

## Health Coverage among 50- to 64-Year-Olds

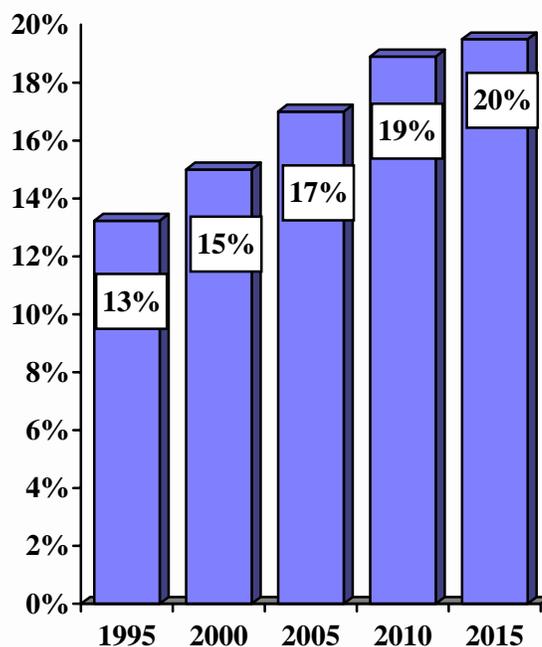
In 2005, more than 51 million Americans were age 50–64. This number is projected to rise to 58 million in 2010, when the first baby boomers turn 64. The aging of the baby boomers will drive the 50- to 64-year-old population to nearly 63 million by 2015, and this growth, in turn, will increase the proportion of this age group from 15 percent of the total population in 2000 to 20 percent in 2015<sup>1</sup> (Figure 1).

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 age 50–64 in 2005. The information comes primarily from analysis of the March 2006 Current Population Survey.<sup>2</sup>

This report addresses the following questions:

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

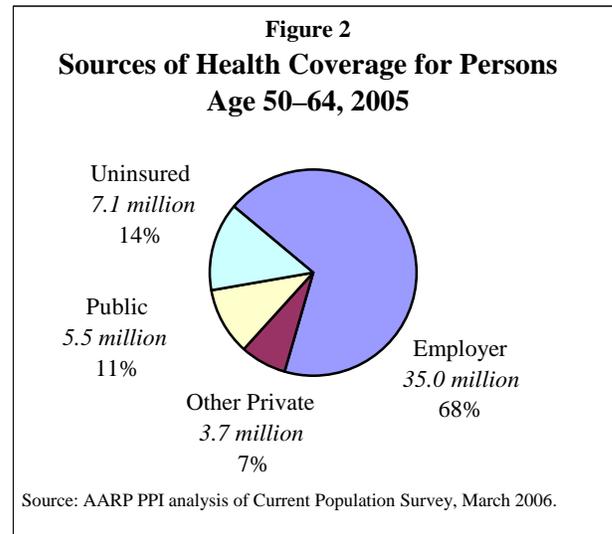
**Figure 1**  
**50- to 64-Year-Olds as a Percentage of the Total Population, 1995-2015**



Source: U.S. Bureau of the Census, 2000 and 2006.

## 1. What are the sources of health coverage among 50- to 64-year-olds?<sup>4</sup>

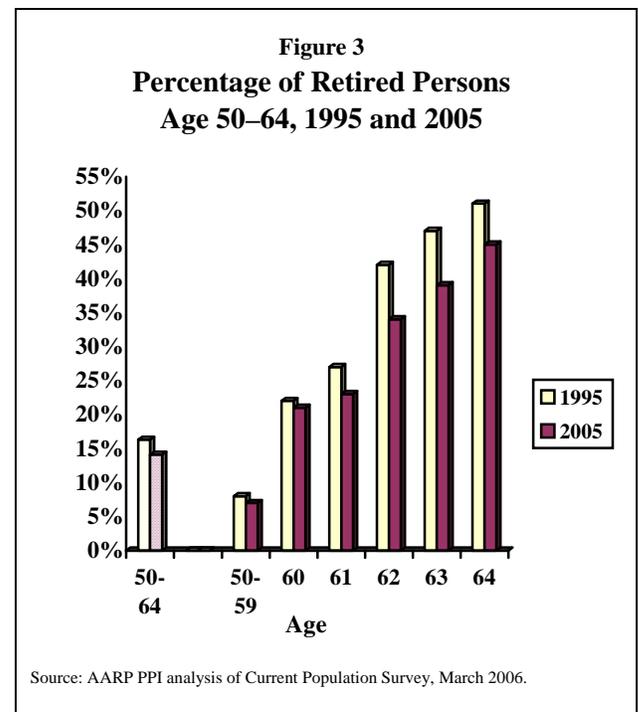
Of the 51 million Americans ages 50-64 in 2005, more than 44 million had health coverage, the great majority (68 percent) of whom relied on employer-sponsored health insurance. Additionally, 7 percent had individually purchased coverage, and 11 percent had coverage from a public program such as Medicare, Medicaid, or the Department of Veterans Affairs (VA). The remaining 14 percent, approximately 7.1 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- to 64-year-olds has grown (by 1.9 million since 2000).



## 2. Do coverage patterns differ for 50- to 64-year-olds who work compared with those who retire before age 65?<sup>5</sup>

In 2005, 14 percent (7.0 million) of 50- to 64-year-olds were retired. Although the full retirement age for Social Security is 65<sup>6</sup>, retirees may draw reduced benefits at age 62. As Figure 3 shows, the proportion of those age 50–64 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 2005, the share of people age 50–64 who were retired declined 2 percentage points, from 16 percent to 14 percent. While this decline in the likelihood of retirement occurred throughout the age group, it was most pronounced among those ages 62 and 63.

People who retire before age 65 are not eligible for Medicare coverage (unless they qualify due to disability). As a result, their access to health care coverage depends on whether retirees or spouses have access to employer-sponsored health benefits, or whether other private or



public sources are available to them.

As Table 1 shows, patterns of health coverage in 2005 among persons ages 50–64 differed according to their retirement status. A smaller share of retirees had employer-sponsored coverage (57 percent) than did their contemporaries who were not retired (70 percent).

Compared to those who were not retired, a smaller share of retirees insured through an employer was covered in their own name and a larger share was covered as a dependent.

Table 1 also shows that a larger proportion of retirees had individually purchased private health insurance compared to those who were still working. 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 2005, the number of retirees age 50–64 who lacked health insurance increased more than 25 percent,

from 874,000 to 1.1 million (not shown). Retirees made up a sizable sub-group of the 7.1 million in this age group who were without health insurance in 2005.

**Table 1**  
**Sources of Health Insurance for Persons Age 50–64 by Retirement Status, 2005**

Source of Insurance*	Retired	Not Retired	All
Employer Coverage:	57%	70%	68%
In Own Name	38%	54%	52%
As a Dependent	20%	16%	17%
Other Private	11%	7%	7%
Public**	16%	10%	11%
Uninsured	16%	14%	14%

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

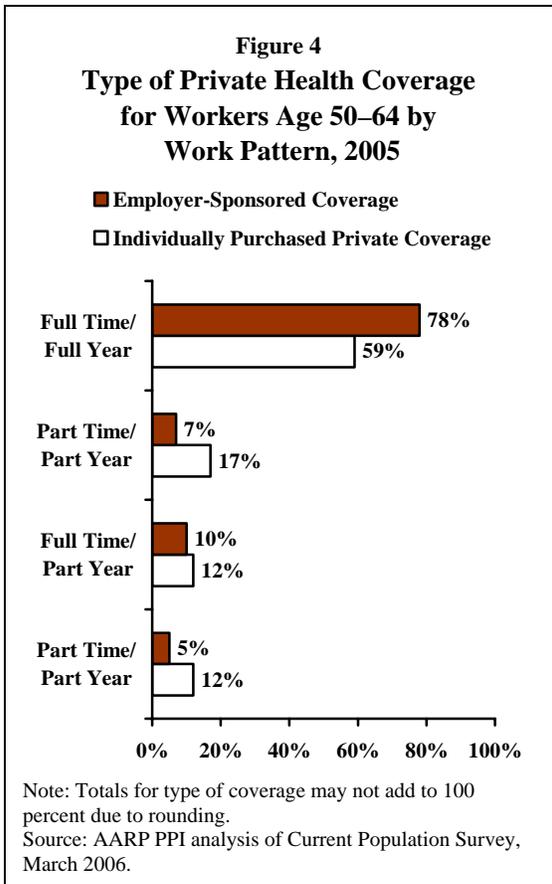
Note: Columns may not total 100 percent due to rounding.  
Source: AARP PPI analysis of Current Population Survey, March 2006.

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

As noted earlier, only 7 percent of people age 50–64 in 2005 purchased private coverage in the individual market. In this market, persons without employer-sponsored health insurance are vulnerable to access and cost barriers. In many circumstances they can be rejected for coverage, and, even if they are offered coverage, their premium costs can vary widely based on the buyer’s age, gender, and health status.<sup>7</sup> Hence, individuals who buy private coverage on their own are at risk for high out-of-pocket premium costs.

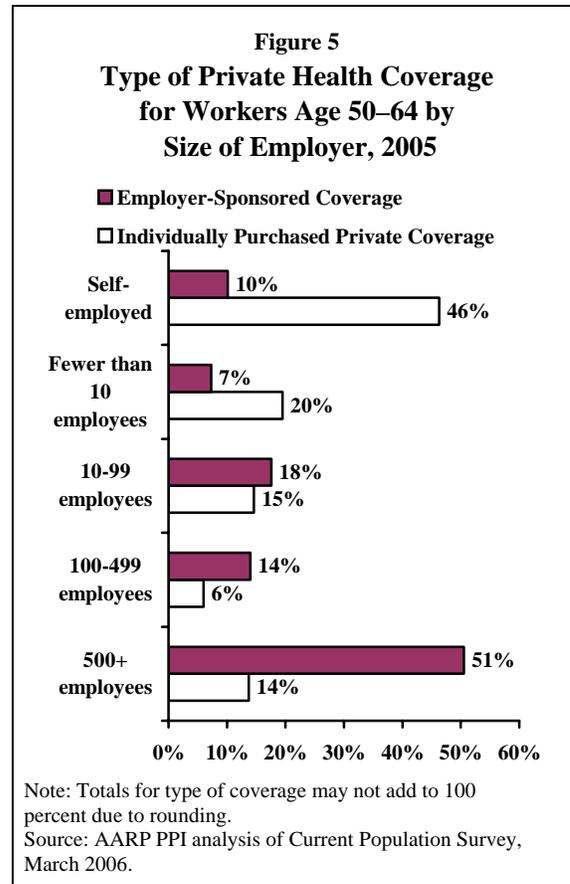
The 3.7 million people age 50–64 who bought their own private insurance in 2005

differed from their peers with employer-sponsored health coverage in their **work characteristics**. Those who buy their own private coverage were twice as likely to be nonworkers (35 percent versus 17 percent). Their work patterns also differed from those of their peers with employer-sponsored coverage. Workers age 50–64 who bought their own health insurance in 2005 (Figure 4) were less likely than were workers covered through employers to work in full-time jobs throughout the year (59 percent versus 78 percent) and more likely to work part-time or part year (41 percent versus 22 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 than are their peers with employer-sponsored coverage either to be self-employed or to work for small employers. As shown in Figure 5, two-thirds of workers buying their own coverage in the private market in 2005 were self-employed or worked for an employer with fewer than 10 employees. In contrast, only 17 percent of workers with employer-sponsored coverage were



self-employed or worked for an employer with fewer than 10 employees. Similarly, only 14 percent of workers buying coverage in the individual market worked for employers with 500 or more employees, compared to 51 percent of their peers with employer-sponsored coverage. Since small employers are less likely than are large employers to offer health coverage to their workers, it is not surprising that workers who buy coverage in the individual market are concentrated in the population working for the employers with the fewest number of employees.

With respect to **family income**, individuals age 50–64 who buy private health insurance on their own also differ from their counterparts who have coverage through an employer. In contrast to persons age 50–64 with coverage through an employer, those who bought their own insurance in 2005 were more likely to be in

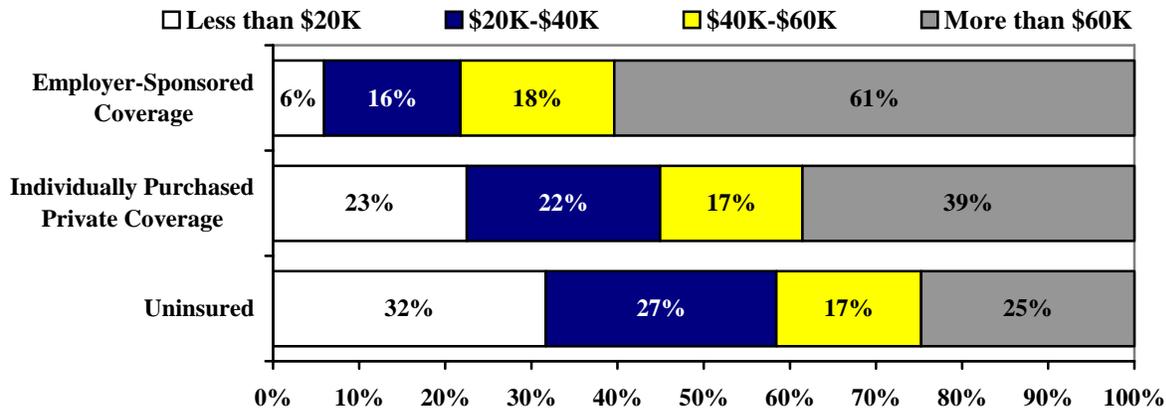
families with low or moderate incomes and somewhat less likely to be in families with higher incomes (Figure 6).

Nearly one-quarter of those with individually purchased coverage were in families with incomes of less than \$20,000, and roughly half were in families with incomes of less than \$40,000. In contrast, among people age 50–64 who had employer-sponsored insurance, more than half had family incomes of \$60,000 or more, only about a fifth 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 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 often has less generous benefits than that offered through group plans. Purchasers may choose high deductibles or other reductions in benefits to get more affordable premiums.

**Figure 6**  
**Family Income Distribution for Persons Age 50–64**  
**by Insurance Source, 2005**



Note: Totals may not add up to 100 percent due to rounding.  
 Source: AARP PPI analysis of Current Population Survey, March 2006.

#### 4. What are the characteristics of persons age 50–64 who are uninsured?

Nationally, 14 percent of persons age 50–64 (7.1 million adults) were uninsured in 2005. As illustrated in Figure 6, the uninsured are spread across the income range. However, a larger share of the uninsured had family incomes at the lower

end of the income scale than did those with private coverage. In 2005, of those age 50–64 without health coverage, 32 percent were in families with annual incomes of less than \$20,000, 46 percent were in families with annual incomes of less than

\$30,000 (not shown), and 59 percent were in families with annual incomes of less than \$40,000. In terms of poverty level<sup>15</sup>, 19 percent of uninsured 50- to 64-year-olds had family incomes below 100 percent of poverty, and 43 percent were below 200 percent of poverty.

A common misconception is that the uninsured are typically unemployed. In reality, the majority (63 percent) of uninsured persons age 50–64 worked in 2005 (Figure 7).

However, there are some key differences in work status between uninsured adults age 50–64 and those age 18–49. A larger share of the former were nonworkers (37 percent and 26 percent, respectively). Fourteen percent of uninsured 50- to 64-year-olds who did not work gave retirement as a reason, compared with less than 1 percent of their younger counterparts. Uninsured persons age 50–64 were also more likely than were their younger counterparts to cite illness or disability as reasons for not being in the labor force (8 percent versus 3 percent).

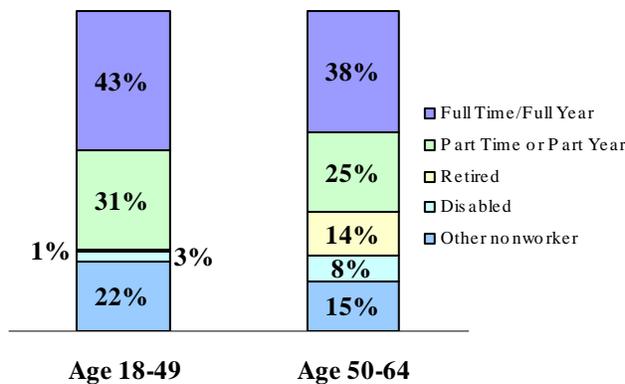
The National Health Interview Survey<sup>16</sup> asks the uninsured how long it has been since they last had health coverage. Analysis of the resulting data reveals that being uninsured is a long-term problem for three in five older adults. More than one in five of these uninsured 50- to 64-year-olds never had insurance, and more than two in five had been without it for at least three years at the time of the survey.

**Table 2**  
**Time Period since Uninsured 50- to 64-Year-Olds Last Had Health Insurance, 2005**

Time Since Last Insured	Percent
6 months or less	9%
> 6 months, < 1 year	6%
> 1 year, < 3 years	18%
More than 3 years	44%
Never had health insurance	23%

Source: AARP PPI analysis of data from the 2005 National Health Interview Survey

**Figure 7**  
**Employment Status Among Uninsured Persons Age 18-49 and 50-64, 2005**



Note: Totals may not add up to 100 percent due to rounding.  
Source: AARP PPI analysis of Current Population Survey, March 2006.

## Policy Implications

Like younger populations, individuals age 50–64 rely predominantly on employer-sponsored health insurance, and stability and affordability are important factors in maintaining this coverage. At the same time, those age 50–64 (especially those without a connection to the labor force) depend more on individually purchased coverage than do their younger counterparts. Therefore, insurance practices in the individual market are a concern. Those with existing health problems may be denied coverage, and those who are offered coverage may find that their age and health status result in experience increased premiums in the individual market, possibly putting them beyond reach. In this age group, as in others, a growing number of persons are uninsured. Yet the growth of the age group will push the number of uninsured up unless policy can effectively address problems that affect this population.

During the past decade, policy proposals to address the growing numbers of uninsured have tended to be smaller efforts covering more segments of this population. Expansion of government programs is one strategy that has been used to reduce the number of people without health insurance. Expansion of **Medicaid** and creation of the **State Children’s Health Insurance Program (SCHIP)** have been the primary strategies. However, those age 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 do not qualify for SCHIP.

Proposals for a **Medicare buy-in** have been targeted to specific subgroups, such as those age 62–64 and those losing retiree health benefits. Unless these proposals are paired with subsidies, many in the target group may not be able to afford buy-in premiums and cost-sharing.

Other incremental reform strategies have focused on **privately purchased health insurance**. The **Health Coverage Tax Credit**, enacted in 2002, helps make 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 credits<sup>10</sup> or deductions to help defray the cost of private coverage, and by providing improved access to private markets for small employers or for individuals not associated with employer groups. The effectiveness of various proposals to expand coverage in the private market will depend largely on whether the reforms take into account the cost of private coverage relative to the low family incomes of many of the uninsured age 50–64, 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 age 50–64. Research has shown that the uninsured are at increased risk of premature death and have greater declines in health status than do those with continuous coverage, and that the health of the uninsured in this age group could benefit most from coverage

because of the increased likelihood that they will need services.<sup>11</sup> Effective reform proposals should address the health care needs of this age group and take their characteristics into account in designing policy solutions.

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<sup>1</sup> U.S. Department of Commerce, Bureau of the Census, *Projected Population of the United States, by Age and Sex: 2000 to 2050*. Washington, DC, May 13, 2006; *Annual Estimates of the Population by Sex and Five-Year Age Groups for the United States: April 1, 2000 to July 1, 2005*. Washington, DC, May 10, 2006; *Intercensal Estimates of the United States Resident Population by Age Groups and Sex, 1990-2000: Selected Months*. Washington, DC, September 13, 2002, [www.census.gov](http://www.census.gov).

<sup>2</sup> U.S. Department of Commerce, Census Bureau, Current Population Survey, March 2006, as published in September 2006.

<sup>3</sup> The terms “individually purchased coverage” and “other private coverage” are used interchangeably throughout this report.

<sup>4</sup> 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.

<sup>5</sup> 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.”

<sup>6</sup> The retirement age for full Social Security benefits is gradually being raised to age 67 over a 22-year period, which began in 2000.

<sup>7</sup> A recent study from the Commonwealth Fund found as much as a 14- to 17-fold difference in premium rates for the same product based on age and health status. In 2003, for example, a healthy 25-year-old male could buy a \$2,500-deductible policy covering prescription drugs and mental health for \$624 per year. For an unhealthy 63-

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year-old eligible for coverage in the high-risk pool, the cheapest premium for similar benefits (with an \$1,800 deductible) was \$10,800 per year. Source: N.C. Turnbull and N.M. Kane, *Insuring the Healthy or Insuring the Sick? The Dilemma of Regulating the Individual Health Insurance Market: Findings from a Study of Seven States*. The Commonwealth Fund, February 2005.

<sup>15</sup> The federal poverty level was \$12,830 for a family of two in 2005.

<sup>16</sup> Centers for Disease Control and Prevention, 2006; National Health Interview Survey, September 2006.

<sup>10</sup> The vast majority of individuals age 50–64 file income tax returns, but there is variation by insurance status. In 2003, 7.6 million 50- to 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.

<sup>11</sup> Institute of Medicine, *Care Without Coverage: Too Little, Too Late*. Washington, DC: National Academy Press, 2002.

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