

The Early Retiree Reinsurance Program

Paul Fronstin, Ph.D.
Director, Health Research and Education Program
Employee Benefit Research Institute
Washington, DC

Copyright© - Employee Benefit Research Institute Education and Research Fund, 1978-2011. All rights reserved.

The information contained herein is not to be construed as an attempt to provide legal, accounting, actuarial, or other such professional advice. Permission to copy or print a personal use copy of this material is hereby granted and brief quotations for the purposes of news reporting and education are permitted. Otherwise, no part of this material may be used or reproduced without permission in writing from EBRI-ERF.

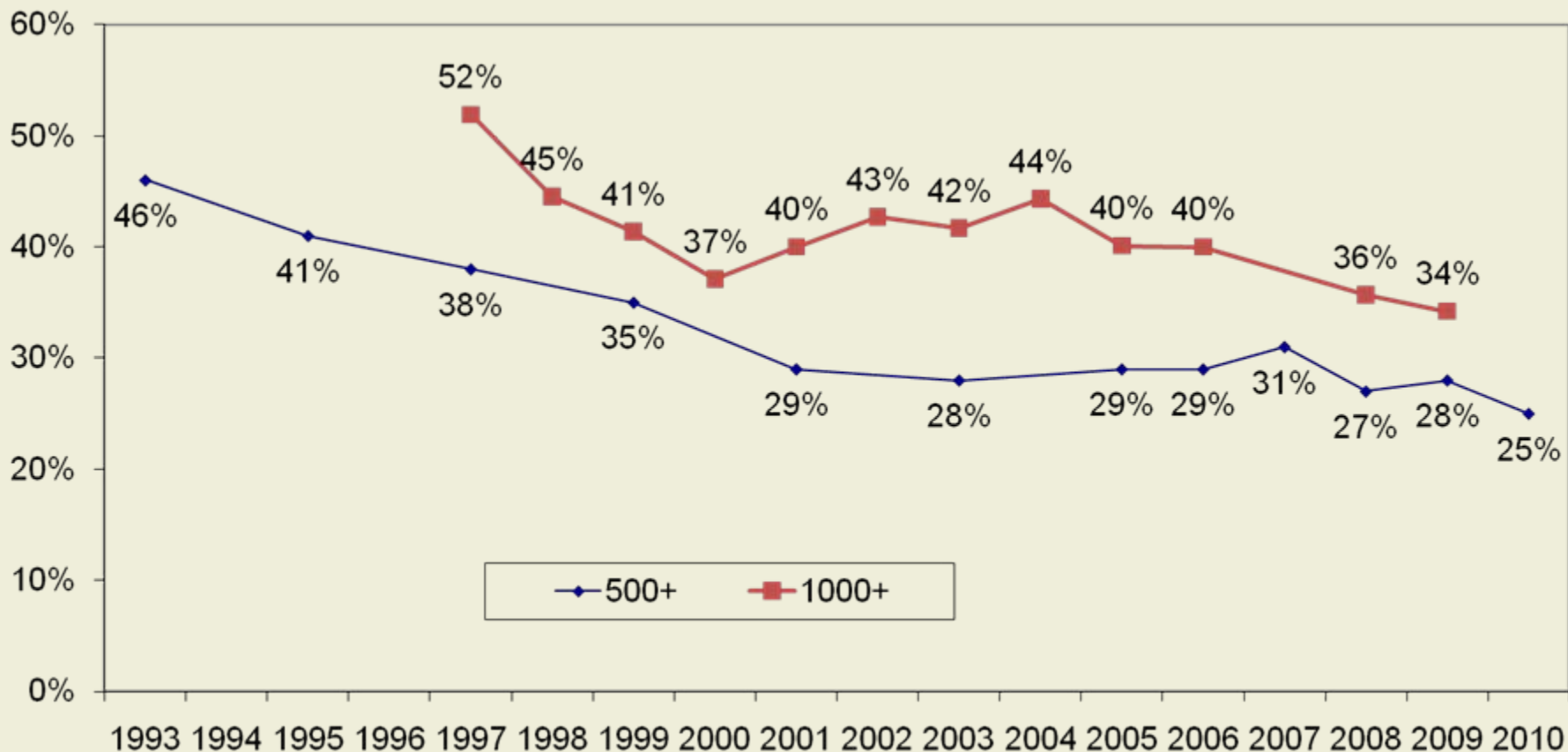
The Early Retiree Reinsurance Program (ERRP)

- PPACA created temporary reinsurance program
- Sponsors of employment-based health plans that provides retiree health benefits to retirees 55+ & not yet eligible for Medicare
- ERRP can also cover costs for a retiree's spouse, surviving spouse, and dependents, regardless of age & Medicare eligibility
- Provides an 80% subsidy for claims between \$15,000-\$90,000
- Congress appropriated \$5 billion, effective June 1, 2010
- Subsidy available through earlier of 2014, or date of exhaustion

Goal of the Program

- Provide an incentive for employers to maintain retiree health benefits and assist retirees with their costs for health coverage until 2014 because of the erosion in retiree coverage
 - Alternative view: handout to get support for PPACA
 - Inconsistent tax treatment with RDS
- 2014: availability of health insurance exchanges could mean the end of retiree health benefits as we know them
 - 3M moving to HRAs for retiree coverage (2013 for Medicare-eligibles, 2015 for early retirees)

Percentage of Employers Offering Health Coverage to Early Retirees, by Firm Size, 1993–2010



Source: Mercer National Survey of Employer-Sponsored Health Plans and Medical Expenditure Panel Survey.

Data Sources

Medical Expenditure Panel Survey (MEPS)

- Number of non-workers with coverage through a former employer
 - And the portion with Medicare
- Annual health care spending
- Portion of expenses paid out of pocket & by source of insurance
- Information on dependents covered by the same plan

Survey of Income and Program Participation (SIPP)

- Source of coverage from former employer (COBRA or retiree health)
- Workers with coverage through a former employer

Number of People Eligible for the Subsidy

	Total Eligible (millions)
Retirees (55-64) with retiree health	0.7
Dependents of retirees	0.3
Workers (55-64) with retiree health	0.3
Dependents of workers	0.1
Total	1.3

CPS: 2.8 mil. non-working 55-64 year olds had coverage through a former employer. Includes COBRA and those on Medicare.

Number of People Eligible for the Subsidy

	Total Eligible (millions)	Average Total Spending	Aggregate Spending (billions)
Retirees (55-64) with retiree health	0.7	\$7,600	\$5.1
Dependents of retirees	0.3	\$6,300	\$1.9
Workers (55-64) with retiree health	0.3	\$7,600	\$2.0
Dependents of workers	0.1	\$6,300	\$0.7
Total	1.3	\$7,200	\$9.7

\$5 Billion Will Last About Two Years

- Critical assumption: all employers apply for and get subsidy
- Reality: very few employers have applied for subsidy
- To date about 3,600 employers (including public sector) have applied for subsidy
- Over 400,000 private sector employers offer health benefits to early retirees (no comparable data for public sector)
- “Maintenance of effort” requirement
- At least 50% of plans have capped contributions