

## Bridging the Gap: How Health Reform Will Help 55- to 64-Year-Olds

As the baby boomers age, the number of people between the ages of 55 and 64 continues to swell. While people in this age range are currently the least likely to be uninsured, they can have very serious problems finding coverage if they leave or lose their jobs: They are too young for Medicare and too old to purchase affordable coverage on their own in the private individual market. Options for coverage outside the workplace are limited. Those who have lost their jobs because of the recession, who have chosen to retire early and don't have retiree benefits, or who simply don't have an offer of job-based coverage may face great difficulty finding health coverage. Many will face a gap in coverage until they become eligible for Medicare at 65.

Health reform legislation that is pending in Congress will help bridge this gap for older Americans, ensuring that high-quality health care is affordable and accessible for people aged 55 to 64 and providing stability and peace of mind for Americans in this age group. Here's a look at how health reform will help.

### Health reform will ensure that coverage is available for older adults

#### ■ Why do we need reform?

- More than 4.3 million adults between the ages of 55 and 64 did not have health insurance in 2008.<sup>1</sup>
- Older adults go without health insurance for a wide variety of reasons. Some have jobs that do not provide health insurance. Others retired early without retiree health coverage or lost their jobs.<sup>2</sup>
- These adults are left with a limited number of options. If they do not have access to retiree health coverage, they can either seek insurance in the private individual market or go without coverage.<sup>3</sup>
- The private individual market is seen as an alternative source of coverage for those who do not have access to health insurance through their employer.<sup>4</sup> However, in most states, there is no requirement that private insurers must sell policies to anyone who applies. In fact, insurers are usually free to deny coverage to people based on their health status. Older adults with pre-existing conditions may be denied a policy based on their health needs.<sup>5</sup>
- The number of Americans between the ages of 55 and 64 is expected to increase rapidly as the baby boomers near retirement, making coverage for this group an increasingly important issue.<sup>6</sup>

### ■ What will health reform do?

- Insurance companies will be required to sell coverage with comprehensive benefits to every person who applies, regardless of health status or age.
- Reform will guarantee that older adults who no longer have coverage through their employer will be able to get high-quality, affordable coverage through a new marketplace called a health insurance “exchange.” Through this exchange, older adults will be able to shop and compare different plans and pick the plan that best suits their needs.

## Health reform will make coverage more affordable for older adults

### ■ Why do we need reform?

- Insurance companies are currently regulated by a hodgepodge of state and federal laws. In many states, insurers can vary premiums based on age and health status, charging higher premiums to people with health problems or chronic conditions, or even denying coverage completely.<sup>7</sup> These high premiums can translate into a substantial share of one’s income.
- Older adults are more likely to have chronic conditions than younger adults. More than two-thirds of adults aged 45 to 64 have at least one or more chronic condition, as compared to two in five adults between the ages of 20 and 44.<sup>8</sup> This increased likelihood of needing health care makes it harder to qualify for an individual health insurance policy, especially a policy that is affordable and meets their health needs.<sup>9</sup>
- In a survey of Americans who attempted to purchase policies in the individual market, nearly nine in 10 adults aged 50 to 64 were turned down or did not buy a policy because they were unable to afford it.<sup>10</sup> More than half found it very difficult or impossible to find an affordable plan, and nearly four in 10 found it very difficult or impossible to find a plan that offered the coverage that they needed.<sup>11</sup>
- In some states, insurers are also free to exclude coverage for the very care that people are likely to need most. For example, an insurer may offer a plan to an older adult who has diabetes, but exclude any treatment or services related to diabetes from coverage. These exclusions are called “elimination riders.”<sup>12</sup>
- Even after the premiums are paid, many older adults face high costs when they need care. Deductibles, copayments, co-insurance, and out-of-network fees all add to the high cost of health care for older adults.<sup>13</sup> In a survey of 50- to 70-year-olds, more than one-third of those with individual coverage spent \$1,000 or more in out-of-pocket health care costs, compared to only one in five of those with Medicare or job-based coverage.<sup>14</sup>

### ■ What will health reform do?

- Health reform will prohibit insurers from charging people with pre-existing conditions more for coverage, or denying them coverage entirely. It will also place limits on how much more insurers can charge older people for health coverage (although the degree to which they can vary is still being debated in Congress). These protections will ensure that every older adult has access to comprehensive coverage.
- Premium subsidies will be provided to older adults with moderate incomes, helping to ensure that this group doesn't have to spend too great a share of their income on premiums.
- Health reform will also cut down costs for many older adults by placing a limit on out-of-pocket spending. In addition, new health plans will not be allowed to include annual or lifetime caps on services, protecting those with greater health needs.

## Health reform will make coverage for older adults more stable

### ■ Why do we need reform?

- When older adults lose coverage, they are less likely to be able to find an alternative source of coverage. This makes older adults more vulnerable to unexpected changes in health, health insurance, or employment status than younger people.<sup>15</sup>
- The current recession has contributed to this lack of stability in coverage, triggering widespread layoffs, and leading many Americans aged 55 to 64 to lose their jobs and, along with them, their job-based health insurance.<sup>16</sup>
- In the past, most large employers offered retiree health coverage, and many provided this coverage to individuals who chose to retire prior to the age of 65.<sup>17</sup> However, health benefits for pre-Medicare eligible retirees are very costly, and many employers have either cut back eligibility or have eliminated this coverage entirely, forcing retirees to shoulder a larger share of the cost.<sup>18</sup>
- The share of large firms with 200 or more workers providing some type of retiree coverage dropped from 66 percent in 1988 to 29 percent in 2009. Only 5 percent of firms with fewer than 200 workers offer retiree health benefits.<sup>19</sup> As a result, an increasing share of early retirees is becoming uninsured.<sup>20</sup>
- Most employers are phasing in these changes in retiree benefits, so while these cuts have not had a significant impact on those retiring to date, they will have a much larger impact on health coverage for those retiring in the next several years.<sup>21</sup>
- Married couples often rely on one spouse's insurance coverage, and older adults may also be vulnerable if the spouse whose job provides coverage ages into Medicare first. Now newly uninsured, the previously dependent spouse must look elsewhere for private coverage and may have trouble finding an affordable plan—or any plan at all.<sup>22</sup>

### ■ What will health reform do?

- Health reform will create new coverage options through the exchange that will allow older adults to shop for coverage that meets their needs. This will allow those who wish to retire early to do so without having to worry about whether they will be able to find a health plan that will cover them. It will also provide reassurance that they will continue to have coverage if they have a spouse who ages into Medicare first.
- Legislation pending in the House and the Senate would also provide financial assistance to employer health plans that cover early retirees. This legislation would establish a temporary reinsurance program that would help to cover high-cost claims, bringing the cost of retiree coverage down. These savings would be passed on to early retirees in the form of lower premiums and cost-sharing.

## Health reform will extend coverage to all Americans, making Medicare enrollees healthier and helping to cut Medicare's spending on the previously uninsured

### ■ Why do we need reform?

- Uninsured adults are more likely to be diagnosed with a disease in an advanced stage. For example, uninsured women are substantially more likely to be diagnosed with breast cancer at a later stage.<sup>23</sup>
- Some of the uninsured may have health conditions that are reversible with timely, proper medical care. However, many uninsured older adults delay seeking treatment because of cost, waiting until they are 65 and qualify for Medicare to obtain needed care.<sup>24</sup>
- When older adults delay or forgo necessary care for chronic conditions such as arthritis, diabetes, or high blood pressure, they are at risk of entering the Medicare program in poorer health.<sup>25</sup> Uninsured Americans who enroll in Medicare are less healthy than those who have continuous coverage.<sup>26</sup>
- Previously uninsured Americans who enter Medicare require more clinical services in the years following their enrollment in Medicare than those who were insured before turning 65.<sup>27</sup> This extra care costs Medicare money.

### ■ What will health reform do?

- Reform will guarantee that all Americans will have access to high-quality, affordable coverage through the new health insurance exchange and ensure that older adults will be insured until they reach Medicare age.
- Because reform will ensure that all Americans have continuous health coverage, people will be healthier when they enroll in Medicare and will need fewer health care services. This, in turn, will provide a cost savings to the Medicare program.

## Endnotes

- <sup>1</sup> U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplement (2009)*. Using the table creator, select for age, health coverage, and age range of 55-64, available online at [http://www.census.gov/hhes/www/cpstc/cps\\_table\\_creator.html](http://www.census.gov/hhes/www/cpstc/cps_table_creator.html).
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- <sup>3</sup> Sarah Collins, Jennifer Kriss, Karen Davis, Michelle Doty, and Alyssa Holmgren, *op. cit.*
- <sup>4</sup> Gerry Smolka, Leigh Purvis, and Carlos Figueiredo, *Health Care Reform: What's at Stake for 50- to 64-Year-Olds?* (Washington: AARP Public Policy Institute, March 2009).
- <sup>5</sup> Kaiser Family Foundation, *How Private Health Coverage Works: A Primer, 2008 Update* (Washington: Kaiser Family Foundation, April 2008).
- <sup>6</sup> Paul Fronstin, *op. cit.*
- <sup>7</sup> Kaiser Family Foundation, *op. cit.*
- <sup>8</sup> Gerard Anderson, *Chronic Conditions: Making the Case for Ongoing Care* (Baltimore: Johns Hopkins University, November 2007), available online at [http://www.fightchronicdisease.com/news/pfcd/documents/ChronicCareChartbook\\_FINAL.pdf](http://www.fightchronicdisease.com/news/pfcd/documents/ChronicCareChartbook_FINAL.pdf).
- <sup>9</sup> Sarah Collins, Jennifer Kriss, Karen Davis, Michelle Doty, and Alyssa Holmgren, *op. cit.*
- <sup>10</sup> *Ibid.*
- <sup>11</sup> *Ibid.*
- <sup>12</sup> Families USA, *Fighting Revocations and Limitations of Health Insurance Policies* (Washington: Families USA, July 2008).
- <sup>13</sup> Sarah Collins, Cathy Schoen, Michelle Doty, Alyssa Holmgren, and Sabrina How, *Paying More for Less: Older Adults in the Individual Market: Findings from the Commonwealth Fund Survey of Older Adults* (New York: The Commonwealth Fund, September 2005).
- <sup>14</sup> *Ibid.*
- <sup>15</sup> Pamela Farley Short, Dennis G. Shea, and M. Paige Powell, "Health Insurance for Americans Approaching Age Sixty-Five: An Analysis of Options for Incremental Reform," *Journal of Health Politics, Policy and Law* 28, no. 1 (February 2003): 41-76.
- <sup>16</sup> Richard W. Johnson and Corina Mommaerts, *op. cit.*
- <sup>17</sup> Kaiser Family Foundation and Health Research and Education Trust, *Employee Health Benefits: 2009 Annual Survey* (Washington: Kaiser Family Foundation, September 2009).
- <sup>18</sup> Richard W. Johnson, *What Happens to Health Benefits after Retirement?* (Boston: Center for Retirement Research at Boston College, February 2007).
- <sup>19</sup> Kaiser Family Foundation and Health Research and Education Trust, *op. cit.*
- <sup>20</sup> Paul Fronstin, *op. cit.*
- <sup>21</sup> 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 (May 2008).
- <sup>22</sup> Gerry Smolka, Leigh Purvis, and Carlos Figueiredo, *op. cit.*
- <sup>23</sup> Michael Halpern, John Bian, Elizabeth Ward, Nicole Schrag, and Amy Chen, "Insurance Status and Stage of Cancer at Diagnosis among Women with Breast Cancer," *Cancer* 110, no. 2 (June 11, 2007): 403-411.
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- <sup>26</sup> Jack Hadley and Timothy Waidmann, "Health Insurance and Health at Age 65: Implications for Medical Care Spending on New Medicare Beneficiaries" *Health Services Research* 41, no. 2 (April 2006): 429-451.
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1201 New York Avenue NW, Suite 1100 ■ Washington, DC 20005

Phone: 202-628-3030 ■ E-mail: [info@familiesusa.org](mailto:info@familiesusa.org)

[www.familiesusa.org](http://www.familiesusa.org)