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# Health Reform and Health Insurance Coverage of Early Retirees

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A large spike in retirement occurs at age 62, when workers first become eligible to claim Social Security benefits; by age 64, more than half of all workers are retired. Medicare, however, does not become available for most of these workers until age 65. With employer-sponsored health insurance coverage for retirees declining rapidly, this leaves early retirees at risk of being uninsured. Beginning in 2014, the Affordable Care Act made new health insurance options available for individuals without access to employer-sponsored coverage, with subsidies for low- and middle-income households. Have early retirees embraced these new options?

This paper presents evidence of the dynamics of health insurance coverage between 2008 and 2014 among early retirees, defined as individuals ages 55 through 64 who are not in the labor force. We focus on three specific questions. First, how did sources of insurance coverage change among early retirees in 2014, when the new ACA options became available, compared with trends in coverage from 2008 to 2013? Second, are there systematic differences in coverage between early retirees in states that did and did not implement the ACA's Medicaid expansion in January 2014? Third, how did the income gradient in insurance coverage for early retirees change in 2014, both overall and in states with or without Medicaid expansion?

We begin by documenting that between 2008 and 2013, the percentage of early retirees without health insurance increased from 13.1 percent to 14.7 percent. This trend was driven by a decline in employer-sponsored insurance which fell from 48.2 percent to 40.7 percent over that period. Between 2013 and 2014, employer-sponsored coverage continued to decline, falling to 39.7 percent. However, the availability of new coverage options created by the ACA led to a reversal in the long-run decline in coverage. In 2014, the fraction of early retirees who were uninsured fell to 11.2 percent. This gain in coverage was attributable to a 3-percentage point increase in Medicaid coverage and a 1.6-percentage point increase in private, nongroup coverage among early retirees between 2013 and 2014.

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Next, we focus on the 15 states that implemented the ACA's Medicaid expansion in January 2014 compared with the 23 that had not implemented expansion at all by the end of 2014. Comparing coverage dynamics among early retirees in these two groups of states, we see larger reductions in the fraction uninsured in Medicaid expansion states, driven by larger increases in Medicaid coverage. This difference was partially offset by slightly larger gains in private, nongroup coverage in nonexpansion states. There was no noticeable difference between the two groups of states in changes in employer-sponsored coverage, lending further support to the idea that the ACA coverage provisions did nothing to hasten the decline of this type of coverage.

Finally, we look at income gradients in early retirees' probability of being uninsured. Throughout the period 2008 to 2014, about 5 percent of high-income early retirees — those with incomes exceeding four times the Federal Poverty Level (FPL) — were uninsured. Prior to 2014, between 21 and 24 percent of the lowest-income retirees were uninsured. In 2014, the fraction of the lowest-income early retirees who were uninsured dropped by approximately 9 percentage points in Medicaid expansion states and 4 percentage points in nonexpansion states, compared with 2013. As a result, the income gradient in uninsurance declined in both types of states, but it did so more in states that expanded Medicaid.

These results suggest that the major coverage provisions of the ACA have been effective at increasing health insurance among early retirees, with particularly large gains among those with very low income in states that have implemented Medicaid expansion.

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