

HEALTH COVERAGE AMONG 50-64 YEAR-OLDS in 2003

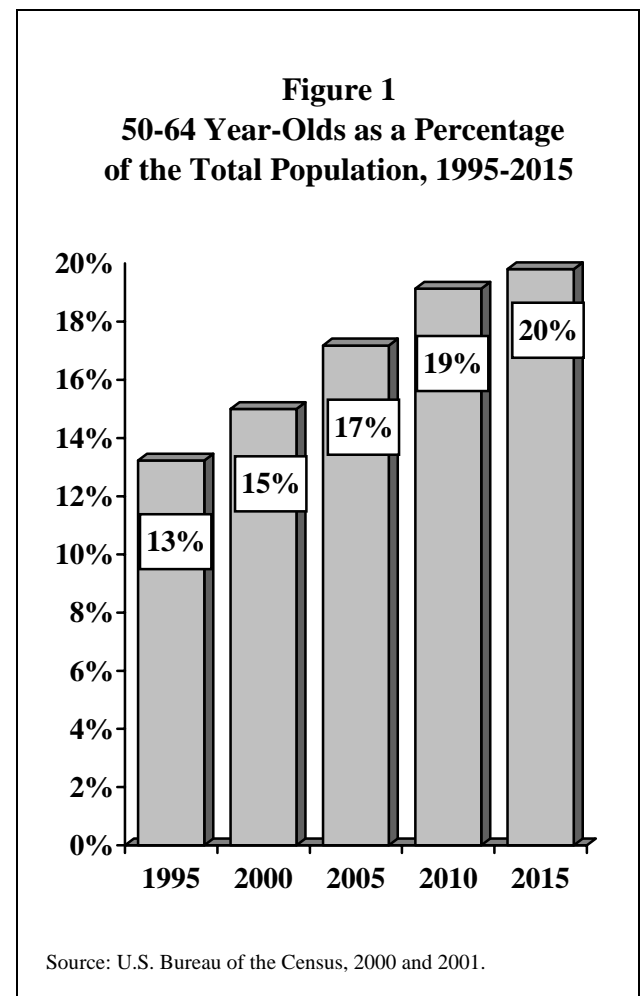
The aging of the population focuses attention on how those in midlife get health insurance. Because medical problems and health costs commonly increase with age, having health coverage takes on growing importance. This Data Digest provides an overview of health coverage among persons ages 50 through 64 in 2003. The information primarily comes from analysis of the March 2004 Current Population Survey.¹

This report addresses the following questions:

1. What are the sources of health coverage among 50-64 year-olds?
2. Do coverage patterns differ for 50-64 year-olds who work compared with those who retire before age 65?
3. Do older adults with individually purchased private coverage² differ from those with employer-sponsored coverage?
4. What are the characteristics of persons ages 50-64 who are uninsured?

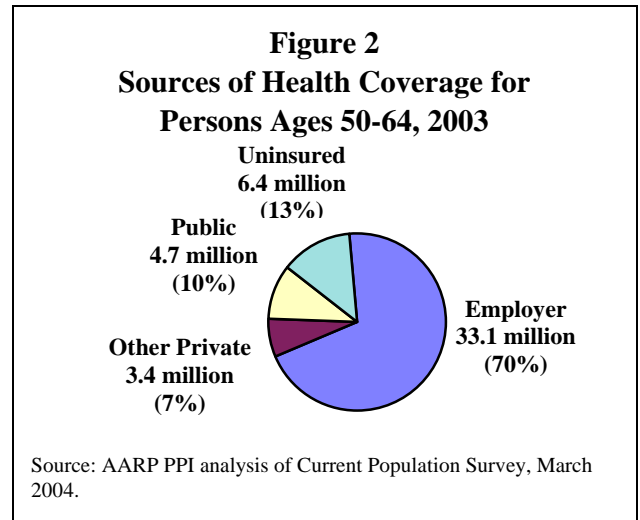
In 2003, nearly 48 million Americans were between the ages of 50 and 64. It is projected that this group will number 49 million in 2005, and 57 million in 2010, when the first baby boomers turn 64. The

aging of the baby boomers will drive the number of 50-64 year-olds to nearly 62 million by 2015. This growth will push the age group from 15 percent of the total population in 2000 to 20 percent in 2015³ (Figure 1).



1. What are the sources of health coverage among 50-64 year-olds⁴?

Of the 48 million Americans ages 50-64, more than 41 million had health coverage in 2003. The great majority (70 percent) relied on employer-sponsored health insurance. An additional 17 percent had coverage from another source (individually purchased or from a public program such as Medicare, Medicaid, or the Department of Veterans Affairs (VA)). The remaining 13 percent, approximately 6.4 million individuals, were uninsured (Figure 2). While the distribution of health coverage sources is similar to that in recent years, the increase in the size of the age group means that the number of uninsured 50-64 year-olds has grown (by 1.2 million since 2000).

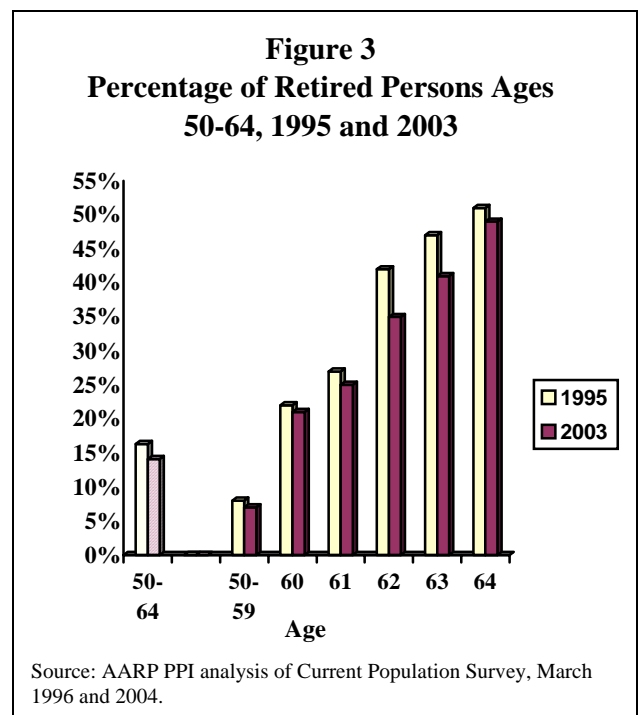


2. Do coverage patterns differ for 50-64 year-olds who work compared with those who retire before age 65⁵?

In 2003, 14 percent (6.7 million) of 50-64 year-olds were retired. Although the full retirement age for Social Security is 65⁶, retirees may draw reduced benefits at age 62. As Figure 3 shows, the proportion of those between the ages of 50 and 64 who were retired jumps at age 60, and again at age 62, the increase at age 62 undoubtedly reflecting the availability of Social Security. Between 1995 and 2003, the share of people ages 50 to 64 who were retired declined 2 percentage points, from 16 percent to 14 percent. While this decline over time in the likelihood of retirement occurred throughout the age group, it was most pronounced among those ages 62 and 63.

Because people who retire before age 65 are not eligible for Medicare coverage (unless they qualify due to disability), early retirees have to look elsewhere for health insurance. Their coverage depends on whether the retiree or the spouse has

access to employer-sponsored health benefits and, if not, whether other private or public sources are available to them.



As Table 1 shows, in 2003, patterns of health coverage among persons ages 50-64 differed according to their retirement status. A smaller share of retirees had employer-sponsored coverage (58 percent) than their contemporaries who were not retired (71 percent).

In contrast to those who were not retired, a larger proportion of retirees had individually purchased private health insurance or had employer-sponsored coverage as dependents through family members. These data suggest that having access to spousal coverage may be a factor in early retirement decisions. Retirees without access to either source of private insurance must depend on public (i.e., government) sources or face the risk of being uninsured. Between 2000 and 2003, the number of retirees between ages 50 and 64 who lacked health insurance

Table 1
Sources of Health Insurance for Persons Ages 50-64 by Retirement Status, 2003

| Source of Insurance* | Retired | Not Retired | All |
|----------------------|---------|-------------|-----|
| Employer coverage: | 58% | 71% | 70% |
| In Own Name | 38% | 55% | 53% |
| As a Dependent | 20% | 17% | 17% |
| Other Private | 12% | 6% | 7% |
| Public** | 14% | 9% | 10% |
| Uninsured | 16% | 13% | 13% |

* This is the primary source of insurance. Some people may have coverage from multiple sources.
** Includes Medicare, Medicaid, and VA or TriCare coverage.

Note: Columns may not total 100% due to rounding.
Source: AARP PPI analysis of Current Population Survey, March 2004.

increased 19 percent, from 874,000 to just over 1 million.

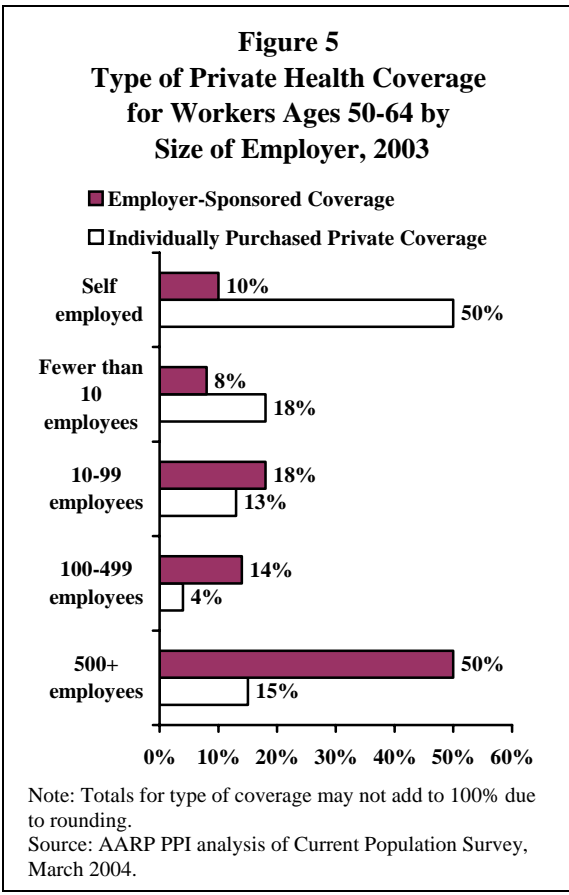
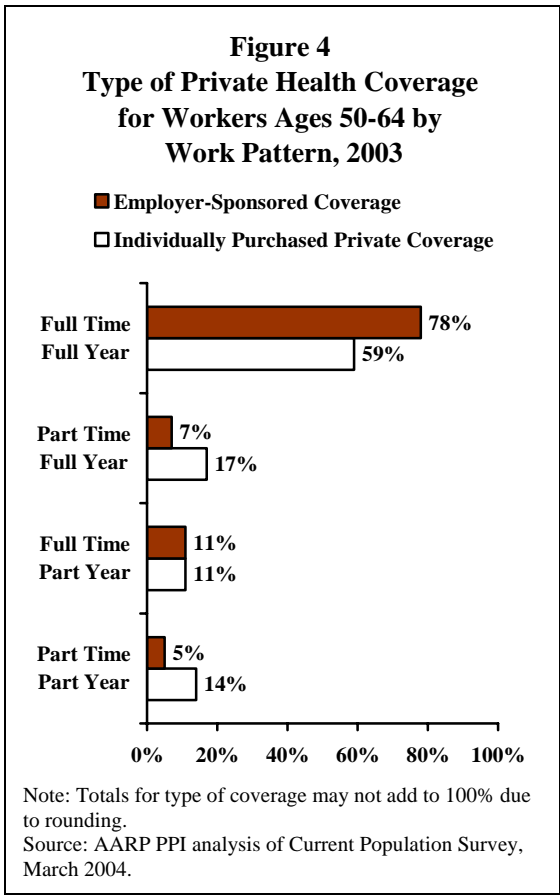
3. Do older adults with individually purchased private coverage differ from those with employer-sponsored coverage?

As noted earlier, in 2003, only 7 percent of people between the ages of 50 and 64 purchased private coverage in the individual market. In this market, those without employer-sponsored health insurance are vulnerable to access and cost barriers. They can be rejected for coverage, or, if offered coverage, face premium costs that can vary widely based on: the buyer's age, sex, geographic location, and health status.⁷ Hence, individuals who buy private coverage on their own are at risk for high out-of-pocket costs.

The 3.4 million people ages 50-64 who bought their own private insurance in 2003 differed from their peers with employer-sponsored health coverage in their **work characteristics**. Those buying their own private coverage were twice as likely to be

nonworkers (36 percent versus 18 percent); their work patterns also differed from those of their peers with employer-sponsored coverage. Workers ages 50-64 who bought their own health insurance in 2003 (Figure 4) were less likely than workers covered through employers to work in full-time jobs throughout the year (38 percent versus 64 percent) and more likely to work part-time or part year (42 percent versus 23 percent).

These work patterns affect access to health coverage. If an employer offers health insurance, eligibility for the coverage is commonly limited to those who work a certain number of hours per week and who have worked for the employer for a defined number of months. Part-time employees may not work enough hours to be eligible, and part-year employees may not work enough months to qualify for coverage.



Workers who buy health insurance in the individual market are also more likely either to be self-employed or to work for small employers than their peers with employer-sponsored coverage. As shown in Figure 5, in 2003, just over two-thirds of workers buying their own coverage in the private market were self-employed or worked for an employer with fewer than 10 employees. In contrast, only 18 percent of workers with employer-sponsored coverage were self-employed or worked for an employer with fewer than 10 employees. Similarly, 15 percent of workers buying coverage in the individual market worked for employers with 500 or more employees; in contrast, 50 percent of their working peers with coverage through their jobs worked for employers of this size. Since small employers are less likely to offer health coverage to their workers than large employers, it is not

surprising that workers who buy coverage in the individual market are concentrated in the population working for the smallest employers.

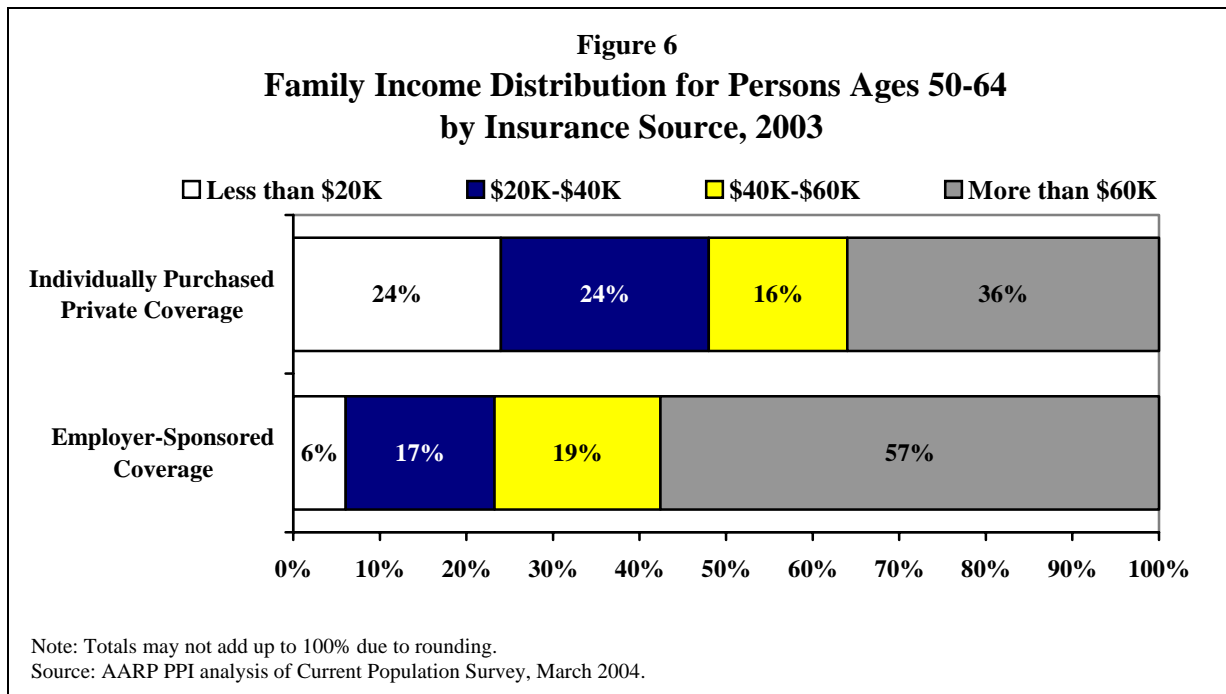
With respect to **family income**, individuals ages 50-64 who buy private health insurance on their own also differ from their counterparts with coverage through an employer. Figure 6 takes a closer look at family income distributions for individuals ages 50-64 with individually purchased private coverage and for those with employer-sponsored coverage in 2003.

In contrast to persons ages 50-64 as a whole, those who bought their own insurance in 2003 were more likely to be in families with low or moderate incomes, while those with employer-sponsored coverage were more likely to be in families with higher incomes.

One-quarter of those with individually purchased coverage belonged to families with incomes of less than \$20,000, and roughly half belonged to families with incomes of less than \$40,000. In contrast, among people ages 50-64 who had employer-sponsored insurance, more than half had family incomes of \$60,000 or more, only about a quarter had family incomes of less than \$40,000 and 6 percent had family incomes of less than \$20,000.

Because the cost of coverage in the private market is borne by the individual and his or her family and because more than half

of these families are in the lower income categories, the data suggest that, for many who buy private coverage, health insurance is likely to be a major expense in the family budget. Those who buy insurance in the individual market do not receive a tax break on premiums unless they are self-employed, further increasing the difference in affordability between individually purchased coverage and employment-based coverage. In addition, individually purchased coverage is often less generous than that offered through group plans. Purchasers may choose high deductibles or other reductions in benefits in order to get a more affordable premium.



4. What are the characteristics of persons ages 50-64 who are uninsured?

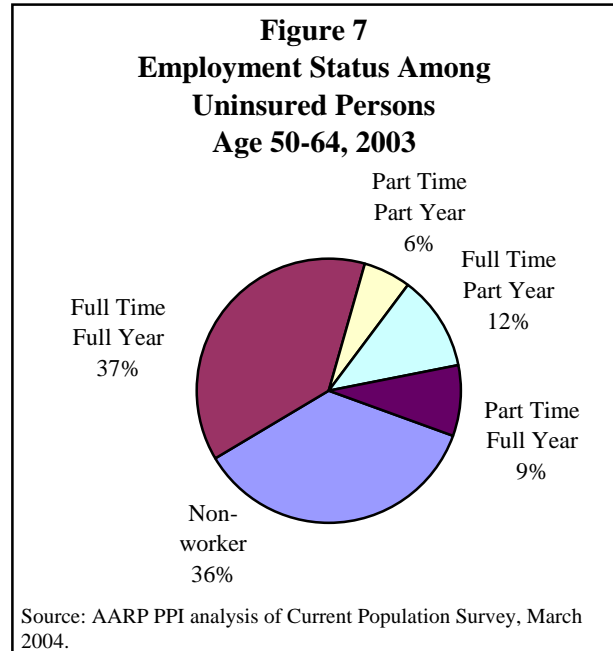
Nationally, 13 percent of persons ages 50-64 (nearly 6.4 million adults) were uninsured in 2003. A disproportionate share of these uninsured individuals were minorities. Blacks and Hispanics made up 18 percent of the 50-64 year-olds, yet they represented 30 percent of the uninsured in this age group. Whites represented 77

percent of this age cohort but only 62 percent of the uninsured.

As illustrated in Table 2, many of the uninsured had family incomes that were lower than the family incomes of those with private coverage (shown in Figure 6). In 2003, of those ages 50-64 without health

coverage, 35 percent belonged to families with annual incomes of less than \$20,000, 50 percent belonged to families with annual incomes of less than \$30,000 (not shown), and 61 percent belonged to families with annual incomes of less than \$40,000. Translated into poverty level, 19 percent of uninsured 50-64 year-olds had family incomes below 100 percent of poverty and 44 percent were below 200 percent of poverty.

A common misconception is that the uninsured are typically unemployed. In reality, the majority (64 percent) of uninsured persons ages 50-64 worked in 2003 (Figure 7). However, there are some key differences in work status between uninsured adults ages 50-64 and those ages 18-49. A larger share of the former were nonworkers (25 percent versus 36 percent, respectively) (not shown). Fourteen percent of uninsured 50-64 year-olds who did not work gave retirement as a reason, versus fewer than 1 percent of their younger counterparts. The uninsured ages 50-64 were also more likely than their younger counterparts to cite illness or disability as reasons for not being in the labor force (5 percent versus 2 percent).



The National Health Interview Survey⁸ asks the uninsured how long it has been since they last had health coverage. Analysis of the data reveals that being uninsured is a long-term problem for three in five older adults. While one in five of these uninsured 50-64 year-olds never had insurance, two in five had been without it for at least three years at the time of the

Table 2
Uninsured Persons Ages 50-64
by Annual Family Income

| Family Income | 2003 |
|---------------|------|
| \$20K & less | 35% |
| \$20-\$40K | 26% |
| \$40-\$60K | 14% |
| Over \$60K* | 25% |

* The Census definition of family income somewhat overstates the number of uninsured persons in high-income families.

Note: Columns may not total 100% due to rounding.
Source: AARP PPI analysis of Current Population Survey, March 2004.

Table 3
Time Period Since Uninsured 50-64
Year-Olds Last Had Health Insurance,
2003

| Time Since Last Insured | Percent |
|----------------------------|---------|
| 6 months or less | 11% |
| > 6 months, < 1 year | 8% |
| > 1 year, < 3 years | 18% |
| More than 3 years | 42% |
| Never had health insurance | 21% |

Source: AARP Public Policy Institute analysis of data from the 2003 National Health Interview Survey.

survey. In comparison with uninsured adults ages 18-44, those ages 50 to 64 were more likely to have been uninsured for more than three years (38 percent

versus 25 percent) but slightly less likely never to have had health insurance (21 percent versus 24 percent).

Policy Implications

Like the younger population, individuals ages 50-64 rely predominantly on employer-sponsored health insurance. Stability and affordability are important factors in maintaining this coverage. At the same time, those ages 50-64 (especially those without a connection to the labor force) depend more heavily on individually purchased coverage than their younger counterparts. Therefore, underwriting and rating practices in this market are concerns. Those with existing health problems may be denied coverage. Those offered coverage may find that their age and health experience put the cost of insurance in the individual market beyond reach. In this age group, like others, a growing number of persons are uninsured.

During the past decade, policy proposals to address the growing numbers of uninsured people have moved away from comprehensive health care reform to smaller efforts to cover more segments of this population. Expansion of government programs is one strategy to incrementally reduce the number of people without health insurance. Expansion of **Medicaid** and the creation of the **State Children's Health Insurance Program (SCHIP)** have been among the incremental reforms seen to date. However, those ages 50-64 generally are not eligible for Medicaid unless they are poor and disabled or have a dependent child at home. Likewise, unless they are parents of children eligible for SCHIP, members of this age group will not qualify for SCHIP. Expansions of both programs have figured in various reform proposals.

Proposals for a **Medicare buy-in** have been targeted to specific subgroups, such as those between the ages of 62 and 64 and those losing retiree health benefits. Unless these proposals are paired with subsidies, buy-in premiums and cost-sharing may be beyond the reach of many in the target group.

Other incremental reform strategies focus on **privately purchased health insurance**. The **Health Coverage Tax Credit** was enacted in 2002 to help make the continuation of health coverage more affordable for workers displaced by foreign trade and those under age 65 receiving payments from the Pension Benefit Guaranty Corporation. Several proposals seek to improve access to private coverage by using tax credits⁹ to help defray the cost of private coverage, and by providing improved access to private markets for small employers or for those not associated with employer groups. The effectiveness of various proposals aimed at expanding coverage in the private market will depend largely on whether the reforms take into account the low family incomes of many of the uninsured between ages 50 and 64, the high cost of private policies (particularly if age and health are allowed to affect premiums), and the restrictive practices of individual insurance markets in states.

Because of the association between age and the use of health services, coverage that facilitates access to health care is of particular importance for those ages 50-64. Research has shown that the uninsured are

at increased risk of premature death and have greater declines in health status than those with continuous coverage, and that the health of the uninsured in this age group could benefit most from coverage because of their increased likelihood of needing services.¹⁰ Effective incremental reform proposals should address the health care needs of this age group, taking into account their special characteristics.

¹ U.S. Department of Commerce, Census Bureau, Current Population Survey, March 2004.

² The terms “individually purchased coverage” and “other private coverage” are used synonymously throughout this report.

³ U.S. Department of Commerce, Bureau of the Census, Series NP-D1-A, *Projections of the Resident Population by Age, Sex, Race and Hispanic Origin: 1999 to 2100*. Washington, DC, January 13, 2000, and *Resident population estimates of the United States by age and sex: April 1, 1990 to July 1, 1999, with short-term projection to November 1, 2000*. Washington, DC, January 2, 2001, www.census.gov.

⁴ The analysis of the source of coverage for those under age 65 is hierarchical. Persons with more than one source of coverage were counted under only one source, and private sources took precedence over public sources.

⁵ The definition of the term “retired” used here comes from the Census Bureau. It includes those who are not in the labor force and have identified retirement as the reason for not being in the labor force. It excludes those who identify another reason for not being in the labor force, those who are unemployed or unable to find work, and those who are employed. This report categorizes these groups as “not retired.”

⁶ The retirement age for full Social Security benefits is gradually being raised to age 67 over a 22-year period that began in 2000.

⁷ Data on the average cost of individually purchased policies are not readily available. However, a recent study provides examples of the range of premiums some might pay in the individual insurance market.

The average premium quoted for five single adults with varying degrees of health problems (who ranged in age from 24 to 62) was \$3,996 per year. If they had been in perfect health, the average would have been \$2,988 annually. However, the average offer quoted for the 56-year-old was \$4,056 a year (with a range of \$1,920 to \$10,992) compared with the average quoted for the 62-year-old--\$9,936 a year (with a range of \$2,928 to \$30,048). Source: Pollitz, Karen, Richard Sorian, and Kathy Thomas, *How accessible is individual health insurance for consumers in less-than-perfect health?* Kaiser Family Foundation, June 2001.

⁸ Centers for Disease Control and Prevention, 2003; National Health Interview Survey, December 2004.

⁹ The vast majority of individuals ages 50-64 file income tax returns, but there is variation by insurance status. In 2003, 7.6 million 50-64 year-olds did not file income tax returns. Of this group, 29 percent were uninsured, 11 percent bought their own insurance, and 34 percent had public coverage, while 27 percent were insured through an employer. Source: Unpublished analysis by AARP Public Policy Institute, 2005.

¹⁰ Institute of Medicine, *Care Without Coverage: Too Little, Too Late*. Washington, DC: National Academy Press, 2002.

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