

EMPLOYER HEALTH BENEFITS
2004 ANNUAL SURVEY

Retiree Health Benefits

SECTION

11

RETIREE HEALTH BENEFITS

RETIREE HEALTH BENEFITS ARE A KEY CONSIDERATION FOR OLDER WORKERS (AGES 55-64) MAKING THEIR DECISIONS ABOUT RETIREMENT. FOR PEOPLE AGE 65 AND OLDER, RETIREE HEALTH BENEFITS PROVIDE AN IMPORTANT SUPPLEMENT TO MEDICARE. ALTHOUGH PASSAGE OF THE 2003 MEDICARE PRESCRIPTION DRUG IMPROVEMENT AND MODERNIZATION ACT WILL ALLEVIATE SOME OF THE COST TO RETIREES OF PRESCRIPTION DRUGS, RETIREE HEALTH PLANS ARE CURRENTLY THE LARGEST SOURCE OF PRESCRIPTION DRUG COVERAGE FOR THE RETIRED POPULATION AND ARE ESSENTIAL FOR AFFORDABLE ACCESS TO NEEDED MEDICINES.¹¹

THE PERCENTAGE OF EMPLOYERS OFFERING RETIREE BENEFITS HAS FALLEN SIGNIFICANTLY OVER THE PAST 25 YEARS. OVER THAT TIME PERIOD, RETIREE COSTS ROSE TO REPRESENT A SIGNIFICANT PORTION OF HEALTH EXPENDITURES TO MANY BUSINESSES, DUE IN LARGE PART TO THE RISING COST OF PRESCRIPTION DRUGS. THE IMPLEMENTATION OF THE NEW MEDICARE PRESCRIPTION DRUG LAW MAY LEAD EMPLOYERS TO RECONSIDER THEIR ROLE IN PROVIDING RETIREES WITH HEALTH BENEFITS.

AVAILABILITY OF RETIREE BENEFITS

- ▶ The percentage of firms offering retiree coverage has declined significantly over time, although there was no significant change between 2003 and 2004. Thirty-six percent of all large firms (200 or more workers) offer retiree coverage in 2004, compared to 66% in 1988 (EXHIBIT 11.1).
- ▶ Retiree benefits vary substantially by firm size, industry and the presence of union workers.

- *All large firms (200 or more workers) are much more likely to offer retiree benefits than all small firms (3-199 workers). Thirty-six percent of all large firms offer retiree benefits, compared to just five percent of all small firms (EXHIBIT 11.2).*
- *State and local governments are more likely than other firms to offer retiree benefits (EXHIBIT 11.2).*
- *All large firms (200 or more workers) with union workers are significantly more likely to offer retiree health benefits than all large firms without union workers—60% of all large firms with union employees offer retiree benefits, compared to 22% of all large firms that do not have union employees (EXHIBIT 11.3).*
- ▶ Virtually all large firms (200 or more workers) that offer retiree benefits offer them to early retirees under the age of 65 (96%). A lower percentage (75%) of all large firms offering retiree benefits offer them to Medicare-age retirees (EXHIBITS 11.4, 11.5).

NOTES:

¹¹ Twenty-eight percent of Medicare beneficiaries receive prescription drug coverage from an employer, a far higher number than receive coverage through a Medicare HMO (15%), Medigap (7%) or Medicaid (10%). Laschober et. al., *Health Affairs*, February 2002.

EXHIBIT 11.1

Percentage of All Large Firms (200 or More Workers) Offering Retiree Health Benefits[‡], 1988-2004*

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003, 2004; KPMG Survey of Employer-Sponsored Health Benefits: 1991, 1993, 1995, 1998; The Health Insurance Association of America (HIAA): 1988.

* Tests found no statistically different estimate from the previous year shown at $p < .05$.

[‡] Among firms that offer health benefits to active workers.

EXHIBIT 11.2

Percentage of Employers Offering Retiree Health Benefits[‡], by Firm Size, Region, and Industry, 2004

| | <i>All Small Firms (3-199 Workers)</i> | <i>All Large Firms (200 or More Workers)</i> |
|--|--|--|
| FIRM SIZE | | |
| Small (3-24 Workers) | 4% | - |
| Small (25-49 Workers) | 9 | - |
| Small (50-199 Workers) | 10 | - |
| ALL SMALL FIRMS (3-199 WORKERS) | 5 | - |
| Midsize (200-999 Workers) | - | 31% |
| Large (1,000-4,999 Workers) | - | 43 |
| Jumbo (5,000 or More Workers) | - | 60* |
| REGION | | |
| Northeast | 10% | 37% |
| Midwest | 8 | 41 |
| South | 2 | 39 |
| West | 2 | 26* |
| INDUSTRY | | |
| Mining/Construction/Wholesale | 8% | 27% |
| Manufacturing | 4 | 32 |
| Transportation/Communication/Utility | 4 | 53 |
| Retail | 3 | 10* |
| Finance | 2 | 43 |
| Service | 5 | 36 |
| State/Local Government | 27* | 77* |
| Health Care | 0* | 22* |
| ALL FIRM SIZES, REGIONS, AND INDUSTRIES | 5% | 36% |

SOURCE :

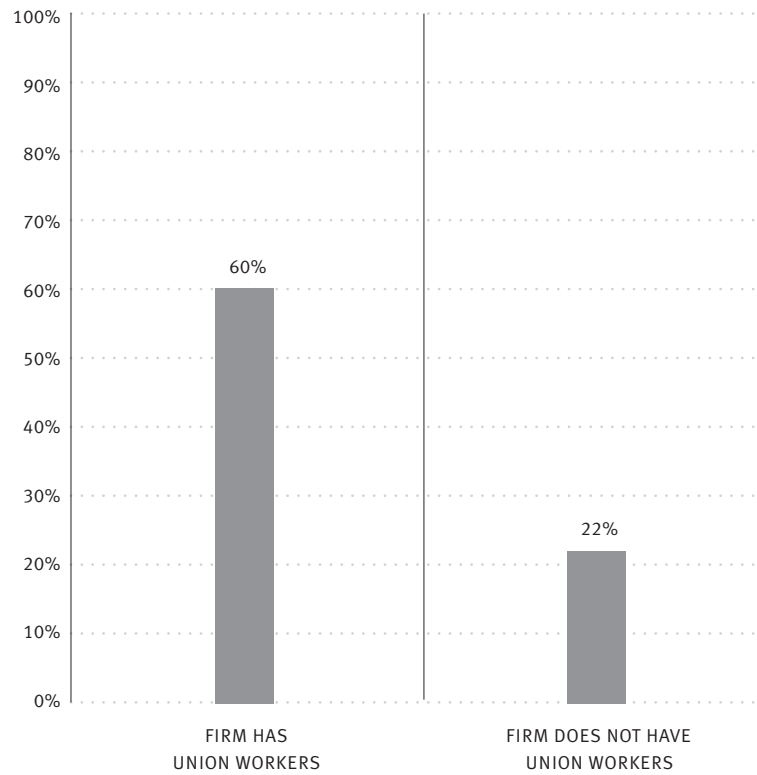
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

* Estimate is statistically different from All Firms at $p < .05$.

‡ Among firms that offer health benefits to active workers.

EXHIBIT 11.3

Percentage of All Large Firms (200 or More Workers) in Which Retirees Are Offered Health Insurance, by Whether or Not the Firm Has Union Workers, 2004

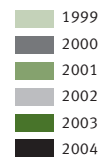
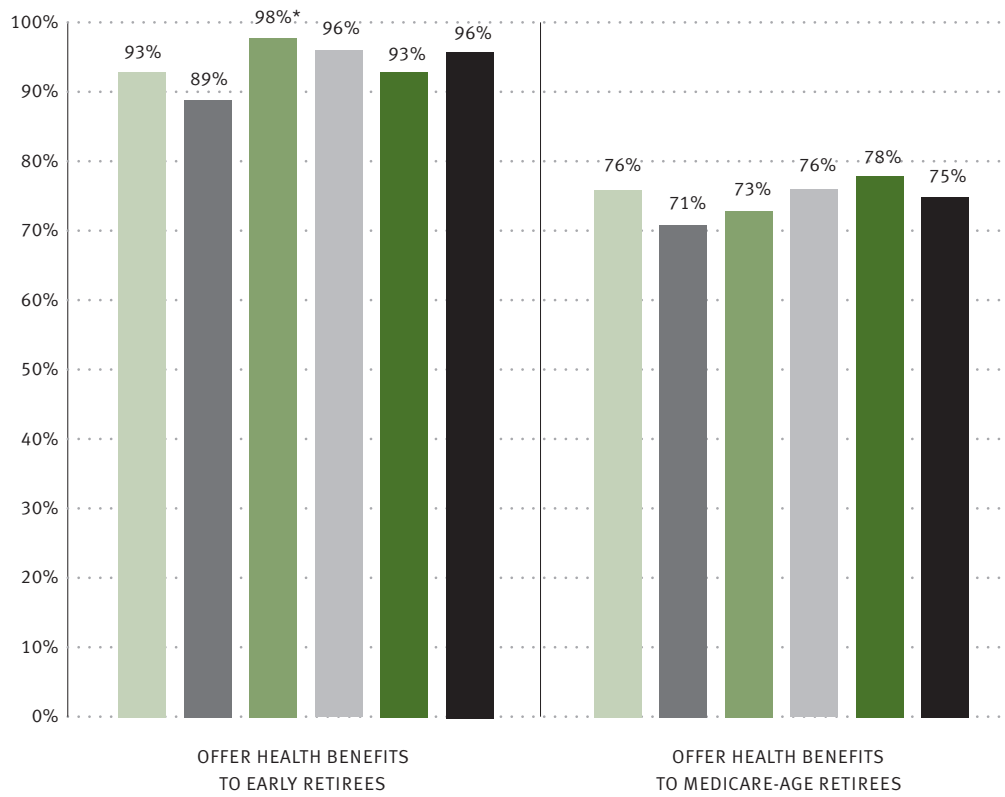


SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

EXHIBIT 11.4

Percentage of All Large Firms (200 or More Workers) Offering Health Benefits to Early and Medicare-Age Retirees, Among All Large Firms Offering Retiree Coverage, 1999-2004



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003, 2004.

* Estimate is statistically different from the previous year shown at $p < .05$.

Early retiree: Workers retiring before age 65.

EXHIBIT 11.5

Percentage of All Large Firms (200 or More Workers) Offering Retiree Benefits to Early and Medicare-Age Retirees, Among All Large Firms Offering Retiree Coverage, by Firm Size, Region, and Industry, 2004

| | <i>Percentage of Employers Offering Retiree Health Benefits to Early Retirees</i> | <i>Percentage of Employers Offering Retiree Health Benefits to Medicare-Age Retirees</i> |
|--|---|--|
| FIRM SIZE | | |
| Midsize (200-999 Workers) | 96% | 70% |
| Large (1,000-4,999 Workers) | 93 | 81 |
| Jumbo (5,000 or More Workers) | 99* | 88* |
| REGION | | |
| Northeast | 97% | 81% |
| Midwest | 99 | 82 |
| South | 94 | 68 |
| West | 93 | 70 |
| INDUSTRY | | |
| Mining/Construction/Wholesale | 90% | 88% |
| Manufacturing | 98 | 82 |
| Transportation/Communication/Utility | 97 | 83 |
| Retail | NSD | NSD |
| Finance | 92 | 86 |
| Service | 98 | 67 |
| State/Local Government | 96 | 71 |
| Health Care | 75 | 66 |
| ALL FIRM SIZES, REGIONS, AND INDUSTRIES | 96% | 75% |

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

* Estimate is statistically different from All Large Firms at $p < .05$.

Early retiree: Workers retiring before age 65.

NSD: Not Sufficient Data.