Trends in Employer Health Benefits for Early Retirees:

Gloom, Doom or some Hope?

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Abstract

Retiree health benefits bridge a potentially risky gap in coverage for many who retire before they are eligible for Medicare. But over the past two decades, a steady erosion of retiree health insurance benefits threatens to increase the number of early retirees who are uninsured. Large employers’ contributions to retiree benefits has dropped by nearly half - from 30 percent in 1993 to 18 percent in 2006. Employers are responding to rising health insurance premiums by shifting more of their costs to employees in the form of greater premium contributions, higher deductibles, larger co-payments, and slower wage increases. Currently about 800,000 early retirees (pre-65) have no health insurance. Postponing retirement may help provide coverage for some, but more widespread solutions are needed.

Three in four surveyed firms say they have not set aside money in the past three years to help cover their anticipated future expenses for retiree health benefits. Furthermore, employers generally reserve the right to change retiree benefits at any time; many workers, especially younger ones now employed by firms that offer retiree health benefits, might find their benefits have been eliminated by the time they retire.

Employer based solutions, individual early retiree options, and government intervention must address eroding employer-sponsored retiree health benefits. Unless tenable, long-term solutions are implemented today, lack of access to healthcare for people between the ages 50 and 59 will assume hitherto unknown proportions during the next ten years.