

## Health Insurance Coverage of People in the Ten Years Before Medicare Eligibility

By Katherine Swartz and Betsey Stevenson

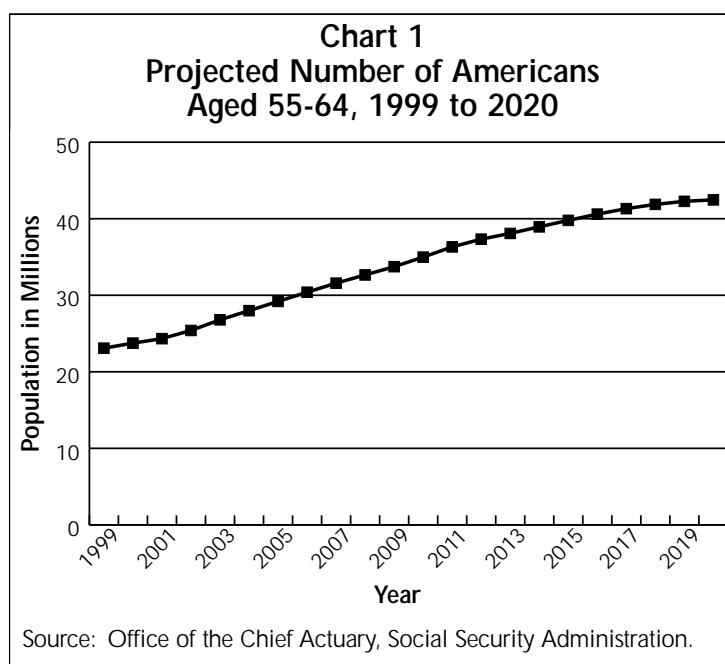
### Summary

A decade remains before the oldest members of the baby boom generation begin to be eligible for Medicare. A number of these baby boomers will retire between the ages of 55 to 64, prior to qualifying for Medicare. Some will retire by choice; others will lose their job involuntarily; many will accept part-time or contract employment. As their employment situation is altered, many risk losing their employer-sponsored health insurance. The soon-to-be large number of baby boomers in the 55-64 age group prompts a look at who is at risk for being uninsured, the types of health insurance coverage they have, and the characteristics of those with each type of health insurance.

For people between the ages of 55 to 64, labor market participation, income level, health status, gender, marital status, educational attainment, and race are all associated with having health insurance. Though these characteristics are related to each other, income, educational attainment, and health status have the largest effects on having health insurance, as well as the type of insurance coverage a 55-64 year old has. Thus, the “more fortunate”—those who are relatively healthy, with higher educational attainment and higher incomes—are more likely to have employer-sponsored or individually purchased insurance; the “less fortunate”—those who are less healthy, less educated and lower income—are more likely to have public insurance or be uninsured.

The number of Americans 55 to 64 years old will increase dramatically as the baby boomers enter this age group. In 1999, 23.1 million Americans were 55-64 years old. This number is expected to grow to 35.0 million by 2010 as the first of the baby boomers reach Medicare age, and then swell to 42.5 million by 2020 (Chart 1). As the baby boomers age, their health care needs will intensify, while at the same time they will undergo employment and life cycle changes, including voluntary or forced retirement, caring for aging parents, or the loss of a spouse. At a time in their lives when health insurance is particularly important, such changes increase their risk of being without health insurance.

Examining those presently 55 to 64 years old provides insights into the future health insurance



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coverage of the baby boomers. Between 1987 and 1998, the percentage of those under age 65 with health insurance declined steadily (by four percentage points)<sup>1</sup>. Though it is not clear how similar the experiences of the baby boomers will be, knowledge of the experiences of those presently aged 55 to 64 will help policymakers plan for the imminent surge of baby boomers as they enter this age group.

## Who Lacks Health Insurance?

Approximately 3.4 million Americans between the ages of 55 to 64 (15 percent of this age group) are presently without health insurance. People in this age group are the most likely to have health insurance (the exception being ages 45-54). As Chart 2 shows, while 15 percent of 55-64 year olds were uninsured in 1999, most other age groups have a higher percentage of uninsured: 30 percent for 18-24 year olds; 24 percent for 25-34 year olds; and 17 percent for 35-44 year olds. Despite the fact that 55-64 year olds are more likely to have health insurance than most age groups, health insurance at these ages is in many ways more crucial than at younger ages. On average, older people have more serious medical conditions and need more medical care than younger persons. Also, the years 55-64 are a time in life when preventive care is particularly important, and the uninsured are less likely to obtain preventive care than those with health insurance.<sup>2</sup>

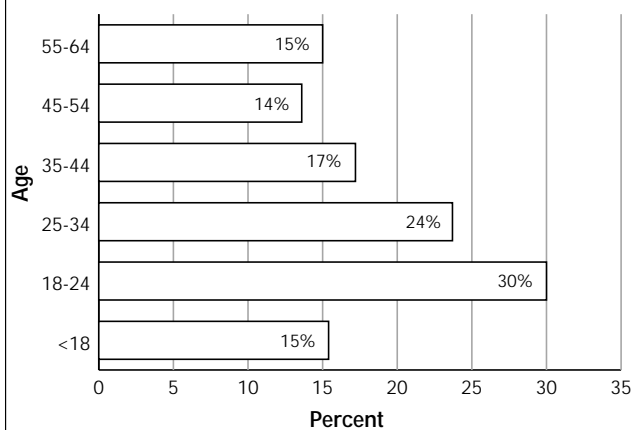
## What Type of Health Insurance Do 55-64 Year Olds Have?

There are a number of ways that people obtain health insurance. Most (66 percent) of those aged 55-64 have group insurance through a present or past employer.<sup>3</sup> Another eight percent purchase health insurance on their own through the private, non-group insurance market. About 11 percent have some form of public coverage (Medicaid, Medicare, or the military-affiliated TRICARE/Veterans Affairs programs). The rest (15 percent) of 55-64 year olds have no health insurance coverage (Chart 3).

Though employer-sponsored insurance is the predominant way workers of all ages obtain health insurance, a number of those aged 55-64 are no longer in the workforce. As we would expect, a number of those in this age group are retired. Some employers offer early retirees health insurance, though fewer offer it now than in the past. Other employers are further limiting their early retiree benefits by requiring retirees to pay a larger share of the health insurance premium.<sup>4</sup>

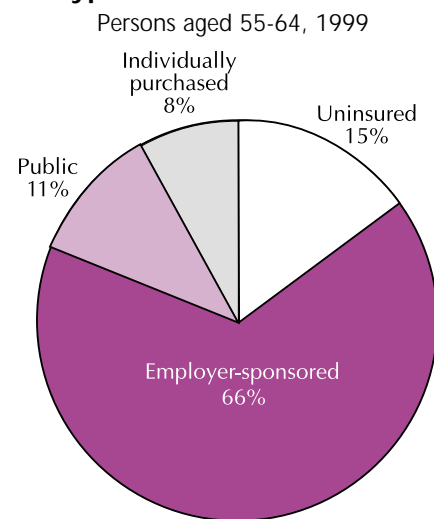
There are two federal protections to permit those who leave their job to retain health insurance. Under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), workers are permitted to continue their former employer-group

**Chart 2**  
Percent Uninsured, by Age, 1999



Source: 1999 Current Population Survey, March Supplement.

**Chart 3**  
Type of Health Insurance



Source: 1999 Current Population Survey, March Supplement.

coverage for up to 18 months as long as they pay up to 102 percent of the total premium.<sup>5</sup> The second federal protection, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), allows workers who have exhausted their 18 months of COBRA to convert such policies to individual coverage without loss of coverage for pre-existing medical conditions. While COBRA guarantees that the content of coverage will be similar to the prior group coverage, HIPAA does not. In addition, neither of these acts guarantees that the premium will be low or close to what the employee paid for group coverage.

Those who do not have access to employer group insurance may seek to buy health insurance on their own in the private, non-group market. The purchase of such insurance, however, can be difficult since in many states, insurers may refuse to issue a policy to a person with adverse risk factors or poor health status. Another obstacle is that those who are offered a policy may find the premiums unaffordable, as the premium is significantly higher than employer group rates, and in most states, insurers are permitted to charge higher premiums to older and less healthy people. Individual policies are also more likely to have benefit limitations, leaving people under-insured.

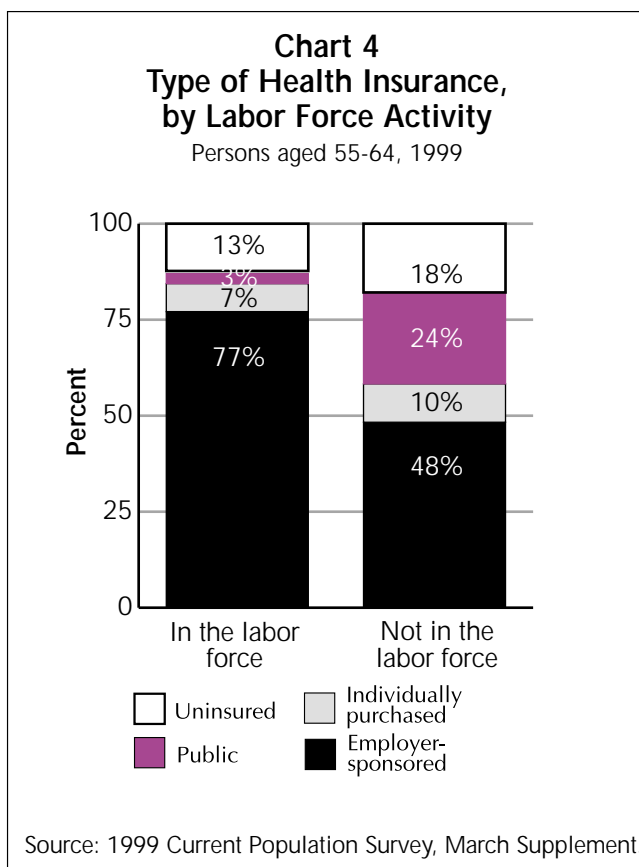
Medicaid and Medicare are available to those who are disabled and/or poor. Persons under age 65 qualify for Medicare two years after being found sufficiently disabled to receive Social Security disability benefits. Medicare, however, does not cover the needs of many of the disabled near-elderly, including outpatient prescription drugs and long-term nursing and home care. Those who receive cash assistance through SSI also are usually granted automatic Medicaid eligibility. Most near-elderly people who qualify for Medicaid are blind or disabled and have little or no income or resources. Older persons who have incurred high health care expenses may also qualify for Medicaid through a state's "medically needy" program.

## Characteristics Associated with Types of Health Insurance

The type of health insurance (employer-sponsored, individually purchased, or public) a person has (or does not have) is associated with labor force activity, income level, health status, gender, marital status, educational attainment and race. Though many of these characteristics are related to each other, each helps explain who has which type of health insurance.

### Labor Market Activity

In 1999, the majority (60 percent) of 55-64 year olds were in the labor force; the other 40 percent were not in the workforce. More than three-quarters of those working were covered by employer-sponsored insurance, while just under half of those not in the labor force, had employer-sponsored insurance. Those not in the labor force were more likely to be covered by public programs and also more likely to be uninsured than those who were working (Chart 4).

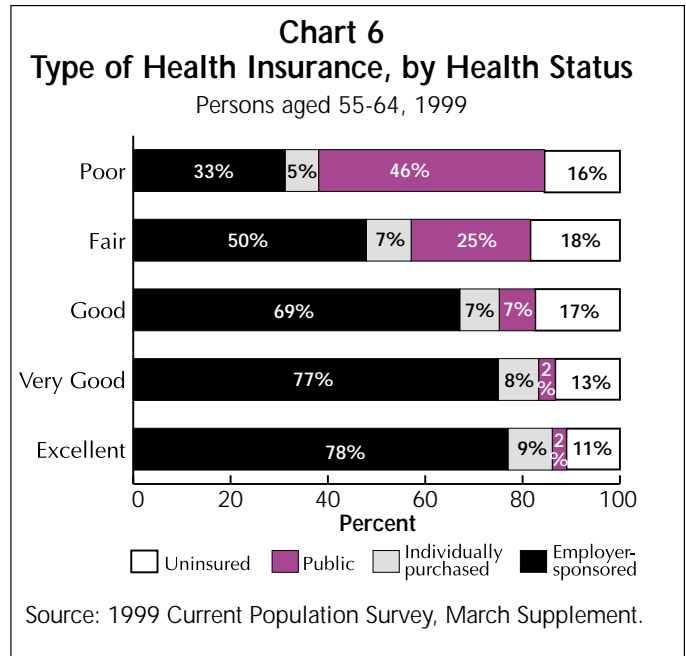


## Income

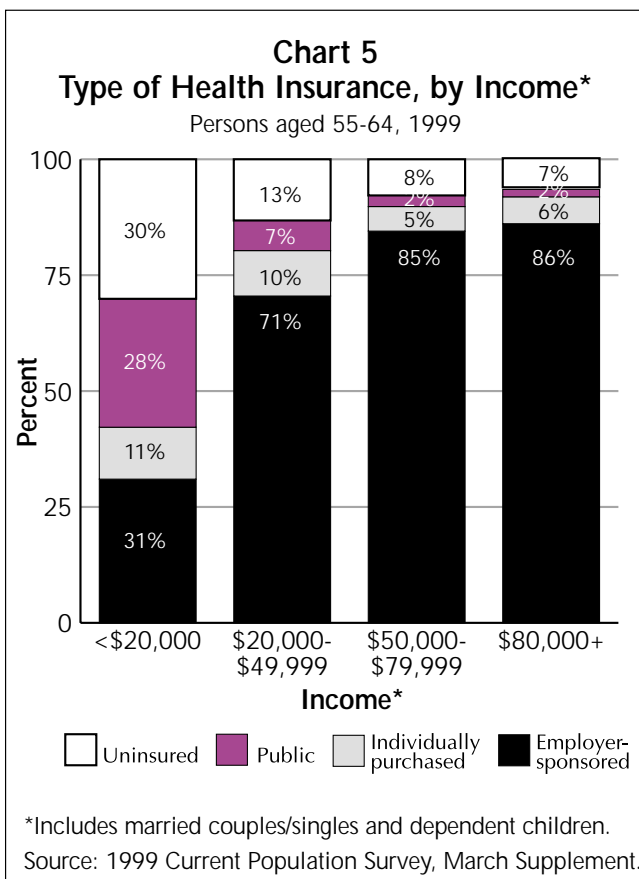
Family income is a strong predictor of the type of coverage held by 55-64 year olds. We analyzed the effect of family income as defined by insurance companies, where “family” is defined as including married couples/singles and their dependent children. As expected, 55-64 year olds with high “insurance family unit” incomes were more likely to have employer-sponsored insurance, while those with low “insurance family unit” incomes were more likely to be uninsured (Chart 5).

## Health Status

As we would expect, those who report they are in good health are more likely to be working, and thus, more likely to have employer-sponsored insurance. Over three-fourths of those who claim they are in “excellent” or “very good” health had employer-sponsored insurance, while only one-third of those in poor health had employer-sponsored insurance. Almost half of those who report poor



health (8 percent of 55-64 year olds) had public coverage. Among those reporting fair health (almost 15 percent of 55-64 year olds), half had employer-sponsored insurance and a quarter had public coverage (Chart 6).

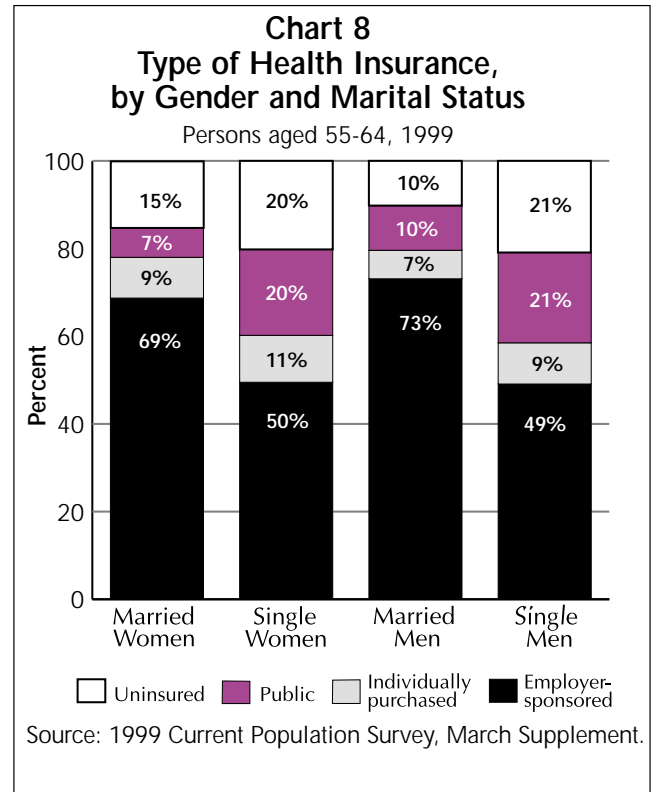
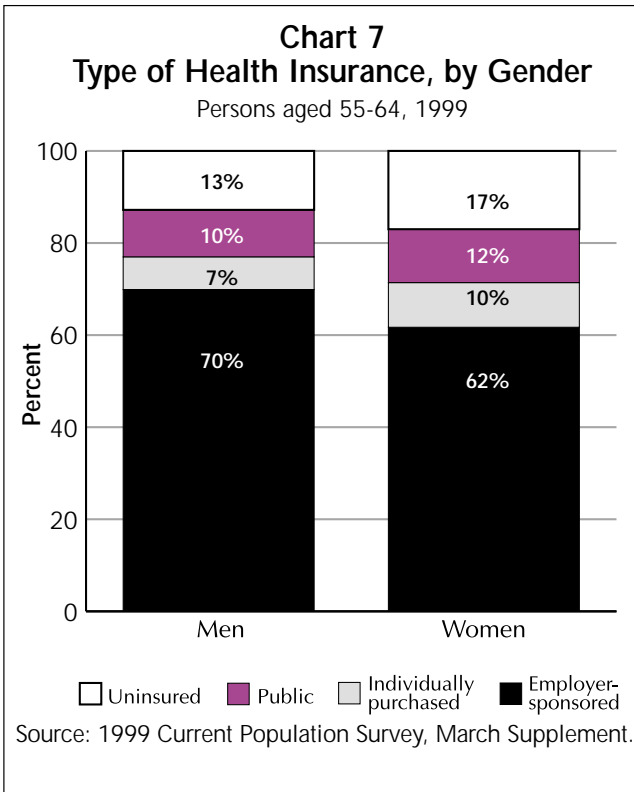


## Gender

As Chart 7 shows, women were less likely to have employer-sponsored insurance than men: 62 percent of women and 70 percent of men had employer-sponsored insurance. Women were more likely to purchase non-group coverage than their male counterparts (10 percent and 7 percent, respectively) and were more likely than men to be uninsured (17 percent and 13 percent, respectively).

## Marital Status

Being married increases the likelihood of having employer-sponsored insurance and reduces the risk of being uninsured. Single men are just as likely as single women to have public coverage or no insurance (approximately 20 percent of men and women had public coverage; 20 percent also had no insurance) (Chart 8).



### Educational Level

Higher levels of educational attainment raise the probability that a person will have employer-sponsored insurance (rather than public coverage or being uninsured.) As shown in Table 1, among 55-64 year olds without a high school diploma, one-half were either uninsured or relying on public coverage, and only 40 percent had employer-sponsored insurance. In contrast, two-thirds of those with only a high school diploma had employer-spon-

sored insurance. Among those with a college or graduate degree, more than three-fourths had employer-sponsored insurance, while 11 percent of those with a college degree and seven percent with a graduate degree were uninsured.

### Race

Race is associated with health insurance coverage. Approximately two-thirds of white 55-64 year olds had employer-sponsored insurance and about 14

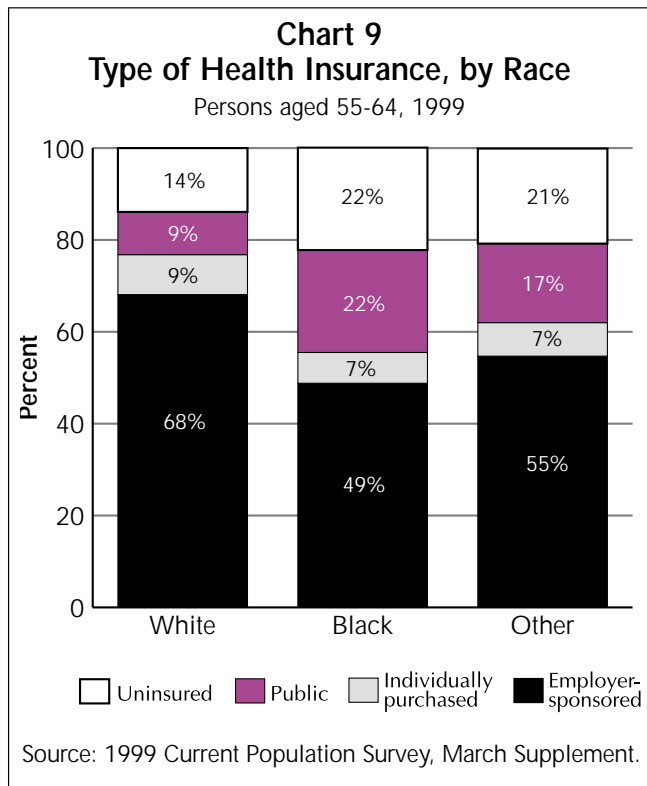
**Table 1: Type of Health Insurance, by Educational Attainment**

Persons aged 55-64, 1999

| Education Level       | Employer-sponsored | Individually purchased | Public | Uninsured | Total |
|-----------------------|--------------------|------------------------|--------|-----------|-------|
| Less than high school | 40%                | 8%                     | 26%    | 26%       | 100%  |
| High school diploma   | 66%                | 9%                     | 10%    | 15%       | 100%  |
| Some college          | 72%                | 8%                     | 8%     | 12%       | 100%  |
| College degree        | 76%                | 9%                     | 5%     | 11%       | 100%  |
| Post-college graduate | 84%                | 6%                     | 3%     | 7%        | 100%  |

Source: 1999 Current Population Survey, March Supplement.

percent were uninsured. In contrast, just under half of 55-64 year old blacks had employee-sponsored insurance while 22 percent had public insurance and a similar percentage were uninsured. Racial groups comprising the Census Bureau’s “Other” category (Asians, Native Americans, Pacific Islanders and others) were also more likely than whites to have Medicaid or Medicare, or to be uninsured. (Chart 9).



## Conclusions

Though the above characteristics (labor market activity, health status, income, sex, marital status, educational level and race) are all related to the probability of having health insurance, many of these characteristics are correlated with each other. When these inter-relationships are taken into

account, we find that three characteristics — income, educational attainment, and health status — have the largest effects on the probability of having each type of health care coverage.

In general, 55-64 year olds comprise two groups:

- *The “more fortunate” — typically those who are healthy, with higher educational levels and higher incomes.* Employer-sponsored insurance is their most likely avenue for insurance; they are also in a better position (financially and health wise) to purchase individual insurance.
- *The “less fortunate” — typically those who are less healthy, less educated and lower income.* This second group includes those forced into early retirement by employer downsizing, being widowed or divorced, exiting the labor market to care for an ailing spouse or parent, or other types of bad luck. They are less likely than the “more fortunate” to have employer-sponsored insurance, and more likely to depend on public coverage or be uninsured.

Though the “more fortunate” are more likely to have employer-based insurance than those “less fortunate,” health insurance for the “more fortunate” is not guaranteed. Health status, for example, could decline and the person may not be allowed to buy or able to afford an individual health insurance policy. Similarly, if there is an economic downturn, it is possible that fewer people will be offered employer-sponsored insurance, while others will not be able to afford their share of the premium costs.

Understanding the characteristics of those with health insurance will help policymakers plan for health insurance coverage for the 55-64 year old age group. As the baby boomers age, health insurance programs and policies are needed to ensure their health and financial security.



## Endnotes

- 1 U.S. Bureau of Census, 1987-1998 Current Population Survey, March Supplement.
- 2 “Access to Health Insurance and Health Care for an Aging Workforce,” presentation by John Eisenberg, Agency for Healthcare Research and Quality, at the National Academy of Social Insurance 2000 Conference.
- 3 Employer-sponsored insurance statistics in this brief include those with employer-sponsored insurance, as well as those with both employer-sponsored and individually purchased insurance.
- 4 *EBRI Health Benefits Databook*, 1999, Employee Benefit Research Institute.
- 5 COBRA also allows those who would lose their health insurance—due to divorce, widowhood, disability, and the Medicare eligibility of a spouse or dependent—to retain their health insurance.

### Ensuring Health and Income Security for an Aging Workforce

*Peter B. Budetti, Richard V. Burkhauser, Janice M. Gregory, and H. Allan Hunt, eds.*



Existing health and income security systems — Social Security, Medicare, Medicaid, workers' compensation, unemployment insurance, and employer sponsored health insurance and pensions — tend to be analyzed one at a time. Yet changes in one program can have unintended consequences on others and on the fortunes and misfortunes of workers and their families. As Baby Boomers pass through the second half of their work lives, these systems will face new challenges.

This volume, which consists of papers and commentary from the twelfth annual conference of the National Academy of Social Insurance, January 26-27, 2000, takes a cross-cutting look at the challenges of ensuring health and income security for an aging workforce.

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# Health and Income Security

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**Health and Income Security for an Aging Workforce** is a project of the National Academy of Social Insurance. It examines challenges to the nation's system of health and income security as Baby Boomers pass through the second half of their work lives. The project takes a cross-cutting look at the people, the risks to health and income security they face between mid-career and retirement age, and the programs that protect them — including employer-sponsored health insurance and pensions, Medicare, private disability insurance, Social Security disability insurance, workers' compensation and unemployment insurance. The purpose of the project is to anticipate the consequences of an aging workforce, to identify the implications for health and income security protection, and to help policy makers, employers and workers prepare for the future.

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