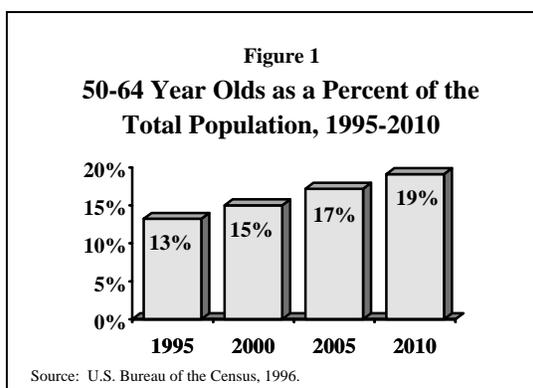


HEALTH COVERAGE AMONG PERSONS AGE 50 THROUGH 64

In 1995, 34 million Americans were between the ages of 50 and 64. It is projected that this group will number 41 million by the year 2000 and 49 million by 2005. By 2010, as the first baby boomers reach age 64, this group will number close to 57 million, representing an increase of 67 percent over 15 years. This growth will push this age group from 13 percent of the total population in 1995 to 19 percent in 2010.¹



With the aging of the baby boom, the issue of access to health insurance coverage among persons in mid-life becomes increasingly important. This fact sheet provides an overview of health coverage of persons age 50 to 64 in 1995 based on analysis of the March 1996 Current Population Survey.

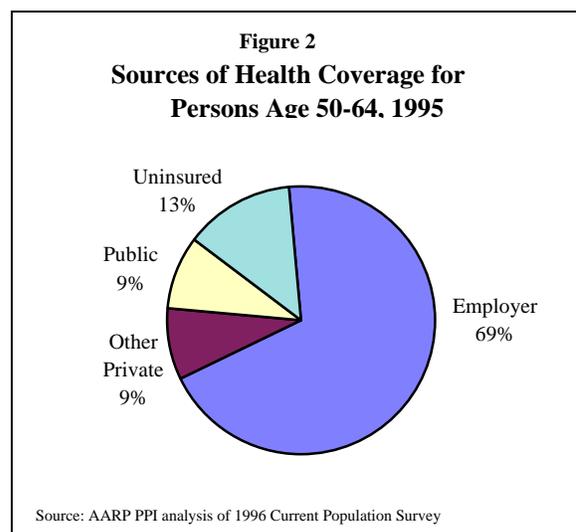
The questions addressed are:

- What are the sources of health coverage among 50-64 year olds?
- Do these sources of health coverage differ from those of other age groups?
- Does the coverage pattern for 50-64 year olds who work differ from that of those who retire before 65?
- What are the characteristics of those who have private coverage from a source other than an employer?
- What are the characteristics of those who are uninsured?

What are the sources of health coverage among 50 to 64 year olds²?

Of the 34 million Americans between age 50 and 64, almost 30 million had health coverage in 1995. The great majority (69%) of the population between ages 50 and 64 relied on employer-sponsored health coverage. Another 18% of this group had insurance from a source other than an employer (individually-purchased or from a public program such as Medicare, Medicaid, VA, etc.). The remaining 13 percent, or approximately 4.6 million, were uninsured.

Insurance coverage changes within this group as people approach age 65. For those age 64, employer-sponsored coverage declines to 59%. Consequently, the proportion of those age 64 with other private coverage (14%) and public coverage (13%) increases, as does the proportion of the uninsured (15%).



Do the sources of health coverage among 50-64 year olds differ from those of other age groups?

The pattern of health coverage for 50-64 year olds differs somewhat from the pattern for the population under age 50. A larger share of those age 50-64 has coverage through an employer than persons under age 50 (69% versus 63%), and a smaller share is covered through Medicaid (5% versus 11%), which focuses heavily on children. A somewhat lower proportion of persons age 50-64 (13%) are uninsured than are those under age 50 (18%).

Because eligibility for Medicare on the basis of age begins at 65, Medicare becomes the primary source of coverage for 96% of those age 65 and over. In contrast, Medicare covers only 6% of persons age 50 to 64 (who must qualify on the basis of disability). The near universality of Medicare coverage at age 65 is reflected in the fact that the proportion of uninsured persons drops from 13% among 50-64 year olds to 1% among those age 65 and over--the lowest share of the uninsured among all age groups.

Because traditional fee-for-service Medicare covers, on average, about half of total health care spending for Medicare beneficiaries,³ they

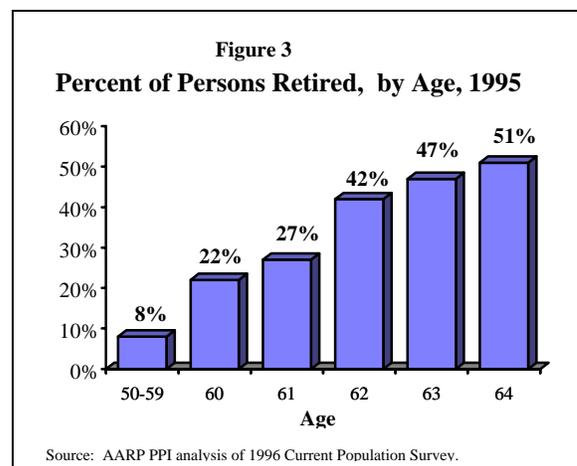
must either have additional insurance to supplement Medicare or pay out-of-pocket for the costs of uncovered care and any required cost-sharing.⁴ Hence, access to employer-sponsored coverage and other public and/or private coverage remains critically important to people age 65 and older.

Reaching age 65 is often a sharp transition point in health coverage not only because it is the age of Medicare eligibility, but because employers may drop coverage for retirees once they become eligible for Medicare. This leaves retirees to purchase supplemental coverage individually. Among those age 65 and over, employers were a source of supplemental coverage for 35% (compared to 59% for 64 year olds); other private insurance covered 34% (compared to 14% for 64 year olds). These data indicate that a significant share of people who previously relied on employer-sponsored coverage find that their employer's role in sponsoring health coverage changes at age 65, particularly if they are no longer in the workforce.

Does the coverage pattern for 50-64 year olds who work differ from that of those who retire⁵ before age 65?

Although the full retirement age for Social Security is 65, the decision to retire may come earlier. As figure 3 shows, the proportion of those retiring before age 65 increases steeply after age 61. The availability of early retirement benefits from Social Security at age 62 undoubtedly affects this trend.

Because people who retire before 65 are not eligible for Medicare coverage (unless they qualify as disabled), early retirees have to look elsewhere for health coverage. Their source of coverage depends upon whether they have



retiree health benefits from their employer, and, if not, whether other public or private sources are available to them.

As Table 1 shows, patterns of health coverage among persons age 50-64 differ for retirees and those not retired. A smaller share of retirees have employer-sponsored coverage (60%) than their contemporaries who continue to work (71%). At the same time, a larger proportion of early retirees than non-retirees have individually purchased private health coverage.

Although not shown on the table, a higher share of retirees between the ages of 50 and 64 who do receive employer-sponsored coverage are covered as a dependent through a family member (33% for retirees vs. 22% among the non-retired).

In the absence of employer-sponsored coverage, early retirees depend more on other family members for coverage, or on their ability to get

What are the characteristics of older adults who have private coverage from a source other than an employer?

Without employer-sponsored health coverage, an individual seeking coverage in the private market can generally expect to pay the full cost of premiums out-of-pocket. The cost varies based on the plan purchased, the buyer's age, sex, geographic location, and health status.⁶ Hence, those who must seek new coverage are often vulnerable to high out-of-pocket costs.

The majority of 50-64 year olds who have private coverage from a source other than their employer are women, and two in three are married. Almost 60% of those purchasing private insurance are working. (One factor that influences whether employers provide health coverage is the size of the company. Over two-thirds of these workers work for a company with fewer than 10 employees.)

Table 1
Source of Health Insurance for Persons Age 50-64 years, by Retirement Status, 1995

Source of Insurance*	Retired	Not Retired
Employer	60%	71%
Other Private	13%	8%
Public**	12%	8%
Uninsured	15%	13%

Source: AARP PPI analysis of 1996 CPS.

* This is the primary source of insurance. Some people may have coverage from multiple sources.

**Includes Medicare, Medicaid, and VA or CHAMPUS coverage

and pay for other private coverage. Those without access to these channels depend on public sources, or face the risk of being uninsured. In 1995, over 857,000 retirees between 50 and 64 lacked health coverage.

Those purchasing private coverage individually tend to have lower incomes than those with employer-sponsored coverage. Thirteen percent of persons age 50-64 who buy individual coverage have household incomes of \$10,000 or less, compared with only 2% of those with employer-sponsored insurance (see Table 2).

Table 2
Household Income for Persons 50-64 with Employer-Sponsored versus Other Private Coverage, 1995

Household Income	Employer-Sponsored Insurance	Other Private Insurance
\$10k & less	2%	13%
\$10-\$20k	7%	17%
\$20-\$30k	11%	17%
\$30k & over	81%	53%

Source: AARP PPI analysis of 1996 CPS.

What are the characteristics of persons age 50-64 who are uninsured?

This age group accounted for 11 percent of the nation's uninsured in 1995. In some respects, the 4.6 million adults age 50-64 who were uninsured in 1995 have characteristics similar to the uninsured population under age 50. A disproportionate share were poor and minorities. Full-time workers who worked the entire year comprised roughly 30% of the uninsured in both this age group and in the under-50 population. The share of uninsured 50 to 64 year olds who cited inability to find work as the reason they were not in the labor force was similar to that among the uninsured under age 50.

However, there are some key differences between the uninsured under age 50 and those 50 and 64 years. Twenty percent of 50-64 year olds without health coverage had household incomes of \$10,000 or less, compared to 13.5% of the uninsured under age 50. In addition, non-workers were nearly twice as prevalent in the uninsured group of 50-64 year olds as in the uninsured population under 50 (40% vs. 20% respectively). Not only were 50-64 year olds without insurance more likely to be retired (19%) than their younger counterparts (less than 1%), but they more frequently cited illness or disability (9% vs. under 2%) as reasons for not being in the labor force.

Policy Implications

Increasing access to health coverage has been the focus of health care reform efforts in recent years. While comprehensive health care reform has not been achieved, incremental efforts to address these problems continue. In exploring the implications of different proposals, special attention should be given to the needs of those without access to employer-sponsored or other private coverage, particularly those who are ill or disabled.

Reaching the age of Medicare eligibility at 65 dramatically reduces the likelihood of being uninsured. Recent discussions of raising the eligibility age for Medicare from age 65 to age 67 have direct implications for access to health coverage. In evaluating this policy option, a critical judgment is whether the employers, individuals, and public programs that pay the cost of health coverage are able and/or willing to carry the cost of health premiums for this additional period of time.

¹ US Bureau of the Census, Current Population Reports, Series P25-1130, "Population Projections of the United States, by Age, Sex, Race, and Hispanic Origin: 1995 to 2050," Washington, DC, March 1996.

² Our analysis of the source of coverage for those under age 65 is hierarchical. Persons with more than one source of coverage were only counted under one source, and private sources took precedence over public sources.

³ Physician Payment Review Commission, *Annual Report to Congress*, Washington, DC July 1997.

⁴ In 1995, nearly 90% of beneficiaries obtained coverage through Medicare's fee-for-service program. Physician Payment Review Commission, *Annual Report to Congress*, Washington, DC July 1996.

⁵ The definition of retired used here, based on that of the Census Bureau, distinguishes between those who are not in the labor force and identified as retired, as opposed to those not in the labor force but unemployed or unable to find work.

⁶ Data on the average cost of coverage for an individually purchased policy is not readily available. However, a recent GAO report on the individual insurance market provides examples of the range in premiums some might pay. For a male age 60-64 in a metropolitan area, examples of monthly premiums range from \$210 to \$532 (GAO/HEHS-97-8).

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