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Fewer Retirees Get Drug Coverage From Employers

By REED ABELSON

The number of people retiring with health insurance from their employers has dropped significantly since 1996, according to a new study, leaving many recent retirees without coverage for prescription drugs.

The study, which was conducted from interviews of Medicare beneficiaries 65 to 69 years old, appears today on the Web site of Health Affairs, an academic journal.

While the overall percentage of Medicare beneficiaries with employer-sponsored coverage has remained relatively steady, according to the study, the percentage of younger Medicare beneficiaries with coverage fell to 39 percent in 2000 — the most recent information available — from 46 percent in 1996.

The study shows that future decreases in the number of retirees covered under their employers plans is "starting from a base that is lower than most people believe," Bruce Stuart, one of the study's authors, said. Mr. Stuart is the executive director of the Peter Lamy Center on Drug Therapy and Aging at the University of Maryland School of Pharmacy.

The findings, Mr. Stuart said, emphasize the need for a Medicare benefit as well as the importance of structuring the government coverage in a way that helps preserve employer-sponsored coverage.

Many employers are pressing for passage of the legislation, but there is considerable debate in Congress over how to discourage companies from dropping the policies they now offer. Many retirees rely on their employers' coverage to pay for prescription drugs that are not covered under the Medicare program, and there is concern that the Medicare benefit could leave them with coverage that is significantly less generous than what they receive from an employer.

"People are going to be very, very disappointed in what they get," Mr. Stuart said.

The House and Senate, which are now in conference to work out a bill, need to address "the need for strong assurances about retiree health coverage," said John Rother, director for policy and strategy for AARP, which lobbies for older Americans. "We do not want them to just ignore it."

How employers would react to a Medicare prescription-drug benefit is unclear, given that many companies are already cutting their coverage. The Employee Benefit Research Institute, for example, recently released an analysis suggesting that only a fraction, from 2 percent to 9 percent, of current retirees with employer coverage are at risk for losing it solely because of the legislation. As the institute noted, "there have been and currently are powerful forces at work in the marketplace that are shrinking the availability of retiree health benefits regardless of policy changes in Medicare."

"The vast majority of today's retirees and the vast majority of tomorrow's retirees are dependent on Medicare and anything else they can afford to pay for" to provide drug coverage, said Dallas L. Salisbury, an analyst at the institute.

Even fewer male retirees would have had health insurance from an employer if more women had not entered the work force, providing their husbands with coverages, Mr. Stuart said. But many employers are no longer paying for spousal benefits, he said, so such coverage will probably be available only at a high cost to future retirees.

The study also showed that while retirees were able to obtain drug coverage from other sources, like private health plans offering Medicare coverage, fewer individuals are buying policies that offer supplemental coverage. Retirees are probably not going to turn to such policies in the future because of the rising cost, Mr. Stuart said.

Private health plans have also dropped out of the Medicare program in recent years, and there are fewer beneficiaries enrolled in these plans.

"In short, we can expect that greater numbers of new retirees will face the prospect of having no viable source of outpatient prescription drug coverage," the study's authors concluded.

The challenge before Congress is to come up with legislation that does not lead to more companies dropping coverage, Mr. Stuart said. In particular, he pointed to the Senate bill as making it difficult for employers to offer coverage that can be easily combined with the proposed drug benefit.

The Congressional Budget Office, for example, which provided earlier estimates that suggest a more drastic effect on retirees, calculates that the Senate bill will result in more companies dropping coverage than the House version.