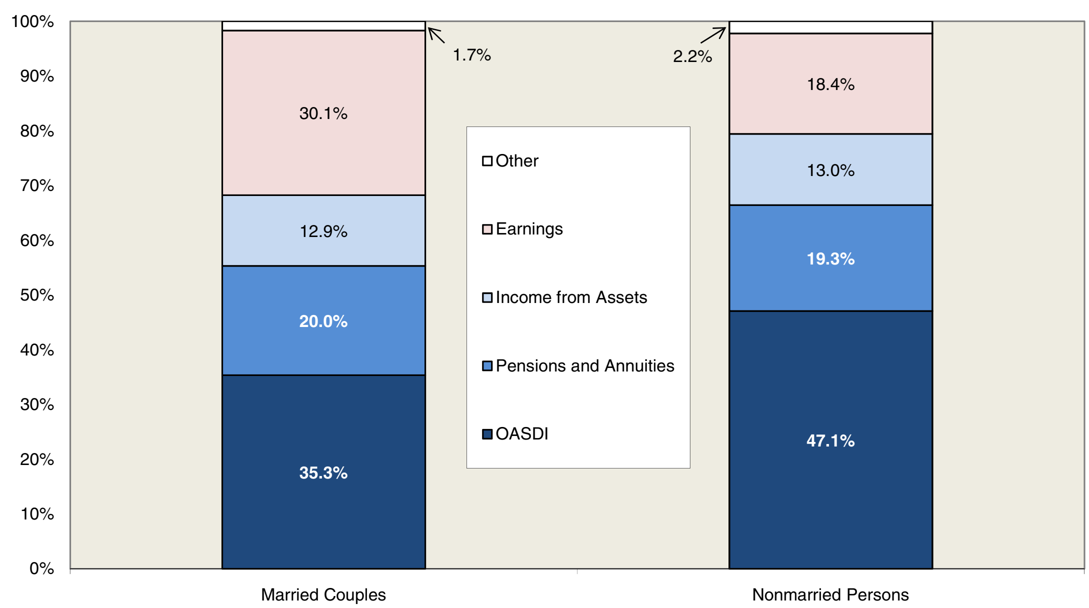
[a] Includes public assistance, Supplemental Security Income, unemployment compensation, workers' compensation, veterans' benefits, nonpension survivors' benefits, nonpension disability benefits, educational assistance, child support, alimony, regular financial assistance from friends or relatives not living in the individual's household, and other sources of income.

Marital Status—Nonmarried persons receive a larger share of their income from Social Security than married persons (47.1 percent vs. 35.3 percent), and a noticeably smaller share from earnings (18.4 percent vs. 30.1 percent) (Figure 6). In addition, married persons receive a slightly smaller share of their income from pensions and annuities. *Gender*—Elderly women derived a greater share of their income from Social Security and assets than elderly men in 2008. Social Security accounted for 48.4 percent of elderly women's income, compared with 33.7 percent of elderly men's income (Figure 7). Income from assets accounted for 14.6 percent of elderly women's income, compared with 11.8 percent of elderly men's. By comparison, elderly men derived a larger share of their income from employment-based sources, including pensions and annuities and earnings, than elderly women. In 2008, pensions and annuities accounted for 21.8 percent of elderly men's income, compared with 16.8 percent of elderly women's. Income from earnings accounted for 30.5 percent of the elderly men's income, compared with 18.7 percent of elderly women's.

Income from earnings (employment income) has increased significantly as a percentage of an elderly man's income from 1985 (18.9 percent) to 2008 (30.5 percent). In contrast, income from assets has declined as a percentage of an elderly man's income from 1985 (21.1 percent) to 2008 (11.8 percent).

The percentage of elderly women's income coming from employment-based sources, has increased over time, reflecting the growing presence of women in the work force. In 1975, pensions and annuities accounted for 11.9 percent of elderly women's income and earnings accounted for 11.0 percent. By 2008, these percentages had increased to 16.8 percent and 18.7 percent, respectively (Figure 7).

Figure 6
Distribution of the Older Population's Income, Persons Age 65 and Over, by Martial Status, 2008



Source: EBRI estimates from the March 2009 Current Population Survey.

Additional Data

For additional data on income sources of the elderly, please see the *EBRI Databook on Employee Benefits*, Chapters 6 and 7. www.ebri.org/publications/books/index.cfm?fa=databook

The data in this article were tabulated from the March Current Population Surveys, published annually by the U.S. Census Bureau. Of all datasets reporting income of the older population, the March CPS allows the most detailed breakouts of individual incomes, allowing differences correlated with individual demographic characteristics such as age, gender, marital status, and education to be identified. However, there is some controversy surrounding the validity of the March CPS data in relation to its information about pension income and total income of the older population. For example, the 2008 National Income and Product Accounts (NIPA) survey reports more than $313.6 billion more income from private pensions and $155.3 billion more income from public pensions than the March CPS. Part of this disparity arises from NIPA's accounting of lump-sum distributions paid to younger workers as pension income. In addition, because some pension plans are administered by third parties or are paid out in lump-sum distributions and managed by another party or by the retiree (e.g., in the form of an individual retirement account (IRA), pension income may be misreported by respondents as coming from other sources (e.g., assets, personal savings). Nevertheless, although March CPS data may understate pension income, it does not necessarily follow that it underestimates total income of the elderly, especially if pension income is simply misreported as originating from other sources in the March CPS. However, the fact that NIPA reports $70.6 billion more income from Old-Age, Survivors, and Disability Insurance (OASDI) than the March CPS suggests that the March CPS does not only underestimate pension income but may also underestimate total income received by the older population. The extent to which the March CPS underestimates total income or certain types of income is unknown because of the limitations in directly comparing the income of individuals using CPS with that of other datasets.

Figure 7

Distribution of the Older Population's Average Annual Income,[a] by Source and Gender, 1975, 1985, 1995, 2005, and 2008

	Males		Females	
	Income	Percentage	Income	Percentage
1975 Data				
Total income	$6,929	100.0	$3,209	100.0
Social Security	2,496	36.0	1,668	52.0
Pensions	1,054	15.2	382	11.9
Assets	1,345	19.4	613	19.1
Earnings	1,796	25.9	351	11.0
Other	237	3.4	194	6.1
1985 Data				
Total income	14,748	100.0	8,845	100.0
Social Security	5,443	36.9	4,120	46.6
Pensions	2,998	20.3	897	10.1
Assets	3,116	21.1	2,917	33.0
Earnings	2,790	18.9	634	7.2
Other	401	2.7	277	3.1
1995 Data				
Total income	23,409	100.0	12,536	100.0
Social Security	8,592	36.7	6,415	51.2
Pensions	5,317	22.7	1,766	14.1
Assets	3,467	14.8	2,863	22.8
Earnings	5,452	23.3	1,251	10.0
Other	581	2.5	241	1.9
2005 Data				
Total income	33,833	100.0	17,383	100.0
Social Security	11,267	33.3	8,700	50.5
Pensions	7,235	21.4	2,844	16.4
Assets	4,252	12.6	2,630	15.1
Earnings	10,312	30.5	2,854	16.4
Other	768	2.3	355	2.0
2008 Data				
Total income	37,870	100.0	20,322	100.0
Social Security	12,776	33.7	9,846	48.4
Pensions	8,242	21.8	3,420	16.8
Assets	4,471	11.8	2,969	14.6
Earnings	11,548	30.5	3,797	18.7
Other	834	2.2	290	1.4

Source: Employee Benefit Research Institute tabulations of data from the Current Population Survey, March 1976, 1986, 1996, 2006, and 2009 Supplements.

[a] Includes public assistance, Supplemental Security Income, unemployment compensation, workers' compensation, veterans' benefits, nonpension survivors' benefits, nonpension disability benefits, educational assistance, child support, alimony, regular financial assistance from friends or relatives not living in the individual's household, and other sources of income.

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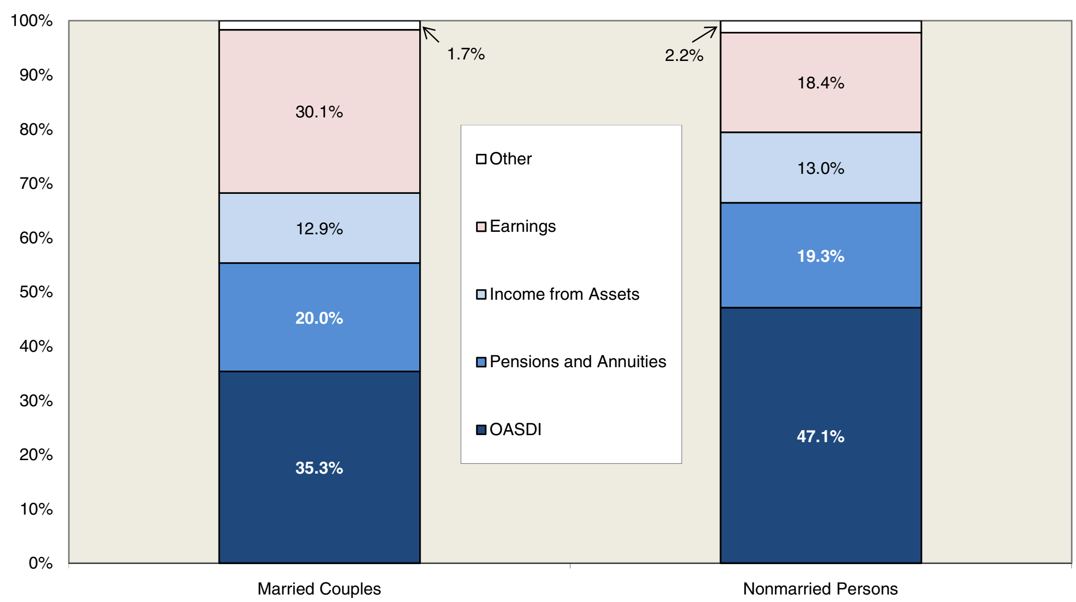

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Examination of the Short-term Impact of the COBRA Premium Subsidy and Characteristics of the COBRA Population

By Paul Fronstin, Employee Benefit Research Institute

On Feb. 13, 2009, Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5), which included a provision for the federal government to pay 65 percent of the premiums for individuals covered under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) who incurred an involuntary job loss between Sept. 1, 2008, and Dec. 31, 2009. The subsidy was made available for up to nine months, and has been extended by Congress three times. At this writing it now lasts 15 months, having been extended through May 2010, and eligibility has been expanded to individuals who first became eligible for COBRA due to a reduction in work hours and then experienced an involuntary employment termination between March 2, 2010, and March 31, 2010. ARRA was expected to assist 7 million people with COBRA subsidies during 2009. However, the Congressional Budget Office reports smaller than anticipated revenue losses due to COBRA subsidies, and there is conflicting evidence as to the effect of the subsidies on the take-up of COBRA coverage.

This article examines trends in coverage through a former employer. It examines recent trends and also compares the characteristics of individuals with COBRA coverage with those of individuals having employment-based coverage through a current job.

Current data indicate that the COBRA subsidies that became available in April 2009 do not appear to have had an immediate impact on the percentage of individuals with coverage through a former employer, but it is too early to tell from nationally representative surveys if and when take-up of COBRA accelerated.

Introduction

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) included a continuation-of-coverage provision that requires employers with 20 or more employees to make available continued health coverage for a specified period to employees (and/or their qualified dependents) who terminate employment for reasons other than gross misconduct. COBRA ensures that workers who lose their health coverage when they lose their job or become ineligible for coverage because they move from full-time to part-time work can continue it for 18 months. The law does not require employers or unions to continue paying for this coverage. The entire premium for health coverage may be paid by the individuals electing COBRA. Those who utilize their right to COBRA coverage often find it to be surprisingly unaffordable, especially during periods of unemployment and loss of income.

On Feb. 13, 2009, Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA), which included a provision for the federal government to pay a portion of premiums for certain individuals with COBRA coverage. The new COBRA program subsidizes 65 percent of the COBRA premium for individuals incurring an involuntary job loss between Sept. 1, 2008, and Dec. 31, 2009. The subsidy was made available for up to nine months.

The subsidy for COBRA coverage has been extended by Congress three times. In December 2009, Congress extended the eligibility period for the subsidy through Feb. 28, 2010, and increased to 15 months the length of time the subsidy is available. Another extension was enacted on March 2, 2010, extending the eligibility period to March 31, 2010, and expanding eligibility for the subsidy to certain individuals who first became eligible for COBRA due to a reduction in work hours and then experienced an involuntary employment termination. Involuntary termination had to have occurred between March 2, 2010, and March 31, 2010. And on April 15, 2010, Congress extended the subsidy through May 2010.

When ARRA was passed in 2009, the CBO estimated $25 billion in subsidies would be provided to COBRA beneficiaries between 2009 and 2012, with $14 billion in subsidies provided in 2009.[1] ARRA was also expected to assist seven million people with COBRA subsidies during 2009.[2] More recently, CBO reports smaller than anticipated revenue losses due to COBRA subsidies.[3] Furthermore, there is conflicting evidence as to the effect of the subsidies on take-up of COBRA coverage. Hewitt reported in August and December 2009 that COBRA enrollments had doubled, from 19 percent of eligible individuals to nearly 40 percent.[4] In contrast, Ceridian found that COBRA enrollment increased from 12.4 percent to 17.7 percent.[5]

The lower-than-expected take-up may be due to the fact that, even after the subsidy, COBRA premiums may not be affordable for many families, especially at a time when they have seen a decline in income. Premiums averaged $4,824 for employee-only coverage and $13,375 for family coverage in 2009.[6] After the subsidy, premiums would be $1,688 for employee-only coverage and $4,681 for family coverage. Furthermore, premiums for current workers' employment-based coverage are either excluded from taxable income or reduce taxable income. COBRA premiums are generally not tax deductible.

This article examines recent trends in the coverage individuals receive through a former employer. It also compares the characteristics of individuals with COBRA coverage with those of individuals with employment-based coverage through a current job.

Trends in COBRA Coverage

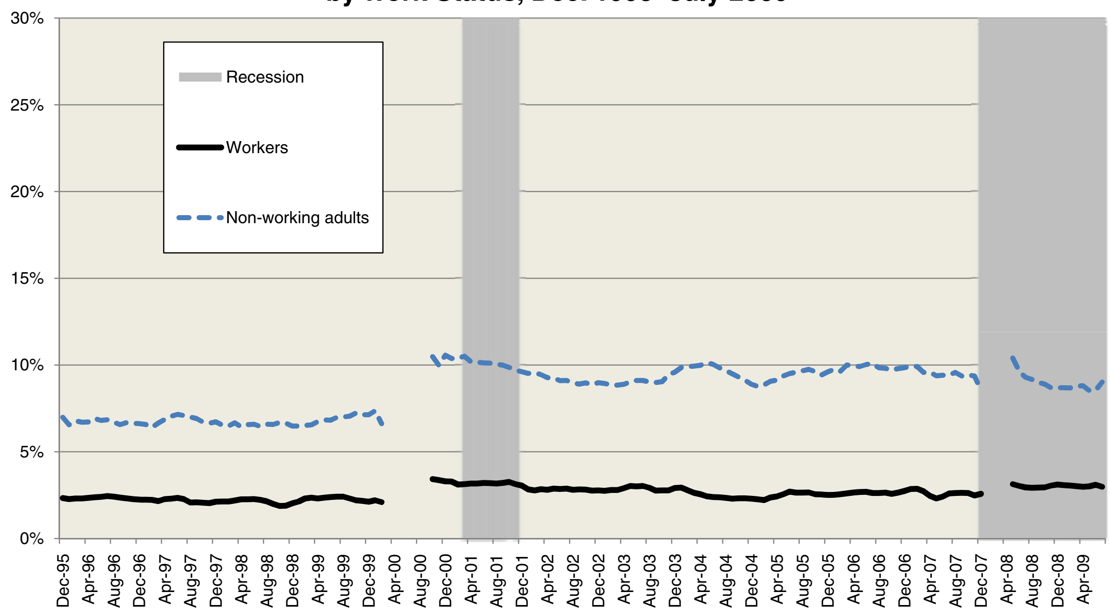
In large part, nationally representative surveys with micro-level data on individuals do not allow COBRA beneficiaries to be identified. However, the Survey of Income and Program Participation (SIPP), conducted by the U.S. Census Bureau, is the exception. SIPP is a nationally representative longitudinal survey of the civilian noninstitutionalized U.S. population. It provides comprehensive information about the income of individuals and households in the United States. It also provides information on participation in public programs. Individuals selected into the SIPP sample are interviewed once every four months over the life of the panel. In addition to a core set of questions asked participants each four months, a rotating set of topical questions supplements the core questions.

The core set of questions does not allow identification of COBRA beneficiaries, but a question is asked as to whether individuals with private health coverage get that coverage through a former employer. In some cases, that coverage will be provided through COBRA, but in other cases, it will be retiree health coverage. One of the topical modules conducted in each panel does allow identification of COBRA beneficiaries.

Figure 1 shows the percentage of adults ages 18–64 with coverage through a former employer from December 1995 through July 2009. Separate trends are shown for working and nonworking adults, and the recession years are highlighted. Historically, the percentage of workers and nonworkers with coverage through a former employer has been low. During the late 1990s, the percentage of workers with coverage through a former employer was about 2 percent, while among nonworkers it was between 6 percent and 7 percent. During 2000–2009, the percentage of workers with coverage through a former employer continued to be between 2–3 percent, while the percentage of nonworkers with such coverage was generally between 8–9 percent.

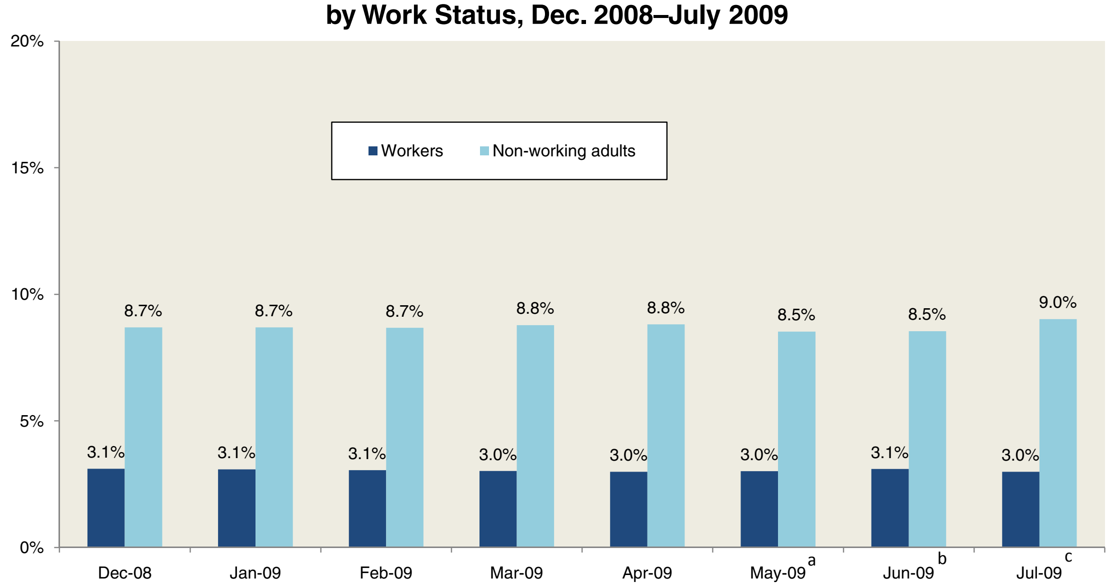
The COBRA subsidies that became available in April 2009 do not appear to have had an immediate impact on the percentage of individuals with coverage through a former employer. Figure 2 presents the data from Figure 1 limited to the December 2008–July 2009 period. It shows no change in the percentage of workers with coverage through a former employer. Among nonworkers, the percentage with coverage through a former employer was steady at 8.7–8.8 percent between December 2008 and April 2009. It fell to 8.5 percent in May and June 2009, and then increased to 9 percent in July 2009. It is too early to tell if the increase in July 2009 was due to the lagged effect of the COBRA subsidy. The July 2009 data are based on only 25 percent of the sample and may be revised when the data for the full sample become available (they are expected to be released in September 2010).[7]

Figure 1
Percentage of Individuals, Ages 18–64, With Coverage Through a Former Employer, by Work Status, Dec. 1995–July 2009



Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 1996, 2001, 2004, and 2008 panels, and the Naational Bureau of Economic Research.

Figure 2
Percentage of Individuals, Ages 18–64, With Coverage Through a Former Employer, by Work Status, Dec. 2008–July 2009



Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2008 panel.
[a] Based on 75% of sample.
[b] Based on 50% of sample.
[c] Based on 25% of sample.

Who Has COBRA?

As mentioned above, COBRA beneficiaries can be identified from SIPP's topical module. The last topical module to contain information on COBRA was fielded during the first half of 2005. The 2005 data cannot be used to examine who has benefited from the COBRA subsidies, but they can be used to examine the characteristics of the population with COBRA and establish a baseline prior to the availability of the COBRA subsidy. Data from May 2005 are presented in Figures 3 and 4.

Figure 3 contains a comparison of demographic differences between individuals with employment-based coverage and those with COBRA. There are a number of notable differences. First, the COBRA population is much more likely to be female than the overall population with employment-based health benefits. Two-thirds of the COBRA population was female, compared with 44 percent of individuals with employment-based coverage.

Figure 3
Comparison of Demographics Between Individuals With Employment-Based Coverage and COBRA, Ages 18–64, May 2005

	Any Employment-Based Coverage	COBRA
Gender		
Male	56%	34%
Female	44	66
Age		
18–24	7	1
25–34	24	20
35–44	27	32
45–54	27	29
55–64	15	18
Race/Ethnicity		
White	72	80
Black	11	12
Hispanic	11	4
Other	6	4
Education		
Less than high school	4	7
High school	62	57
College	22	25
Graduate degree	12	11

Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 panel.

Age—The COBRA population is older than the population with employment-based coverage. Only 1 percent of COBRA beneficiaries was between the ages of 18−24, compared with 7 percent of the population with employment-based coverage. Similarly, 20 percent of the COBRA population was between ages 25−34, compared with 24 percent of the population with employment-based coverage.

Race—The COBRA population is also more likely than the population with employment-based coverage to be white, and less likely to be Hispanic.

Education—There does not appear to be a strong pattern in differences between the COBRA population and the population with employment-based coverage with respect to education. The COBRA population is slightly more likely to have no high school education, but is also slightly more likely to have a college education. The percentage of COBRA beneficiaries with a high school education is 57 percent, compared with 62 percent of the population with employment-based coverage.

Figure 4 compares differences between individuals with employment-based coverage and those with COBRA coverage with respect to job characteristics. The data for persons with employment-based coverage refer to their current job. For persons with COBRA, the data refer to their immediate former employer, which in most cases will also be the employer from which they receive COBRA. Overall, there are very few differences by job characteristics. COBRA beneficiaries are more likely to be from the private for-profit sector than the population with employment-based coverage. With respect to sector of employment, COBRA beneficiaries are more likely to come from agriculture, forestry, fishing, hunting, mining and construction, and less likely to come from manufacturing, transportation, utilities and information. There are only slight differences by firm size and union membership.[8]

Examining differences by income, it appears that COBRA beneficiaries had lower earnings than the population with employment-based coverage. They were more likely to come from jobs with earnings in the $10,000−$39,999 range, whereas the population with employment-based coverage is more likely to be in the $40,000−$79,999 annual earnings range. While annual earnings could be considered a proxy for affordability, simply examining annual earnings does not control for other sources of income, such as that from a working spouse.

Conclusion

On Feb. 13, 2009, Congress passed ARRA, which included a provision for the federal government to pay 65 percent of COBRA premiums for individuals incurring an involuntary job loss between Sept. 1, 2008, and Dec. 31, 2009. The subsidy was made available for up to nine months. The subsidy for COBRA coverage has been extended by Congress three times. The subsidy now lasts 15 months, was extended through May 2010, and eligibility was expanded to individuals who first became eligible for COBRA due to a reduction in work hours and then experienced an involuntary employment termination between March 2, 2010, and March 31, 2010. ARRA was expected to assist seven million people with COBRA subsidies during 2009.

However, CBO reports smaller than anticipated revenue losses due to COBRA subsidies, and there is conflicting evidence as to the effect of the subsidies on take-up of COBRA coverage. The COBRA subsidies that became available in April 2009 do not appear to have had an immediate impact on the percentage of individuals with coverage through a former employer, but it is too early to tell from nationally representative surveys if and when take-up of COBRA accelerated.

Data through August 2009 (and limited data through November 2009) are expected to be available in September 2010. At that point, it will be possible to examine the impact that the premium subsidy has had on take-up of COBRA, and also whether the subsidies are responsible for changing the characteristics of the COBRA population.

Figure 4

Comparison of Job Characteristics Between Individuals With Employment-Based Coverage and COBRA, Ages 18–64, May 2005

	Any Employment-Based Coverage	COBRA
Sector of Employment		
Private, for-profit	71%	77%
Private, non-profit	8	5
Local government	4	5
State government	6	7
Federal government	10	5
Industry		
Agriculture, forestry, fishing, hunting, mining & construction	6	12
Manufacturing, transportation, utilities & information	25	16
Wholesale & retail rrade & finance, insurance & real	30	28
Services	31	30
Public administration	8	6
Firm size		
Under 25	12	11
25–99	11	14
100 or more	76	75
Union		
Union member	20	23
Not union member	80	77
Annual Earnings		
Under $10,000	4	3
$10,000–$19,999	12	18
$20,000–$29,999	20	30
$30,000–$39,999	20	24
$40,000–$49,999	13	2
$50,000–$79,999	21	11
$80,000 or more	10	11

Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 panel.

An important question is whether the premium subsidy for COBRA resulted in an increase in the number of younger people taking COBRA, which would mitigate some of the adverse selection associated with the program.

Endnotes

[1] See www.cbo.gov/ftpdocs/100xx/doc10008/03-02-Macro_Effects_of_ARRA.pdf (last reviewed April 2010).

[2] Some of the 7 million would have taken COBRA even in the absence of the new subsidy. See www.jct.gov/x-19-09.pdf (last reviewed April 2010).

[3] See www.cbo.gov/ftpdocs/110xx/doc11044/02-23-ARRA.pdf (last reviewed April 2010).

[4] See www.hewittassociates.com/Intl/NA/en-US/AboutHewitt/Newsroom/PressReleaseDetail.aspx?cid=7133 and www.hewittassociates.com/Intl/NA/en-US/AboutHewitt/Newsroom/PressReleaseDetail.aspx?cid=7916 (last reviewed April 2010).

[5] See http://hr.cch.com/news/benefits/102909.asp (last reviewed April 2010).

[6] See Exhibits 6.3 and 6.4 in http://ehbs.kff.org/pdf/2009/7936.pdf.

[7] COBRA beneficiaries can be further isolated by controlling for age. Very few individuals under age 55 will have retiree health coverage; thus, estimates of former employer coverage for the population under 55 should be mostly COBRA coverage. Even after controlling for age, there is no recent uptick in the percentage of individuals with former employer coverage under age 55. The estimates for the population ages 55−64 still combine COBRA coverage with retiree health benefits. These estimates are available upon request.

[8] Because small firms are not subject to COBRA, it is expected that COBRA beneficiaries are more likely to be from larger firms. However, many states also have continuation-of-coverage laws that affect small employers.

New Publications and Internet Sites

[Note: To order U.S. Government Accountability Office (GAO) publications, call (202) 512-6000.]

Accounting

Baksa, Barbara A. *Accounting for Equity Compensation*. Seventh Edition. NCEO members, $35; nonmembers, $50. National Center for Employee Ownership, 1736 Franklin St., 8th Fl., Oakland, CA 94612, (510) 208-1300, fax: (510) 272-9510, e-mail: customerservice@nceo.org, www.nceo.org

Compensation

Buck Consultants. *Recovery, Restoration and Retention: 2010 Compensation Trends*. Free. Buck Consultants, LLC, Attn: Global Survey Resources, 500 Plaza Dr., Secaucus, NJ 07096-1533, (800) 887-0509, www.bucksurveys.com

Employee Benefits

Employee Benefit Research Institute. *Fundamentals of Employee Benefit Programs*. Sixth Edition (2009). $19.95 (EBRI members get a 55 percent discount) plus shipping. EBRI member organizations, or those interested in bulk purchases of *Fundamentals*, should contact Alicia Willis at (202) 659-0670 or e-mail: publications@ebri.org

Health Care

CCH Editorial Staff. *CCH's Law, Explanation and Analysis of the Patient Protection and Affordable Care Act*. $149. Aspen Publishers Distribution Center, 7201 McKinney Circle, P.O. Box 990, Frederick, MD 21705, (800) 638-8437, www.aspenpublishers.com

Health Forum LLC, an affiliate of the American Hospital Association. *AHA Hospital Statistics™*. 2010 Edition. AHA members, $175; nonmembers, $235. AHA Services, Inc., P.O. Box 933283, Atlanta, GA 31193-3283, (800) 242-2626, fax: (866) 516-5817, www.ahadata.com

Richard K. Miller & Associates. *The 2010 Healthcare Business Market Research Handbook*. Hardcopy or PDF, $485; Hardcopy + PDF, $585. Richard K. Miller & Associates, 4132 Atlanta Highway, Ste. 110, Loganville, GA 30052, (770) 466-9709, fax: (770) 466-6879, www.rkma.com

U.S. Government Accountability Office. *Group Purchasing Organizations: Research on Their Pricing Impact on Health Care Providers*. Order from GAO.

Pension Plans/Retirement

Buck Consultants. *Retirement Plan Changes in a Period of Economic Uncertainty*. $200. Buck Consultants, LLC, Attn: Global Survey Resources, 500 Plaza Dr., Secaucus, NJ 07096-1533, (800) 887-0509, www.bucksurveys.com

Hewitt Associates LLC. *Survey Findings: Trends and Experience in 401(k) Plans, 2009*. $2,500. Hewitt Associates LLC, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 295-5000, e-mail: amy.atchison@hewitt.com

U.S. Government Accountability Office. *Troubled Asset Relief Program: Automaker Pension Funding and Multiple Federal Roles Pose Challenges for the Future*. Order from GAO.

Reference

Insurance Information Institute. *The Insurance Fact Book 2010*. Hardcopy, $45; PDF, $58 (discounts for multiple copies are available). Insurance Information Institute, 110 William St., 24th Fl., New York, NY 10038, (800) 331-9146 or (212) 346-5500, e-mail: publications@iii.org, www.iii.org/publications

Sites on Health Care Reform Passage [Senate Bill, H.R. 3590 – Public Law 111-148; Reconciliation Bill, H.R. 4872 – Public Law 111-152]

Aon Consulting: http://insight.aon.com/?elqPURLPage=4401

Buck Consultants:
www.buckconsultants.com/buckconsultants/spanidNavKnowspan/HotTopics/HealthCareReform/tabid/431/Default.aspx

Hewitt Associates: www.hewittassociates.com/Intl/NA/en-US/KnowledgeCenter/LegislativeUpdates/LegislativeUpdatesDetail.aspx?cid=8279

Internal Revenue Service: www.irs.gov/newsroom/article/0,,id=220809,00.html?portlet=6

Kaiser Family Foundation: www.kaiserhealthnews.org/Topics/Reform.aspx

Mercer: www.mercer.com/us-health-care-reform

PricewaterhouseCoopers: www.pwc.com/us/en/health-industries/topics/health-reform.jhtml?wt.ac=healthindustries_us_healthreform

Towers Watson: www.towerswatson.com/united-states/research/1424

U.S. Department of Health and Human Services: www.healthreform.gov/index.html

U.S. Department of Labor Employee Benefits Security Administration: www.dol.gov/ebsa/healthreform/

The White House: www.whitehouse.gov/healthreform

Web Documents

American Association of Preferred Provider Organizations: *Small Employers Lead CDHP Adoption in 2009:* www.aappo.org/UserFiles/File/2010%20CDHP%20Study/CDHP_Final_web.pdf

California HealthCare Foundation: *Consumers and Health Information Technology: A National Survey:* www.chcf.org/~/media/Files/PDF/C/ConsumersHealthInfoTechnologyNationalSurvey.pdf

Center for Retirement Research at Boston College: *Returns on 401(k) Assets by Cohort:* http://crr.bc.edu/images/stories/Briefs/ib_10-6.pdf

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Charles Schwab: *Charles Schwab 2010 Families & Money Survey: Insights into Money Attitudes, Behaviors, and Concerns of the Sandwich Generation (Americans with Young Adult Children, Ages 23–28, and Living Parents):* www.schwabmoneywise.com/downloads/2010families-and-money-survey-factsheet.pdf

The Commonwealth Fund: *Multinational Comparisons of Health Systems Data, 2008:* www.commonwealthfund.org/~/media/Files/Surveys/2010/PDF_1371_Anderson_multinational_comparisons_hlt_sys_data_2008_chartbook_v2.pdf

Del Webb: *2010 Del Webb Baby Boomer Survey:* www.dwboomersurvey.com/2010_Baby_Boomer_Survey.pdf

Investment Company Institute *Research Fundamentals*: "Trends in the Fees and Expenses of Mutual Funds, 2009": www.ici.org/pdf/fm-v19n2.pdf

Kravitz: *National Cash Balance Research Report, 2010:* www.cashbalancedesign.com/articles/documents/NationalCashBalanceResearchReport2010.pdf

MetLife: *8th Annual Study of Employee Benefits Trends: Findings from the National Survey of Employers and Employees:* www.metlife.com/assets/institutional/services/insights-and-tools/ebts/Employee-Benefits-Trends-Study.pdf

Milliman, Inc.: *Milliman 2010 Pension Funding Study: Modest Increase in 2009 Funded Status despite Strong Investment Returns:* www.milliman.com/expertise/employee-benefits/products-tools/pension-funding-study/pdfs/pension-funding-study.pdf

National Center for Policy Analysis *Policy Report No. 328*: "Preparing for Retirement in an Uncertain World": www.ncpa.org/pdfs/st328.pdf

National Foundation for Credit Counseling: *The 2010 Consumer Financial Literacy Survey: Final Report:* www.nfcc.org/NewsRoom/FinancialLiteracy/files2010/2010ConsumerFinancialLiteracySurveyFinalReport.pdf

Social Security Administration Office of Retirement and Disability Policy *Policy Brief No. 2010-01*: "Distributional Effects of Raising the Social Security Payroll Tax": www.socialsecurity.gov/policy/docs/policybriefs/pb2010-01.pdf

Society of Actuaries: *2009 Risks and Process of Retirement Survey: Report of Findings:* www.soa.org/files/pdf/research-2009-retire-risk-survey.pdf

Towers Watson: *2010 Global Pension Asset Study:* www.towerswatson.com/assets/pdf/966/GPAS2010.pdf

Workforce Health Strategies: A Multinational Perspective: www.towerswatson.com/assets/pdf/1454/Workforce-Health-Strategies-Survey.pdf

Urban Institute: *The Effects of Large Premium Increases on Individuals, Families, and Small Businesses:* www.urban.org/UploadedPDF/412079_premium_increases.pdf

The Vanguard Group: *Target-Date Fund Investing: Shattering the Myths:* https://institutional.vanguard.com/iam/pdf/TRFCMM_042010.pdf

Notes

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