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Notes

EXECUTIVE SUMMARY

Health Insurance Coverage of Individuals Ages 55–64, 1994–2007

MOST LIKELY TO HAVE COVERAGE: EBRI estimates from the latest Current Population Survey data show adults ages 55–64 were one of two groups—the other was children—most likely to have health insurance coverage in 2007. That year, 12 percent of adults ages 55–64 were uninsured, compared with about 32 percent of adults ages 21–24, 26 percent of those ages 25–34, and 23.5 percent of all younger adults. There were 4 million adults ages 55–64 without health insurance in 2007, accounting for 9 percent of the 45 million individuals under age 65 who were uninsured.

AN OVERLOOKED GROUP: The fact that adults ages 55–64 are the least likely age group of adults to be uninsured is usually overlooked when considering that employers have substantially cut back on employment-based health benefits for early retirees. It is also important to understand the health insurance status of individuals ages 55–64 because of access and affordability issues with the nongroup market.

IMPACT OF EROSION OF RETIREE HEALTH BENEFITS: The erosion of retiree health insurance may ultimately change retirement patterns as employees nearing retirement age postpone their decision to retire upon learning that, without a job, they may not be able to obtain health insurance coverage or afford health care services that are not covered by insurance. The health insurance status of the population nearly eligible for Medicare also has implications for the Medicare program, to the degree that any increase in the uninsured population entering Medicare results in higher costs to the program.

The Basics of Social Security, Updated With the 2009 Board of Trustees Report

KEY FUNDING DATES: According to the most recent Social Security trustees report, under intermediate assumptions, the combined Old-Age and Survivors' Disability Insurance (OASDI) trust fund expenses are expected to exceed income from taxes in 2016. By 2024, OASDI expenses are expected to exceed income from taxes plus interest income, and the trust fund is expected to be exhausted by 2037.

UNFUNDED OBLIGATIONS: The unfunded obligation of the OASDI trust funds, for 1935 through the end of the 75-year projection period ending in 2083, is estimated to be $5.3 trillion.

SHARE OF GDP: In 2009, expenditures of the OASDI trust funds are estimated to be equivalent to 4.8 percent of gross domestic product (GDP). By 2085, that percentage is estimated to increase to 5.9 percent.

Health Insurance Coverage of Individuals Ages 55–64, 1994–2007

By Paul Fronstin, EBRI

Introduction

Employee Benefit Research Institute (EBRI) estimates from the U.S. Census Bureau's March 2008 Current Population Survey (CPS) reveal adults ages 55–64 were one of two groups—the other was children—most likely to have health insurance coverage in 2007. That year, 12 percent of adults ages 55–64 were uninsured, compared with 31.9 percent of adults ages 21–24, 26 percent of those ages 25–34, and 23.5 percent of all younger adults (Figure 1). There were 4 million adults ages 55–64 without health insurance in 2007, accounting for 9 percent of the 45 million individuals under age 65 who were uninsured.

The fact that adults ages 55–64 are the least likely age group of adults to be uninsured is usually overlooked when considering that employers have substantially cut back on employment-based health benefits for early retirees.[1] It is also important to understand the health insurance status of individuals ages 55–64 because of access and affordability issues with the nongroup market.

Older adults are not only the least likely group of nonelderly adults to be uninsured, but they were also no more likely to have been uninsured in 2007 than they were in 2000, and they are only slightly less likely to be uninsured as compared with 1995. Other than adults ages 55–64 and children, all other age groups were more likely to be uninsured in 2007 than in 1995 (Figure 2). However, future retired adults ages 55–64 may experience an increase in the likelihood of being uninsured if employer cutbacks to retiree health benefits affect them and they have no other means of obtaining health insurance.[2] In addition, the size of the uninsured population ages 55–64 may also grow as the baby boom generation ages.

The population ages 55–64 represented 10.6 percent of the total U.S. population in 2006, and is expected to represent 13 percent of the population by 2020.[3] By that time, all of the baby-boom generation (those born between 1946 and 1964) will have reached age 55. (The first of the boomers turned age 55 in 2001, and the last will turn age 55 in 2019.)

Expected trends have implications for policy proposals aimed at increasing health insurance coverage among adults ages 55–64. The demographics and health insurance status of the population ages 55–64 also have important implications for the Medicare program, the federal health care insurance program for the elderly and disabled. With such a large projected growth in this population, and Medicare's projected funding shortfall, the ability of the Medicare program to provide adequate coverage for these individuals and for future retirees is questionable. Also, if a portion of the population entering Medicare is less healthy as a result of being previously uninsured, pent-up demand for medical services may increase Medicare costs.

The remainder of this report presents the status of health insurance coverage for adults ages 55–64. The next section focuses on the current health insurance status of individuals ages 55–64. The following sections focus on trends in insurance status for these individuals by work status.

Health Insurance Status of Adults Ages 55–64

Eighty-eight percent of individuals ages 55–64 reported having some form of health insurance coverage during 2007, while 12 percent were uninsured (Figure 1). This compares with 82.8 percent of the entire population with insurance. Overall, 67.8 percent of the population ages 55–64 was covered by employment-based health benefits, and 19.9 percent was covered by a public program.

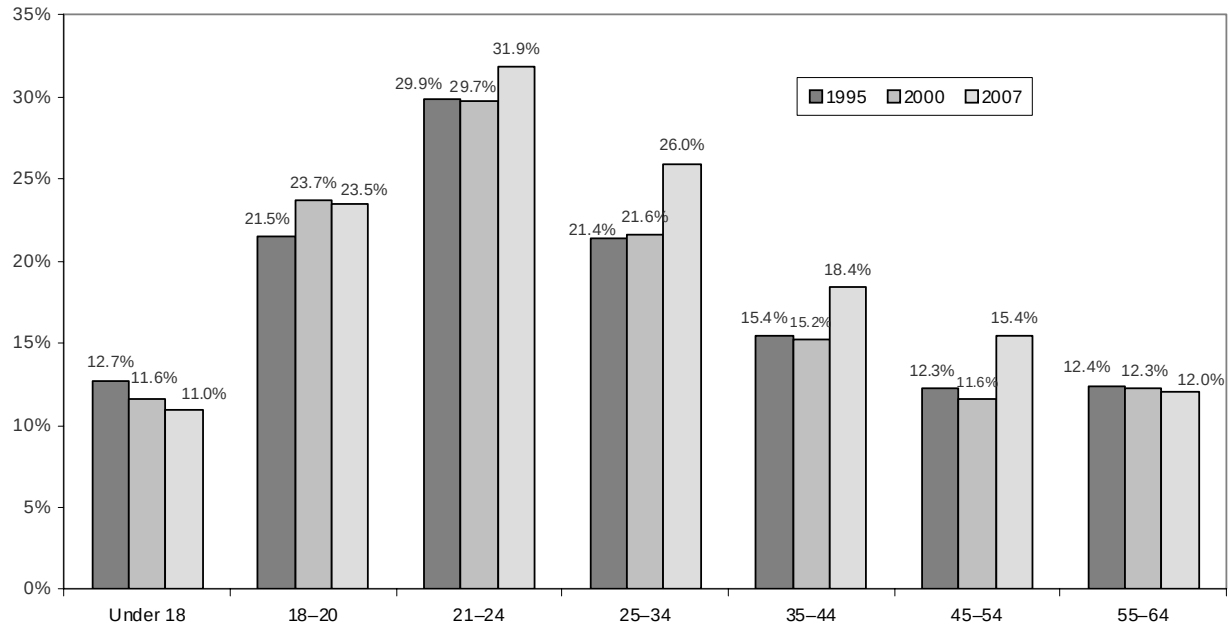
There have been important changes in the sources of coverage for this population. The most noticeable change is related to the percentage of individuals purchasing health insurance directly from an insurer: In 1994, 11.4 percent of this population purchased insurance directly from an insurer, but by 2007 it was down to 9.7 percent, and there was a

Figure 1
Sources of Health Insurance, by Age, 2007

	Total	Employment-Based			Individually Purchased	Public		Uninsured
		Total	Own Name	Dependent		Total	Medicaid	
	(millions)							
Total	261.4	162.5	83.9	78.5	17.1	47.7	36.3	45.0
Under Age 18	74.4	42.3	0.2	42.1	3.9	23.0	20.9	8.1
Ages 18–20	11.9	6.1	0.9	5.3	0.7	2.1	1.8	2.8
Ages 21–24	16.3	7.5	4.5	3.1	1.0	2.1	1.8	5.2
Ages 25–34	39.8	24.3	18.9	5.5	2.3	4.2	3.2	10.3
Ages 35–44	41.9	28.9	20.5	8.4	2.7	4.3	3.0	7.7
Ages 45–54	43.8	30.8	22.4	8.3	3.3	5.3	3.1	6.8
Ages 55–64	33.3	22.6	16.6	6.0	3.2	6.6	2.5	4.0
	(percentage within age category)							
Total	100.0%	62.2%	32.1%	30.0%	6.5%	18.2%	13.9%	17.2%
Under Age 18	100.0	56.8	0.3	56.5	5.3	31.0	28.1	11.0
Ages 18–20	100.0	51.6	7.2	44.4	5.5	17.8	15.2	23.5
Ages 21–24	100.0	46.0	27.3	18.8	6.0	13.1	10.7	31.9
Ages 25–34	100.0	61.2	47.4	13.8	5.9	10.5	8.1	26.0
Ages 35–44	100.0	69.0	49.0	20.0	6.4	10.2	7.2	18.4
Ages 45–54	100.0	70.2	51.2	19.0	7.5	12.0	7.1	15.4
Ages 55–64	100.0	67.8	49.9	17.9	9.7	19.9	7.4	12.0

Source: Employee Benefit Research Institute estimates of the Current Population Survey, March 2008 Supplement.
Note: Details may not add to totals because individuals may receive coverage from more than one source.

Figure 2
Percentage of Uninsured Americans, by Age, 1995, 2000, and 2007



Source: Employee Benefit Research Institute estimates from the Current Population Survey, March 1996, 2001, and 2008 Supplements.

steady erosion between 1994 and 2005 (Figure 3). Compared with 1994, more adults ages 55–64 were covered by employment-based health benefits in 2007 and slightly more were covered by public programs.

Between 1994 and 2007, the percentage of the age 55–64 population with employment-based benefits showed no clear upward or downward trend, bouncing around between 65.8 percent and 69.7 percent. Overall, their likelihood of being uninsured was slightly lower in 2007 than in 1994. However, the percentage uninsured showed no clear trend, bouncing around during this period from a low of 11.2 percent to a high of 12.8 percent.

These findings may seem surprising given the fact that employers have been cutting back on employment-based health benefits for early retirees. However, simply examining overall trends for the 55–64-year-old population does not take into account the fact that most changes that employers have made to retiree health benefits for current early retirees are much more likely to affect *future* retirees than *early* retirees. It also does not take into account the changes that individuals ages 55–64 will make in response to changes in the availability of health insurance.

Past research shows a strong link between the availability of health insurance coverage and retirement decisions. In 1998, 74 percent of workers reported that they would not retire before becoming eligible for Medicare if their employer did not provide retiree health benefits.[4] In fact, some potential retirees have chosen to remain in the labor force longer than planned. The percentage of the population ages 55–64 that is working has increased significantly, from 63.4 percent to 68.4 percent between 1995 and 2007 (Figure 4).

Worker Trends

While 12 percent of persons ages 55–64 were uninsured in 2007, only 10.7 percent of workers were uninsured (Figure 5). This is slightly lower than 1994, when 11.3 percent of workers ages 55–64 were uninsured; however, the percentage of uninsured fluctuated between 9.7 percent and 11.3 percent over this period. Workers were slightly more likely to be covered by employment-based health benefits in 2007 than in 1994, although, again, the estimates

Figure 3

Sources of Health Insurance Coverage, Population Ages 55–64, 1994–2007

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	(millions)													
Total	20.7	21.1	21.5	22.2	22.9	24.0	24.7	25.9	27.4	28.4	29.5	31.0	32.2	33.3
Employment-Based Health Benefits	13.7	14.3	14.3	14.9	15.7	16.7	16.8	17.9	18.8	19.7	20.2	21.1	21.7	22.6
Own name	10.2	10.8	10.7	11.0	11.6	12.2	12.5	13.3	13.9	14.5	14.9	15.6	16.0	16.6
Dependent coverage	3.5	3.5	3.6	3.9	4.1	4.5	4.3	4.5	4.9	5.1	5.4	5.5	5.7	6.0
Individually Purchased	2.4	2.1	3.2	3.2	2.8	3.1	3.0	2.8	3.1	3.1	3.2	3.2	3.3	3.2
Public	3.9	3.8	4.0	3.8	3.9	4.1	4.2	4.6	4.9	4.9	5.5	5.9	6.1	6.6
Medicare	1.5	1.7	1.8	1.8	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	3.0	3.2
Medicaid	1.3	1.4	1.6	1.5	1.4	1.6	1.7	1.8	1.8	1.8	2.1	2.3	2.4	2.5
Tricare/CHAMPVA[1]	1.5	1.2	1.0	1.1	1.1	1.1	1.0	1.2	1.5	1.5	1.8	1.9	1.8	2.1
No Health Insurance	2.7	2.6	2.6	2.8	2.9	2.7	3.0	3.1	3.2	3.3	3.5	3.8	4.1	4.0
	(percentage)													
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Employment-Based Health Benefits	65.8	67.7	66.8	66.8	68.6	69.7	68.1	69.0	68.8	69.4	68.6	68.1	67.4	67.8
Own name	49.0	51.1	49.9	49.3	50.7	51.1	50.7	51.6	50.7	51.3	50.4	50.3	49.7	49.9
Dependent coverage	16.9	16.7	16.9	17.5	17.9	18.7	17.4	17.4	18.1	18.2	18.2	17.7	17.7	17.9
Individually Purchased	11.4	10.1	14.9	14.2	12.3	12.8	12.1	10.9	11.4	10.8	10.8	10.3	10.2	9.7
Public	18.7	18.2	18.4	17.1	16.9	17.0	16.9	17.6	17.8	17.2	18.5	19.0	19.0	19.9
Medicare	7.5	7.9	8.5	8.1	8.8	8.7	8.8	8.9	8.7	8.8	9.0	8.7	9.2	9.5
Medicaid	6.3	6.8	7.4	6.9	6.3	6.6	7.0	7.0	6.5	6.2	7.1	7.5	7.3	7.4
Tricare/CHAMPVA[1]	7.1	5.9	4.9	4.9	4.7	4.4	4.1	4.7	5.3	5.1	6.0	6.1	5.7	6.2
No Health Insurance	12.8	12.4	12.3	12.4	12.6	11.2	12.3	11.8	11.6	11.8	11.9	12.4	12.7	12.0

Source: Employee Benefit Research Institute estimates from the Current Population Survey, March 1995–2008 Supplements.

Note: Details may not add to totals because individuals may receive coverage from more than one source.

[1] Tricare is the health care program for active duty and retired members of the uniformed services, their families, and survivors. CHAMPVA is the health care program for dependents of disabled veterans and survivors of veterans who have died in the line of duty or from a service-related condition.

fluctuated up and down over this time period. Furthermore, the increase in the likelihood of having employment-based health benefits was mostly due to an increase in the percentage of workers being covered as dependents. This increase was offset by a decrease in the percentages of those who purchased health insurance directly from an insurer and of those who were covered by the Tricare/CHAMPVA[5] programs.

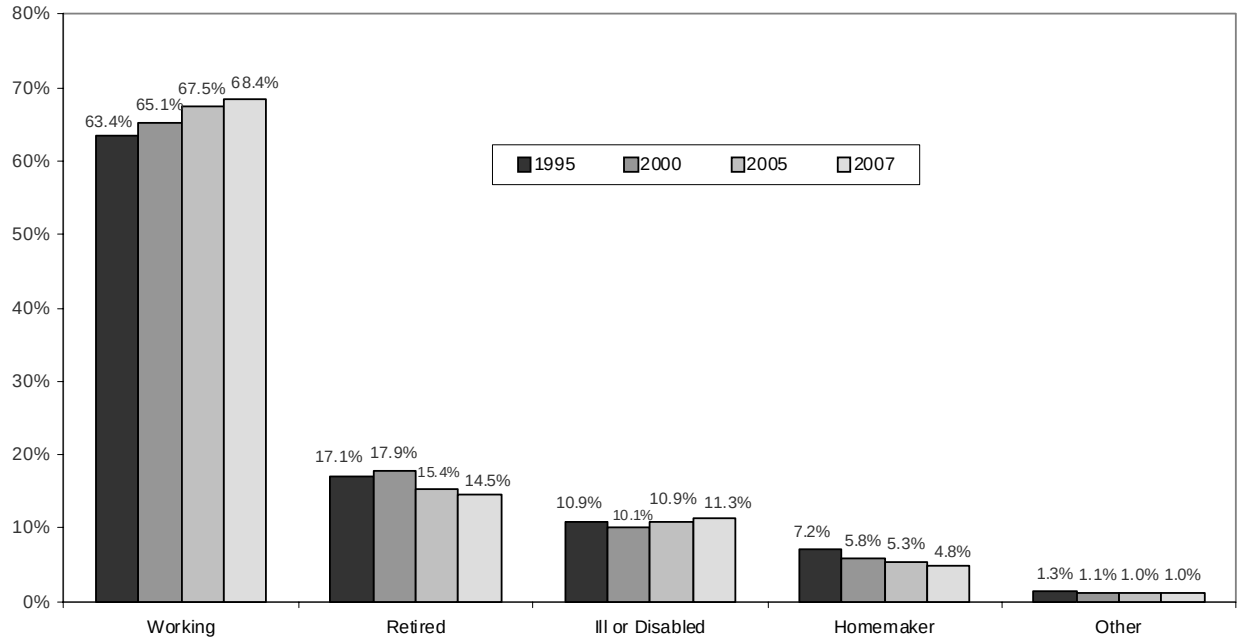
Retiree Trends

Retirees ages 55–64 experienced a decline in the percentage with employment-based health benefits and an increase in the percentage who were uninsured between 1994 and 2007. Once again, these figures fluctuated both upward and downward during this period, but have been declining since 2004. By 2007, 56 percent of retirees in this age group had employment-based health benefits, and 13.9 percent were uninsured (Figure 6). This compares with 78.8 percent of workers ages 55–64 with employment-based health benefits and 10.7 percent uninsured. The percentage of retirees with employment-based health benefits in 2007 was at its lowest point since 1994, with the exception of 2000, when it reached 55.5 percent, but the percentage who were uninsured was at its lowest point since 1994, (except for 1999).

Of the 56 percent of retirees ages 55–64 who were covered by employment-based health benefits in 2007, 35.1 percent were covered by a former employer or union ["own name" in Fig. 6] and 20.9 percent were covered as dependents. For those covered by a former employer or union, it is not possible to distinguish between retiree health benefits and COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985) coverage. Presumably, given the trends in retiree health benefits mentioned above, the percentage covered by retiree health benefits had fallen and may have been offset by an increase in the percentage of retirees taking COBRA, but this cannot be determined from the data. The percentage of retirees purchasing health insurance directly from an insurer fell from 16.5 percent in 1994 to 12.9 percent in 2007, though it had reached 18.8 percent in 1996 (Figure 6).

The percentage of retirees covered by a public program increased between 1994 and 2007. However, there has been a substantial increase in the percentage of retirees covered by Medicare and a similar decrease in the percentage covered by Tricare/CHAMPVA. The former may indicate that an increasing number of individuals are retiring for health reasons and are qualifying for Medicare before reaching age 65 because of a disability.

Figure 4
Main Activity for Individuals Ages 55–64, 1995, 2000, 2005, and 2007



Source: Employee Benefit Research Institute estimates from the Current Population Survey, March 1996, 2001, 2006, and 2008 Supplements.

Figure 5

Sources of Health Insurance for Workers, Ages 55–64, 1994–2007

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	(millions)													
Total	13.1	13.4	13.9	14.4	14.9	15.5	16.1	17.1	18.3	18.8	19.7	20.9	21.7	22.8
Employment-Based Health Benefits	10.1	10.6	10.7	11.2	11.8	12.6	12.7	13.7	14.6	15.1	15.5	16.4	17.0	17.9
Own name	8.3	8.8	8.8	9.1	9.5	10.2	10.4	11.2	11.7	12.2	12.5	13.2	13.7	14.3
Dependent coverage	1.8	1.8	1.9	2.1	2.3	2.4	2.3	2.5	2.9	2.9	3.0	3.2	3.4	3.6
Individually Purchased	1.2	1.1	2.0	2.0	1.8	1.8	1.8	1.8	2.0	2.0	2.0	2.0	2.1	2.1
Public	1.1	1.0	1.1	0.9	0.9	1.0	1.0	1.1	1.3	1.2	1.6	1.8	1.7	2.0
Medicare	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Medicaid	0.2	0.2	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.5	0.6	0.5	0.7
Tricare/CHAMPVA[1]	0.8	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.8	0.8	0.9	1.1	1.0	1.1
No Health Insurance	1.5	1.4	1.4	1.5	1.7	1.5	1.7	1.8	1.9	1.9	2.0	2.3	2.4	2.4
	(percentage)													
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Employment-Based Health Benefits	77.1	79.1	77.3	77.8	79.2	80.9	79.2	80.0	79.5	80.1	79.1	78.7	78.4	78.8
Own name	63.7	65.8	63.7	63.4	64.1	65.6	64.9	65.1	63.8	64.9	63.8	63.4	63.0	62.8
Dependent coverage	13.5	13.3	13.6	14.5	15.1	15.4	14.2	14.9	15.7	15.2	15.3	15.3	15.5	16.0
Individually Purchased	9.4	8.5	14.8	13.6	12.1	11.6	11.0	10.4	10.9	10.5	10.4	9.7	9.6	9.2
Public	8.6	7.3	7.9	6.5	6.1	6.2	6.0	6.5	7.0	6.6	8.0	8.5	8.0	8.7
Medicare	1.0	1.0	1.3	1.0	1.0	1.3	1.2	1.3	1.3	1.3	1.2	1.2	1.4	1.3
Medicaid	1.6	1.8	2.5	1.8	1.4	1.6	1.8	1.8	1.7	1.5	2.4	2.6	2.5	2.9
Tricare/CHAMPVA[1]	6.2	4.8	4.4	4.0	4.0	3.6	3.2	3.8	4.2	4.2	4.8	5.0	4.5	5.0
No Health Insurance	11.3	10.7	10.2	10.7	11.1	9.7	10.8	10.4	10.3	10.2	10.0	10.9	11.1	10.7

Source: Employee Benefit Research Institute estimates from the Current Population Survey, March 1995–2008 Supplements.

Note: Details may not add to totals because individuals may receive coverage from more than one source.

[1] Tricare is the health care program for active duty and retired members of the uniformed services, their families, and survivors. CHAMPVA is the health care program for dependents of disabled veterans and survivors of veterans who have died in the line of duty or from a service-related condition.

Figure 6

Sources of Health Insurance for Retirees, Ages 55–64, 1994–2007

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	(millions)													
Total	3.6	3.6	3.6	3.8	3.8	4.1	4.4	4.3	4.6	4.5	4.7	4.8	4.9	4.8
Employment-Based Health Benefits	2.0	2.1	2.1	2.1	2.3	2.4	2.4	2.5	2.6	2.7	2.7	2.7	2.8	2.7
Own name	1.3	1.4	1.4	1.4	1.5	1.5	1.5	1.6	1.7	1.7	1.7	1.7	1.7	1.7
Dependent coverage	0.7	0.7	0.8	0.8	0.8	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1	1.0
Individually Purchased	0.6	0.5	0.7	0.7	0.6	0.7	0.8	0.6	0.7	0.6	0.7	0.7	0.7	0.6
Public	0.9	0.9	0.8	0.9	0.9	0.9	1.1	1.1	1.2	1.1	1.2	1.2	1.3	1.5
Medicare	0.4	0.5	0.5	0.5	0.6	0.6	0.7	0.7	0.8	0.7	0.7	0.7	0.8	0.9
Medicaid	0.2	0.2	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Tricare/CHAMPVA[1]	0.4	0.3	0.2	0.3	0.2	0.3	0.2	0.3	0.4	0.3	0.4	0.4	0.4	0.4
No Health Insurance	0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
	(percentage)													
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Employment-Based Health Benefits	56.1	58.7	59.4	57.0	60.3	59.7	55.5	57.4	56.9	59.0	58.5	56.7	58.0	56.0
Own name	37.1	38.7	38.3	36.2	39.1	37.0	34.4	37.1	36.4	37.4	36.7	35.7	35.4	35.1
Dependent coverage	19.0	20.0	21.2	20.8	21.2	22.7	21.1	20.2	20.5	21.6	21.8	20.9	22.6	20.9
Individually Purchased	16.5	14.9	18.8	18.5	15.2	18.3	17.3	15.0	14.8	13.5	15.3	14.6	14.4	12.9
Public	25.4	24.6	23.3	23.3	23.7	23.2	25.0	25.7	26.0	25.0	26.1	26.0	27.1	30.4
Medicare	12.3	12.5	14.8	13.5	15.1	14.3	16.2	16.7	16.6	16.4	15.4	15.2	16.5	19.5
Medicaid	5.1	5.7	4.1	5.1	5.5	5.1	7.2	4.8	4.8	4.5	6.1	6.3	6.2	6.3
Tricare/CHAMPVA[1]	10.7	8.4	6.0	6.9	6.4	6.7	5.6	7.1	7.7	7.0	8.0	8.0	8.1	8.6
No Health Insurance	15.1	14.6	14.9	14.6	14.5	13.6	15.0	16.4	14.9	14.7	14.4	15.3	14.6	13.9

Source: Employee Benefit Research Institute estimates from the Current Population Survey, March 1995–2008 Supplements.

Note: Details may not add to totals because individuals may receive coverage from more than one source.

[1] Tricare is the health care program for active duty and retired members of the uniformed services, their families, and survivors. CHAMPVA is the health care program for dependents of disabled veterans and survivors of veterans who have died in the line of duty or from a service-related condition.

Figure 7

Sources of Health Insurance for Ill and Disabled Persons, Ages 55–64, 1994–2007

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	(millions)													
Total	2.2	2.3	2.3	2.4	2.5	2.6	2.5	2.8	2.8	3.0	3.2	3.4	3.7	3.7
Employment-Based Health Benefits	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.7	0.9	0.9	0.9	0.9	0.9
Own name	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5
Dependent coverage	0.2	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5
Individually Purchased	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Public	1.5	1.6	1.7	1.7	1.8	1.9	1.8	2.1	2.1	2.2	2.4	2.6	2.8	2.9
Medicare	0.9	1.0	1.0	1.1	1.2	1.3	1.2	1.3	1.3	1.5	1.6	1.7	1.8	1.9
Medicaid	0.8	0.8	1.0	1.0	0.9	1.0	1.0	1.2	1.1	1.2	1.2	1.3	1.4	1.4
Tricare/CHAMPVA[1]	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.4	0.3	0.4
No Health Insurance	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.4
	(percentage)													
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Employment-Based Health Benefits	24.4	26.7	26.2	24.0	28.8	27.9	27.9	27.4	26.4	29.3	28.5	26.7	24.2	24.6
Own name	13.9	15.0	13.8	12.4	15.6	14.1	14.7	15.0	13.2	14.6	13.5	12.8	11.3	12.2
Dependent coverage	10.5	11.7	12.4	11.6	13.2	13.8	13.1	12.4	13.3	14.7	15.0	13.9	12.9	12.4
Individually Purchased	9.6	8.5	10.4	10.4	9.3	9.9	10.0	7.8	7.2	7.8	5.9	7.1	6.8	7.1
Public	69.9	71.0	74.4	73.7	72.1	74.2	73.9	75.9	78.0	74.1	74.4	76.7	74.0	76.9
Medicare	42.6	44.8	45.1	46.2	48.7	47.7	46.7	47.1	48.8	47.9	50.9	49.3	48.2	50.5
Medicaid	35.7	36.1	41.3	41.6	36.6	39.5	39.9	42.7	40.9	38.4	37.9	39.7	36.7	36.4
Tricare/CHAMPVA[1]	5.7	6.1	4.4	5.5	5.4	4.9	6.7	6.0	8.0	7.9	10.0	10.9	9.3	10.1
No Health Insurance	14.1	12.4	11.0	11.0	10.2	8.3	8.3	6.2	6.5	6.5	10.3	9.3	11.9	9.8

Source: Employee Benefit Research Institute estimates from the Current Population Survey, March 1995–2008 Supplements.
Note: Details may not add to totals because individuals may receive coverage from more than one source.
[1] Tricare is the health care program for active duty and retired members of the uniformed services, their families, and survivors. CHAMPVA is the health care program for dependents of disabled veterans and survivors of veterans who have died in the line of duty or from a service-related condition.

Ill and Disabled Trends

The CPS asks persons not working to report their main activity. Instead of saying they were retired, some individuals reported that they were not working because they were ill or disabled. Presumably, these individuals would have been working were it not for their health status. Overall, few ill or disabled people ages 55–64 were uninsured. In 2001, 6.2 percent were uninsured (Figure 7), compared with 10.7 percent of workers and 13.9 percent of retirees. More than three-quarters of this population were covered by a public program—50.5 percent were covered by Medicare, and 36.4 percent were covered by Medicaid. One quarter (24.6 percent) had employment-based health benefits.

The percentage of uninsured ill or disabled persons ages 55–64 has fallen dramatically. In 1994, 14.1 percent were uninsured, compared with 9.8 percent in 2007, although it reached a low of 6.2 percent in 2001. While these individuals were about as likely in 2007 as in 1994 to have employment-based health benefits, they were much more likely to have public coverage. The percentage with Medicare increased from 42.6 percent in 1994 to 50.5 percent in 2007, and the percentage with Medicaid increased from 35.7 percent to 36.4 percent.

Conclusion

As the baby boom generation ages and approaches retirement, the issues of health insurance coverage for these individuals will become increasingly important. As shown in Figure 3, the likelihood of individuals ages 55–64 of having employment-based coverage has increased slightly since 1994, while the likelihood of being uninsured has decreased slightly. However, employers have made significant changes to retiree health benefits that will likely have a much greater impact on future retirees.[6] These changes may not have a noticeable effect on trends in health insurance coverage until a few years after the baby boom generation starts to retire.

Average individual savings needed by retirees to cover health insurance premiums during the 10-year period before becoming eligible for Medicare have been estimated to range between $51,000 and $193,000.[7] The erosion of retiree health insurance may ultimately change retirement patterns as employees nearing retirement age postpone their decision to retire upon learning that, without a job, they may not be able to obtain health insurance coverage or afford health care services that are not covered by insurance. The health insurance status of the population nearly eligible for Medicare also has implications for the Medicare program, to the degree that any increase in the uninsured population entering Medicare results in higher costs to the program.

Endnotes

[1] For a discussion of trends in retiree health benefits, see Paul Fronstin, Dallas Salisbury, and Jack VanDerhei, "Savings Needed to Fund Health Insurance and Health Care Expenses in Retirement: Findings from a Simulation Model," *EBRI Issue Brief,* no. 317 (Employee Benefit Research Institute, May 2008).

[2] Ibid.

[3] Estimates calculated from www.census.gov/population/www/projections/natproj.html (last reviewed September 2006).

[4] Paul Fronstin, "Retirement Patterns and Employee Benefits: Do Benefits Matter?" *The Gerontologist* (February 1999): 37–48.

[5] Tricare is the health care program for active duty and retired members of the uniformed services, their families, and survivors. CHAMPVA is the health care program for dependents of disabled veterans and survivors of veterans who have died in the line of duty or from a service-related condition.

[6] Paul Fronstin, Dallas Salisbury, and Jack VanDerhei, "Savings Needed to Fund Health Insurance and Health Care Expenses in Retirement: Findings from a Simulation Model," *EBRI Issue Brief*, no. 317 (Employee Benefit Research Institute, May 2008).

[7] Paul Fronstin and Dallas Salisbury, "Retiree Health Benefits: Savings Needed to Fund Health Care in Retirement," *EBRI Issue Brief,* no. 254 (Employee Benefit Research Institute, February 2003).

The Basics of Social Security, Updated With the 2009 Board of Trustees Report

By Ken McDonnell, EBRI

History and Background

- The U.S. Congress enacted the Social Security Act in 1935, creating the Old-Age and Survivors Insurance (OASI) program, which provided retirement income benefits to workers ages 65 and older in commerce and industry (except railroads). The system became effective in 1937, and is financed by a payroll tax paid by employers and employees. In 1939, the system was expanded to cover dependents and survivors of covered workers. Legislation enacted in 1950 and subsequent years allowed states the option, under certain conditions, to provide Social Security coverage to their employees. The Social Security Act Amendments of 1983 prohibited states from opting out of the Social Security program. In 1990, Social Security coverage became mandatory for state and local employees not covered by a state or local government retirement plan.
- In 1956, the Disability Insurance (DI) program was added to the Social Security program, providing income to disabled workers. In 1958, dependents of disabled workers receiving benefits under the DI program became eligible for benefit payments.
- In 1965, the Medicare program was added, providing health insurance coverage for the elderly; the program was expanded in 1972 to cover beneficiaries of the DI program. EBRI maintains a separate Fact Sheet detailing the basics of the Medicare program.
- For budgetary purposes, the date on which the trust funds go into negative cash flow (i.e., the benefit payments exceed the income from payroll taxes and the taxation of benefits) is significant because it marks the point at which the government must provide cash from general revenues to the programs rather than receive surplus cash from them to fund other current spending.

Key Dates in the Long-Range Financing of the OASDI Trust Fund

- Under intermediate assumptions, the combined OASDI trust fund expenses are expected to exceed income from taxes in 2016. By 2024, OASDI expenses are expected to exceed income from taxes plus interest income, and the trust fund is expected to be exhausted by 2037.
- Under low cost assumptions, the combined OASDI trust fund expenses are expected to exceed income from taxes in 2020. The trust fund is expected to remain solvent throughout the 75-year period.
- Under high cost assumptions, the combined OASDI trust fund expenses are expected to exceed income from taxes in 2013. By 2029, the trust fund is expected to be exhausted.
- The unfunded obligation of the OASDI trust funds, for 1935 through the end of the 75-year projection period ending in 2083, is estimated to be $5.3 trillion. The unfunded obligation for 1935 through the infinite horizon is estimated to be $15.1 trillion.
- In 2009, expenditures of the OASDI trust funds are estimated to be equivalent to 4.8 percent of gross domestic product (GDP). By 2085, that percentage is estimated to increase to 5.9 percent.

Tax Revenue

- The Social Security trust funds are derived from payroll taxes assessed on employers and employees. Under current law, the payroll taxes are assessed as follows. OASI payroll taxes for 2009 are based on a combined employer/employee rate of 10.6 percent of earnings up to a maximum annual taxable amount of $106,800. The

maximum taxable amount of earnings increases in proportion to increases in the average wage level. In 2008, total income for the OASI trust fund was $695.5 billion: $574.6 billion was in payroll taxes, $15.6 billion was in taxation of benefits, and $105.3 billion was interest income.

- DI payroll taxes for 2009 are based on a combined employer/employee rate of 1.8 percent of earnings, up to a maximum taxable amount of $106,800. The maximum taxable amount of earnings increases in proportion to increases in the average wage level. In 2008, total income for the DI trust fund was $109.8 billion: $97.6 billion was from payroll taxes, $1.3 billion was from taxation of benefits, and $11.0 billion was from interest income.

- In 1992, the DI trust fund went into negative cash flow and was projected to become insolvent in 1995. To alleviate this problem, Congress enacted the Social Security Domestic Employment Reform Act of 1994 (P.L. 103-387), which reallocated a portion of OASI taxes to the DI trust fund, effective retroactively.

Beneficiaries and Benefit Amounts

- In 2008, 41.6 million beneficiaries were in current-payment status from the OASI program. In 2008, 9.3 million individuals, disabled workers, and their dependents were in current-payment status from the DI program. Under intermediate assumptions, the number of OASI beneficiaries is projected to increase to 43.2 million in 2010; to 79.1 million in 2040; and to 104.8 million in 2085, and the number of DI beneficiaries is projected to increase to 10.2 million in 2010; to 13.0 million in 2040; and to 17.2 million in 2085.

Estimated Average Monthly Social Security Benefits:
Before and After the January 2009 Cost-of-Living Adjustment (COLA)

	Before 5.8% COLA	After 5.8% COLA
All Retired Workers	$ 1,090	$ 1,153
Aged Couple, Both Receiving Benefits	1,773	1,876
Widowed Mother and Two Children	2,268	2,399
Aged Widow(er) Alone	1,051	1,112
Disabled Workers, Spouse and One or More Children	1,695	1,793
All Disabled Workers	1,006	1,064

Source: Social Security Administration, "2009 Social Security Changes," http://www.ssa.gov/cola/colafacts2009.htm

- In 1945, the number of covered workers per OASDI beneficiary was 41.9. By 1965, that number was 4.0, and in 2008, it was 3.2. Under intermediate assumptions, the number of covered workers per OASDI beneficiary is estimated to be 3.0 in 2010, 2.2 in 2030, 2.1 in 2060, and 1.9 in 2085.

- In 2008, total benefit payments from the OASI trust fund amounted to $509.3 billion. Total benefit payments from the DI trust fund were $106.0 billion.

Recent EBRI Research on Social Security and Social Security Within Retirement Income

- "The 2009 Retirement Confidence Survey: Economy Drives Confidence to Record Lows; Many Looking to Work Longer," EBRI *Issue Brief,* no. 328 (April 2009).

- "Americans Much More Worried About Retirement, Health Costs a Big Factor," EBRI *Issue Brief,* no. 316 (April 2008)

- "The Retirement System in Transition: The 2007 Retirement Confidence Survey," *EBRI Issue Brief,* no. 304 (April 2007)
- "Estimating the Value of Changes in OASI Benefits Under Social Security Reforms," *EBRI Notes,* no. 6 (June 2006)
- "Changes in the OASI Benefit Distribution Under Various Social Security Reform Alternatives," *EBRI Notes,* no. 4 (April 2006)
- "Income of the Elderly Population, Age 65 and Over: 2004," *EBRI Notes,* no. 1 (January 2006)
- "Retirement Income Security: A Look at Social Security, Employment-Based Retirement Plans, and Health Savings Accounts," *EBRI Notes,* no. 8 (August 2005)
- "Social Security Reform: The Importance of Disability Insurance and Annuities in Individual Accounts," *EBRI Notes,* no. 7 (July 2005)
- "Comparing Social Security Reform Options," *EBRI Issue Brief,* no. 281 (May 2005)
- "The Inflation Rate and the Actuarial Balance of the OASDI Trust Funds," *EBRI Notes,* no. 6 (June 2004)
- "Americans' Future Retirement Security: Implications of the EBRI-ERF Retirement Security Projection Model," *EBRI Issue Brief,* no. 266 (February 2004)
- EBRI also maintains its Social Security Research Program. Contained on that site is EBRI research on administrative issues involved with individual accounts in Social Security as well as links to over 100 Web sites on Social Security.

Trustees in 2009

Treasury Secretary Timothy F. Geithner acts as the managing trustee of the OASDI trust funds. The other trustees include: Hilda Solis, secretary of Labor; Kathleen Sebelius, secretary of Health and Human Services; Michael J. Astrue, commissioner of Social Security; the two public trustee positions are currently vacant.

A copy of the 2009 trustees report and a summary of the 2009 Social Security and Medicare reports are online at www.ssa.gov/OACT/TR/2009/index.html

For more information, contact Ken McDonnell (202) 775-6367, e-mail mcdonnell@ebri.org

Source: U.S. Social Security Administration, *2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and the Disability Insurance Trust Funds* (Baltimore, MD: U.S. Social Security Administration, 2009).

New Publications and Internet Sites

Employee Benefits

Employee Benefit Research Institute. *Fundamentals of Employee Benefit Programs*. Sixth Edition. $19.95 (EBRI members get a 55 percent discount) plus shipping. EBRI member organizations, or those interested in bulk purchases of *Fundamentals*, should contact Alicia Willis at (202) 659-0670 or e-mail: publications@ebri.org. To place individual orders online, contact publications@ebri.org or go to www.brightdoc.com/ebri

U.S. Chamber of Commerce. *Employee Benefits Study: 2008*. U.S. Chamber of Commerce members, $75; nonmembers, $125 + S&H. U.S. Chamber of Commerce, Publications Fulfillment, 1615 H St., NW, Washington, DC 20062-2000, (800) 638-6582, www.uschamber.com/research

Health Care

Health Forum LLC, an affiliate of the American Hospital Association. *AHA Hospital Statistics™*. 2009 Edition. AHA members, $175; nonmembers, $235. AHA Services, Inc., P.O. Box 933283, Atlanta, GA 31193-3283, (800) 242-2626, fax: (866) 516-5817, www.ahadata.com

Watson Wyatt Worldwide. *The Keys to Continued Success: Lessons Learned From Consistent Performers: 14th Annual National Business Group on Health/Watson Wyatt Employer Survey on Purchasing Value in Health Care*. $45. Watson Wyatt Worldwide, 901 N. Glebe Rd., Arlington, VA 22203, (800) 388-9868 or (703) 258-8000, fax: (703) 258-8585, www.watsonwyatt.com

Pension Plans/Retirement

Hewitt Associates. *How Well Are Employees Saving and Investing in 401(k) Plans: 2009 Hewitt Universe Benchmarks*. Free. Hewitt Associates LLC, Attn: Hewitt Information Desk, 100 Half Day Rd., Lincolnshire, IL 60069-3342, (847) 295-5000, www.hewitt.com

Web Documents

Investment Company Institute: The U.S. Retirement Market, 2008: www.ici.org/pdf/fm-v18n5.pdf

Miller & Chevalier and American Benefits Council: Corporate Health Care Policy Forecast Survey: www.americanbenefitscouncil.org/documents/corphealthcare_survey061709.pdf

Prudential Retirement: Strengthening Target-Date Funds with Guarantees to Enhance Retirement Security [White Paper]: www.prudential.com/media/managed/Target_Date_Fund_with_Income.pdf

The Vanguard Group *Research Note*: "Target-Date Fund Adoption in 2008": https://institutional.vanguard.com/iam/pdf/CRRTDF.pdf

Symposium Announcement—Call for Papers

Call for Papers—Living to 100 Symposium IV: On January 5–7, 2011, the Society of Actuaries will present its fourth triennial international Living to 100 (LT100) Symposium in Orlando, Florida. A diverse range of professionals, scientists, academics, and practitioners are expected at this prestigious event to discuss the latest scientific information on how and why we age, methodologies for estimating current and future rates of survival, potential benefits and risks associated with the increasing numbers of retirees and potential answers to other difficult issues that arise. The Committee on Living to 100 Research Symposia is seeking papers exploring aging, longevity and the implications thereof. A list of suggested topics and complete details are available at SOA's Web site, www.soa.org/research/other-research-projects/data-requests/cfp-living-to-100-sym-jan.aspx Questions may be directed to Ronora Stryker, rstryker@soa.org, or Jan Schuh, jschuh@soa.org

Government Documents Available Online

Congressional Budget Office: *The Budgetary Treatment of Proposals to Change the Nation's Health Insurance System:* http://cbo.gov/ftpdocs/102xx/doc10243/05-27-HealthInsuranceProposals.pdf

Congressional Research Service:

- *Health Insurance Reform and the 111th Congress:* http://opencrs.com/document/R40581/
- *Increases in Tricare Costs: Background and Options for Congress:* http://opencrs.com/document/RS22402/
- *How Would Medicare Part B Premiums Be Affected If There Is No Social Security COLA?* http://opencrs.com/document/R40561/

Department of the Treasury: *President Obama to Announce Comprehensive Plan for Regulatory Reform* [This document contains links to the president's full plan for financial regulatory reform and five fact sheets.] www.treas.gov/press/releases/tg175.htm

Department of Labor Bureau of Labor Statistics:

- *Recent Modifications of Employee Benefits Data in the National Compensation Survey:* www.bls.gov/opub/cwc/cm20090518ar01p1.htm
- *Beyond Basic Benefits: Employee Access to Other Types of Benefits, 1979-2008:* www.bls.gov/opub/cwc/cm20090527ar01p1.htm

Federal Reserve Board: *New Evidence of 401(k) Borrowing and Household Balance Sheets:* www.federalreserve.gov/Pubs/feds/2009/200919/200919pap.pdf

Internal Revenue Service: *COBRA: Answers for Employers:* www.irs.gov/newsroom/article/0,,id=204708,00.html

U.S. House of Representatives: *Retirement Security Needs Lifetime Pay Act of 2009, H.R. 2748* [This legislation would create incentives for retirees to purchase lifetime annuities.]: http://thomas.loc.gov/home/gpoxmlc111/h2748_ih.xml

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