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NEW STUDY: DRAMATIC DECLINE IN EMPLOYER-SPONSORED HEALTH INSURANCE AND PRESCRIPTION DRUG COVERAGE FOR NEW RETIREES

Reduction in Coverage for Men Is Far Larger than Drop in Coverage for Women

(Bethesda, MD) – As Congress debates the scope of a new Medicare drug benefit for the elderly, a new study shows that a lengthy phase-in period could leave many seniors without supplemental medical or prescription drug benefits. A study appearing in today's Web-exclusive edition of *Health Affairs* shows that employer-sponsored health insurance for retirees ages 65–69 is on a sharp decline.

Between 1996 and 2000 the percentage of Medicare beneficiaries in the 65–69 age group receiving employer-sponsored health insurance fell from 46 percent to just over 39 percent. There was a similar decline in employer-sponsored drug benefits, from 40 percent in 1996 to 35 percent in 2000. With Congress considering waiting until 2006 for the new Medicare drug benefit to take effect, the authors worry that seniors may have difficulty protecting themselves in the meantime, since there is no evidence that reduction in offer rates for retiree medical and drug benefits has bottomed out.

“All indications are that employer-sponsored benefits available to new retirees are going to erode,” says lead study author Bruce Start, Ph.D., professor and director of the Peter Lamy Center at the University of Maryland School of Pharmacy. “This is especially alarming since any new prescription drug benefit sponsored by Congress won't be available for several more years, and even those proposed benefits are likely to be far less than the benefits most retirees already receive.”

Employer-sponsored health insurance coverage is considered to be the most reliable source of Medicare supplemental coverage, especially for prescription drug benefits. The study, supported by the Commonwealth Fund, shows that while coverage for older retirees has remained relatively stable, employers are cutting back on coverage offered to new retirees.

Among new retirees, coverage of men has dropped the most rapidly. The share of men ages 65–69 receiving benefits from their own retirement policies fell 26 percent between 1996 and 2000. According to the authors, men have accounted for most of the loss in retirement benefits in this age group. The rate of decline for men (nine percentage points) was three

times that of women (three percentage points). The authors indicated that the erosion of retiree benefits would have been higher during the study period had men not increasingly sought coverage under their spouses' policies. In 1996 only 17 percent of men with retiree benefits obtained them from a spouse; that percentage climbed to 25 percent in 2000.

Future retirees are likely to see further erosion of benefits from employers. The authors outlined a number of reasons:

- The historical increase in labor-force participation by women has nearly reached its peak. Even with an estimated 3.4 percent increase in women in the age 55–64 retirement age band in the workforce in 2010, the rate of increase will be too small to counteract declining ESHI rate offers.
- Employers have singled out prescription benefits for cuts in the face of rapidly rising drug expenditures.
- The drop in employer-sponsored benefits offered to new retirees occurred over a very short time period – just five years. If the trend continues at that pace, coverage for new retirees will be seriously eroded.

“The future of employer-sponsored health insurance looks bleak,” said Stuart. “In the face of continued rising prescription drug costs, employers may choose to abandon providing any coverage at all. At least a properly structured Medicare drug benefit would provide employers with an incentive to maintain coverage for critical medical benefits.”

Stuart coauthored the study with Puneet Singhal, Cheryl Fahlman, Jalpa Doshi, and Becky Briesacher of the University of Maryland School of Pharmacy.

Health Affairs, published by Project HOPE, is a bimonthly multidisciplinary journal devoted to publishing the leading edge in health policy thought and research. This Web-exclusive article is available free on the journal's Web site, www.healthaffairs.org. Address inquiries to Jon Gardner at *Health Affairs* at 301-656-7401, ext. 230, or via e-mail, press@healthaffairs.org.