

COVID-19's Impact on Older Workers: Employment, Income, and Medicare Spending

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ABSTRACT

ISSUE: Although the disproportionate health impact of COVID-19 on older people is well known, its impact on their financial well-being has received little attention.

GOAL: Assess older U.S. adults' pandemic-related loss of employment, income, and employer-sponsored health coverage and gauge the potential effect of these losses on federal spending for Medicare.

METHODS: Analysis of data from the American Community Survey (2012–2018) pertaining to characteristics of older workers, as well as data from the Bureau of Labor Statistics on unemployment by age and types of jobs.

KEY FINDINGS AND CONCLUSIONS: In 2018, prior to the pandemic, more than one in six Medicare beneficiaries, or 10.1 million people, were employed, including 9.0 million beneficiaries age 65 and older and 1.1 million under age 65. During the pandemic, about 11 percent of people 65 and older, or about 1.1 million people, have lost their jobs. These job losses could result in many older workers shifting from employer-sponsored health insurance to Medicare, increasing federal spending for Medicare. The job losses and income reductions among Medicare beneficiaries also could threaten their financial security, resulting in more beneficiaries qualifying for Part D low-income subsidies, Medicare Savings Programs, or even Medicaid. During this time, Medicare will serve as an important safety net, but policies to encourage the continued employment of older workers could have long-term effects on Medicare spending and people's financial security for the remainder of their years.

TOPLINES

- ▶ Medicare is an important safety net for older adults who have lost jobs and income during the COVID-19 pandemic.
- ▶ If half a million older adults move from employer-sponsored insurance to Medicare, federal spending will increase by more than \$4 billion each year.



INTRODUCTION

From the earliest days of the pandemic, COVID-19's disproportionate impact on the health of people age 65 and older — in rates of infection, hospitalization, and death — has been painfully apparent. Yet the pandemic's impact on the financial well-being of older people — in terms of employment, income, and health insurance coverage — has received little, if any, attention.

To fill that gap, this issue brief describes the demographics of older workers and assesses their pandemic-related loss of employment, income, and employer-sponsored health insurance coverage. It also considers the potential effect of these losses on federal spending for Medicare.

FINDINGS

Prior to the COVID-19 Pandemic, How Many Older Americans Were Employed?

Older Americans may work for a variety of reasons. Some may decide to continue working past the traditional retirement age of 65 to stay engaged in the world or to

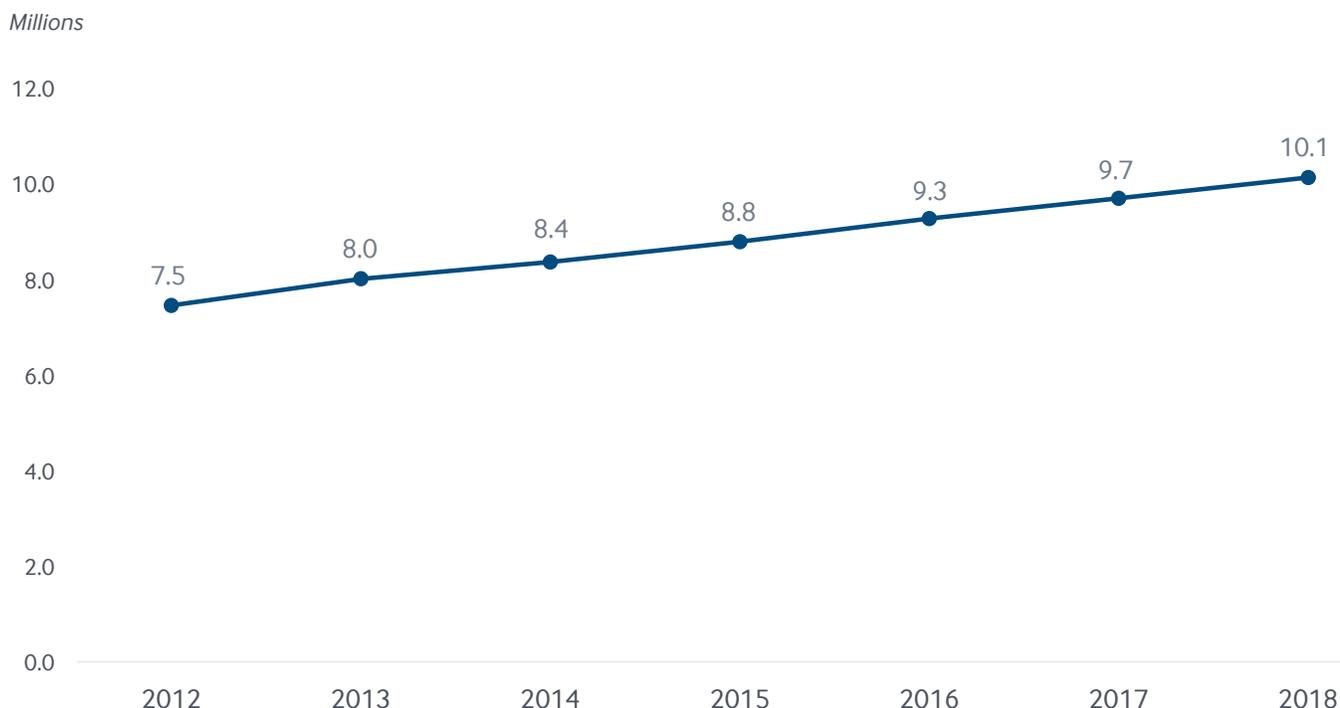
start a second career later in life. Yet a growing number of older Americans find it necessary to work because they lack adequate resources to support retirement. Almost one-third of working adults age 55 and older have no retirement savings or pension, with the proportion expected to grow.¹

In 2018, more than one in six Medicare beneficiaries, or 10.1 million people, were employed, a steady increase from 7.5 million in 2012 (Exhibit 1). This includes 9.0 million beneficiaries age 65 and older and 1.1 million younger than 65.

Two-thirds (66%) of workers 65 and older continue to work full-time jobs (32-plus hours per week) (Exhibit 2). In total, people 65 and older represent about 7 percent of the U.S. workforce.²

Among the 9 million older Americans who worked in 2018, most were between ages 65 and 69. Another quarter were between ages 70 and 74, and the remainder were 75 and older. In total, about 3.7 million people older than 70 (including 1.4 million people age 75 and older) worked in 2018 (Exhibit 3).

Exhibit 1. Number of Employed Medicare Beneficiaries, 2012–2018



Data: Authors' analysis of data from the U.S. Census Bureau's American Community Survey Public Use Microdata Sample (ACS-PUMS), 2012–2018.

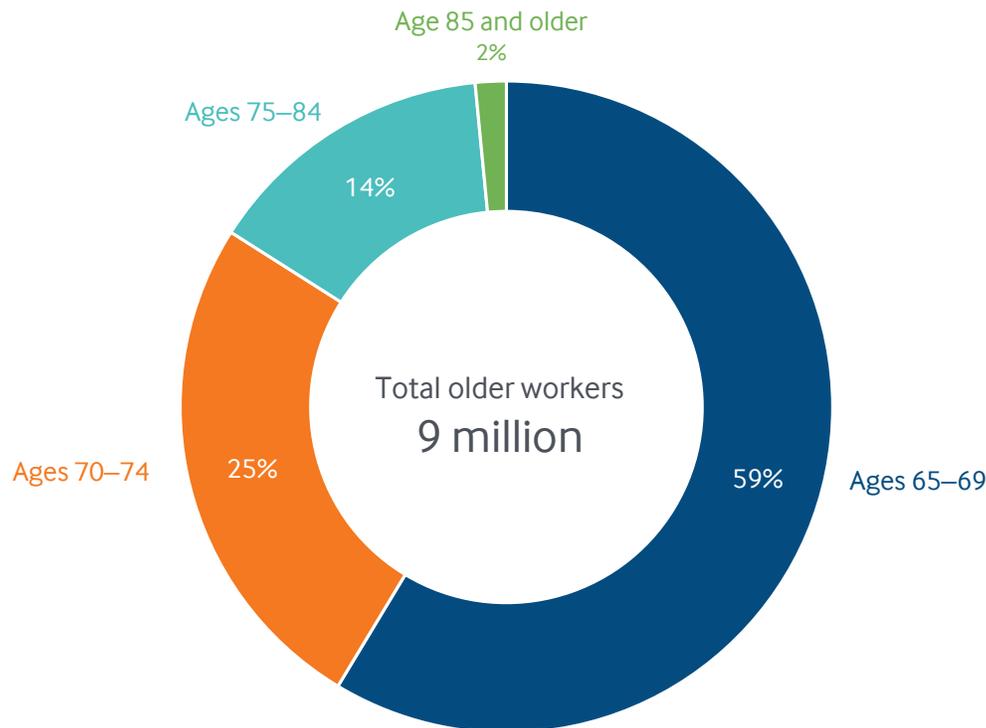
Exhibit 2. Demographic Characteristics of Older Workers, by Employer-Sponsored Insurance Coverage Status, 2018

	U.S. population ages 19–64	Medicare beneficiaries	Older beneficiaries not currently working	All older workers age 65+	Older workers with ESI	Older workers without ESI
Total	193,496,601	56,830,980	41,219,250	8,987,001	4,211,690	4,775,311
Female	50.9%	55.1%	57.5%	45.1%	44.5%	45.7%
Age						
≤64	100.0%	13.8%	0.0%	—	—	—
65–69	—	27.2%	27.3%	58.6%	65.4%	52.7%
70–74	—	22.9%	26.3%	25.4%	21.7%	28.6%
75–84	—	26.1%	33.0%	14.5%	11.7%	16.9%
85+	—	10.0%	13.5%	1.5%	1.2%	1.8%
Mean age	41	71	75	70	69	71
Median age	41	71	74	68	68	69
Insurance coverage						
Medicare	3.8%	100.0%	100.0%	86.6%	75.9%	96.1%
Medicaid	14.9%	19.1%	15.8%	6.4%	4.3%	8.2%
ESI	62.6%	28.5%	28.4%	46.9%	100.0%	0.0%
Other	3.3%	11.3%	12.6%	8.6%	8.2%	8.9%
Race/Ethnicity						
Black (non-Hispanic)	12.5%	10.3%	9.0%	8.5%	9.5%	7.6%
Hispanic	18.1%	8.8%	8.3%	7.7%	6.7%	8.6%
Other (non-Hispanic)	9.3%	5.8%	5.9%	6.2%	6.7%	5.7%
White (non-Hispanic)	60.1%	75.1%	76.8%	77.6%	77.0%	78.1%
Income						
<150% FPL	19.4%	22.6%	21.5%	4.7%	2.3%	6.8%
150%–199% FPL	8.1%	10.0%	10.6%	4.5%	2.4%	6.3%
200%–249% FPL	7.9%	9.2%	9.9%	6.0%	3.8%	8.0%
250%–299% FPL	7.4%	8.1%	8.6%	6.8%	4.9%	8.4%
300%–399% FPL	13.9%	13.5%	14.1%	13.8%	11.8%	15.5%
400%+ FPL	43.3%	36.6%	35.3%	64.2%	74.7%	55.0%
Mean income	\$46,337	\$37,065	\$32,690	\$78,862	\$91,826	\$67,428
Median income	\$30,393	\$21,275	\$20,262	\$50,655	\$60,786	\$41,537
Employment status						
Working	73.1%	15.8%	0.0%	100.0%	100.0%	100%
Full time	88%	61%	—	66%	76%	57%
Part time	12%	39%	—	34%	24%	43%
Self-employed	9%	23%	—	23%	14%	31%

Notes: "Older workers" are respondents who indicate they are currently employed and are age 65 and older. ESI = employer-sponsored insurance. FPL = federal poverty level.

Data: Authors' analysis of data from the U.S. Census Bureau's American Community Survey Public Use Microdata Sample (ACS-PUMS), 2018.

Exhibit 3. Distribution of Older Workers, by Age, 2018



Notes: "Older workers" are respondents who indicate they are currently employed and are age 65 and older.

Data: Authors' analysis of data from the U.S. Census Bureau's American Community Survey Public Use Microdata Sample (ACS-PUMS), 2018.

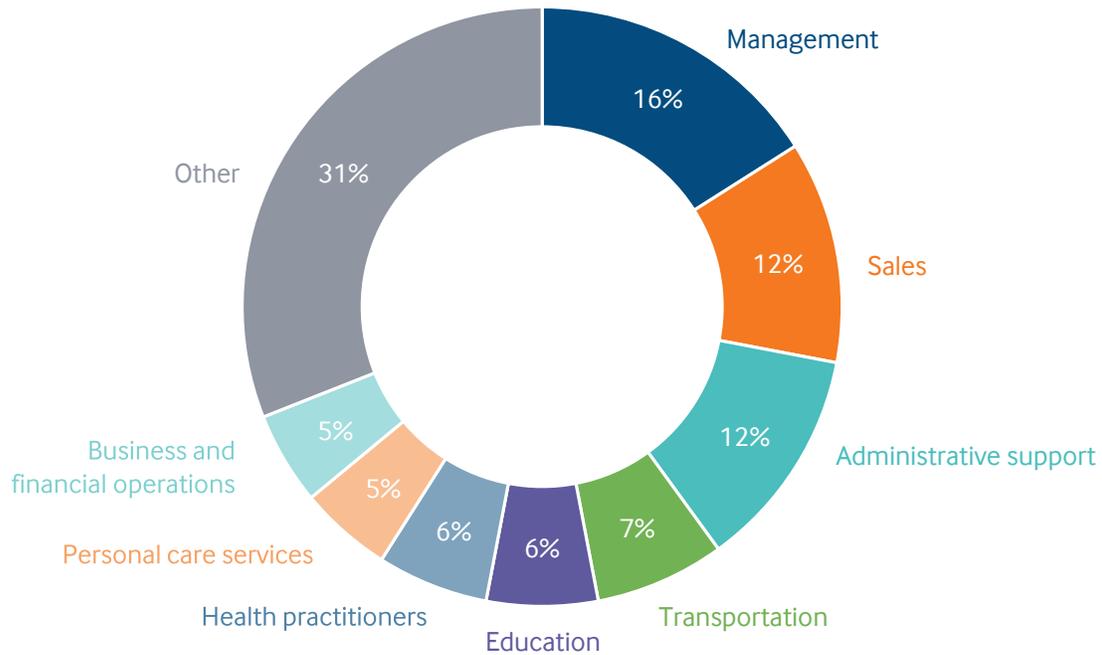
Working past age 65 generally requires people to be relatively healthy. Often, working late in life is not possible for blue-collar, physically demanding jobs. As a consequence, older workers tend to have higher incomes and more education than their peers who are no longer in the formal workforce.³ In 2019, about one in six older workers (16%) were in management, about one in eight (12%) were in sales, and another one in eight (12%) provided administrative support (Exhibit 4).⁴

After including income from working, investments, and Social Security, the majority of older workers (64%) had incomes of 400 percent of the federal poverty level or higher. About 15 percent of older workers had incomes below 250 percent of poverty, and 17 percent had incomes between 250 percent and 399 percent of poverty (Exhibit 5). By contrast, Medicare beneficiaries 65 and older who were living in the community but were not part of the formal workforce had lower incomes, on average.

While nearly all workers 65 and older were Medicare beneficiaries, almost half (47%) had insurance coverage from their employer to cover medical expenses. (These workers also have Medicare Part A since it automatically covers older Americans who have paid sufficient payroll taxes.) The other half of older workers (4.8 million people) did not have health insurance coverage from their employer even though more than half (57%) of them were employed full time. For this group, Medicare served as an important safety net.

Not surprisingly, older workers with employer-sponsored insurance (ESI) had higher incomes than workers who relied solely on Medicare. Three-quarters of older workers with ESI reported incomes more than four times the federal poverty level. By contrast, slightly more than half (55%) of the older workers without ESI had incomes of 400 percent of poverty and above.

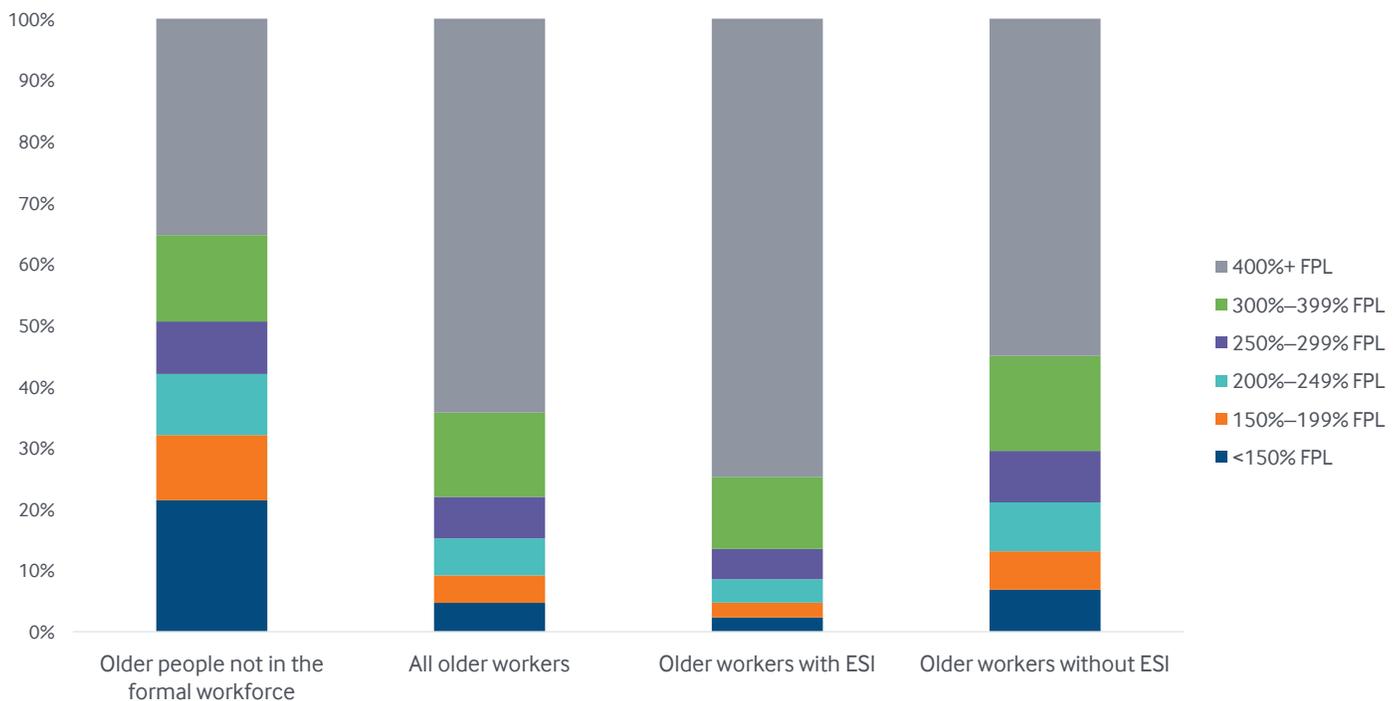
Exhibit 4. Distribution of Occupations of Older Workers, 2019



Notes: "Older workers" are respondents who indicate they are currently employed and are age 65 and older.

Data: Authors' analysis of data from the U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey: 18b. Employed Persons by Detailed Occupation and Age," last updated Jan. 22, 2020.

Exhibit 5. Distribution of Income Among Older Adults, 2018



Notes: FPL = federal poverty level. ESI = employer-sponsored insurance.

Data: Authors' analysis of data from the U.S. Census Bureau's American Community Survey Public Use Microdata Sample (ACS-PUMS), 2018.

Since the Pandemic, How Many Older People Have Lost Their Jobs?

As of July 2020, about 13 percent of people age 65 and older (about 1.1 million people) have lost their jobs during the pandemic.⁵ Although unemployment rates for older people are somewhat higher than among workers ages 30 to 64, more noteworthy are the particularly high rates of job loss among older people of Asian descent (19%) or Hispanic or Latino descent (19%).

Across all ages, the unemployment rate has been highest among people in the leisure and hospitality industries (29% unemployment rate),⁶ which employed about 7 percent of older workers prior to the pandemic.

More than a third of older adults live in counties with both a high disease prevalence and a high cost of living, reflecting the early prevalence of the pandemic in urban areas.⁷ Notably, the unemployment rate does not capture the number of people who have experienced declines in income, decided to retire earlier than planned, or closed their businesses as a result of the recession. This gap in the employment data is particularly relevant for older workers because almost a quarter (23%) are self-employed.

Historically, unemployment has posed longer-lasting challenges to income security for older workers than for younger people.⁸ Older workers are more likely to face longer periods of unemployment, and if they find new jobs, are unlikely to earn incomes at previous levels. Additionally, the proximity of retirement makes them particularly vulnerable to the suspension of employer pension contributions and any decline in the value of their retirement savings. Furthermore, older workers may need to draw on their Social Security benefits earlier than planned, substantially and permanently reducing their retirement incomes.⁹

How Will the Job Losses Among Older Workers Affect Health Insurance Coverage?

Unlike younger people, workers and nonworkers age 65 and older are eligible for Medicare, regardless of income. The 4.2 million older workers who receive health insurance coverage through their employers are generally

required to rely on it for nonhospital expenses. However, if these workers lose their jobs and ESI, they will likely shift to Medicare coverage. In contrast, older workers who do not receive health insurance through their employer already rely on Medicare to help cover their medical expenses. For both groups of older workers, Medicare is a critical safety net.

The loss of health insurance with the loss of a job exposes older workers to Medicare premiums and the program's cost-sharing obligations for the first time. Like older workers without health insurance coverage from their employer, they may face financial challenges when they lose their incomes. Despite the program's importance to the health and economic security of older Americans, Medicare's benefits expose beneficiaries to significant financial risks.

Even though some older workers losing employer-sponsored insurance may be financially better off with Medicare, particularly if their ESI was a high-deductible health plan, Medicare has many coverage limitations including:

- no coverage for dental, vision, and hearing care in traditional Medicare
- no coverage for long-term services and supports
- significant cost-sharing for hospital stays
- substantial premiums and copayments for physician and other professional services and for prescription drugs
- no limit on out-of-pocket spending for beneficiaries in traditional Medicare (unlike all other insurance since enactment of the Affordable Care Act).

Most Medicare beneficiaries have supplemental private coverage to cover Medicare cost-sharing, although those policies typically come at significant cost. In 2016, Medicare premiums, cost-sharing requirements, and out-of-pocket payments for services not covered by Medicare absorbed more than 20 percent of income for one-quarter of Medicare beneficiaries.¹⁰

How Could Job Losses Affect Medicare Spending?

Older workers shifting from employer-sponsored insurance to Medicare coverage increases Medicare spending. The size of the increase will depend on the proportion of unemployed older workers who were previously covered by ESI — but the amount can be significant. Medicare spending averages \$8,631 per year for beneficiaries ages 65 to 74.¹¹ If half of the pandemic-related job losses among older workers (roughly half a million people) are among those with ESI coverage, the shift from ESI to Medicare could increase Medicare spending by more than \$4 billion in a single year.

Medicare spending also would be affected by job losses if the accompanying drops in income result in more Medicare beneficiaries qualifying for low-income assistance programs. For instance, more beneficiaries may qualify for Part D low-income subsidies or the Medicare Savings Programs, both of which are funded by Medicare. Importantly, since incomes and resources tend to decline as people age, beneficiaries who qualify for low-income assistance will likely continue to receive the assistance for the remainder of their years. Additionally, more Medicare beneficiaries may qualify for Medicaid if their incomes drop low enough, in which case the federal government would share responsibility for their expenses with the states.

Finally, the job losses and income declines among older workers, as well as workers of other ages, will reduce taxes flowing into the Medicare Hospital Insurance trust fund. Prior to the pandemic, the Medicare trustees projected that the Medicare trust fund would be insolvent by 2026. The pandemic will likely shorten that time frame because of declines in tax receipts from older workers and younger adults.

What Policies May Help Protect Older Workers?

Older and younger workers alike benefit from policies to offset job and income loss related to COVID-19. For older workers who tend to have longer spells of unemployment, sustaining measures to prevent job loss and increase hiring as the downturn persists will be particularly important, including policies that encourage companies to hire older workers.

Compared with younger adults, older workers face greater health risks from COVID-19, especially if they are unable to work remotely. Jobs that allow older workers to work from home will prevent them from having to choose between their health and their income.

With regard to health insurance coverage, many working older Americans could lose their employer-sponsored coverage if they lose their jobs, requiring them to receive full benefits from Medicare. This shift should further motivate policymakers to address limitations to Medicare's benefits, which already burden beneficiaries with low and modest incomes.

Even without benefit improvements, COVID-related job, income, and coverage loss will increase Medicare spending (and potentially Medicaid spending) as the program responds to beneficiaries' changing circumstances. Policies to prevent job loss among older workers may help mitigate future increases in Medicare spending. More than ever during this pandemic, Medicare serves as an important safety net for all beneficiaries, including those who continue to participate in the workforce.

HOW WE CONDUCTED THIS STUDY

The characteristics of older workers are drawn from an analysis of the 2012–2018 years of the U.S. Census Bureau's American Community Survey Public Use Microdata Sample (ACS-PUMS). Older workers were defined as people age 65 and older who were employed either full time (working at least 32 hours a week) or part time (working less than 32 hours per week). Medicare beneficiaries were identified in the ACS as those who either answered they had Medicare coverage or were age 65 and older. The ACS excludes Medicare beneficiaries who live in nursing homes or other institutions. The unemployment rate and occupations of people 65 and older are drawn from the U.S. Bureau of Labor Statistics.

NOTES

1. U.S. Securities and Exchange Commission, Office of the Investor Advocate, *Perspectives on Retirement Readiness in the United States: A White Paper* (SEC, Nov. 28, 2016).
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4. U.S. Bureau of Labor Statistics "Labor Force Statistics from the Current Population Survey: 18b. Employed Persons by Detailed Industry and Age," last updated Jan. 22, 2020.
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11. Medicare Payment Advisory Commission, *A Data Book: Health Care Spending and the Medicare Program* (MedPAC, June 2019).

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