

KENNETH APFEL



Retirees losing a benefit

Social Security and Medicare have been the two most successful domestic programs in recent times, bringing greater security to today's older Americans than any other generation in our nation's history.

But recent trends could place a growing number of seniors at risk, and one of the chief concerns is the decline of employer-provided retiree health benefits.

Since 1935, Social Security has provided a foundation of support for seniors. That foundation was supplemented 30 years later with the creation of Medicare. Those programs, revolutionary in their day, provide critically important support for seniors but never were intended to provide full support.

Indeed, Medicare now pays an average of only 54 percent of retiree medical expenses. For many seniors, the only guarantee of financial security comes through a combination of savings and employer benefits. But in an era of double-digit health care inflation, the medical benefits employers have offered their retirees could become a thing of the past.

The first warning signs came 10 years ago, when the Financial Accounting Standards Board approved a rule that required private companies to record future retiree health benefit liabilities as a reduction in current earnings. The outcome was a shock of red ink on corporate balance sheets that, for some, marked the beginning of the end of retiree health benefits.

Only 20 years ago, the majority of large companies in Texas offered health insurance to their retirees. Now, less than a quarter of the state's large employers provide supplemental coverage for their Medicare-eligible retirees. And a growing number of those are facing retiree health care costs that could prove financially untenable.

While federal laws protect pension plans, a similar safety net doesn't exist for health care benefits. If those benefits disappear, the same could be true for the economic security of millions of retirees.

Consider this: In Texas, a 40-year-old individual would pay about \$350 a month for health insurance through the Texas Health Risk Pool, which provides medical benefits for those otherwise difficult to insure. But similar policies would cost a 60-year-old man up to \$850 a month — an amount that could wreak havoc on a household budget.

The sheer size of the baby boom generation will place even more strains on the health care system. The number of Americans older than 65 is expected to double — from 34 million this year to about 68 million by 2030.

The only way we can count on true financial security in our senior years is to acknowledge the high price of health care for the elderly and to prepare accordingly.

■ First, we need a continued, strong Medicare system to provide basic insurance coverage.

■ Second, we need more Americans to plan ahead by saving more for medical expenses to supplement Medicare.

■ Finally, government must develop a much stronger partnership with the private sector to maintain and even expand employer-provided retiree health programs.

We need to find ways — through much greater tax incentives — to encourage employers to continue to provide health insurance benefits for their retirees. Without expanded incentives, retiree health benefits will become a relic of the past.

There is no greater long-term threat to economic security for seniors than the cost of their health care. We need governments, employers and individuals all to be part of the solution. The time to prepare is now, before millions more Americans become retirees.

Kenneth S. Apfel holds the Sid Richardson chair in public affairs at the LBJ School of Public Affairs at the University of Texas at Austin. He was commissioner of the Social Security Administration from 1997 to 2001.