



# The Commonwealth Fund/ National Opinion Research Center Survey of Retiree Health Benefits, 2005 A Chartbook

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# Contents

<b>Highlights</b>	5
<b>Retiree Health Benefits Offer Rates</b>	
Figure 1 Percentage of Firms Offering Retiree Health Benefits, by Characteristics, 2006	8
Figure 2 Among Firms that Offer Health Benefits to Active Workers, Percentage of All Small and All Large Firms Offering Retiree Health Benefits, 2000–2006	9
Figure 3 Among Firms Offering Retiree Health Benefits, the Percentage of Large Firms (200+ workers) Offering Retiree Health Benefits to Medicare-Age Retirees, 1999–2006	10
<b>The Medicare Modernization Act of 2003: The Part D Prescription Drug Benefit</b>	
Figure 4 How Private Firms Offering Retiree Health Benefits to Medicare-Age Retirees in 2004 Predicted They Would Respond to the Medicare Modernization Act	12
Figure 5 How Public Employers Offering Retiree Health Benefits to Medicare-Age Retirees in 2004 Predicted They Would Respond to the Medicare Modernization Act	13
Figure 6 Among Private Firms That Offered Retiree Health Benefits to Medicare-Age Retirees in 2004 and Planned to Continue Offering Drug Coverage in 2006, Predicted Structure of Prescription Drug Benefit Design	14
Figure 7 Among Public Employers That Offered Retiree Health Benefits to Medicare-Age Retirees in 2004 and Planned to Continue Offering Drug Coverage in 2006, Predicted Structure of Prescription Drug Benefit Design	15
Figure 8 How Firms Offering Retiree Health Benefits with Prescription Drug Coverage to Medicare-Age Retirees Responded to the Medicare Modernization Act, 2005	16
Figure 9 Among Firms Offering Retiree Health Benefits to Medicare-Age Retirees with Some Drug Coverage in 2006, Structure of Prescription Drug Benefit Design	17

## **Retiree Health Benefits for Medicare-Age Retirees, 2005**

Figure 10	Among Firms Offering Retiree Health Benefits to Medicare-Age Retirees, Percentage of Active Workers Currently Eligible for Retiree Health Benefits After They Retire and Become Eligible for Medicare, 2005	19
Figure 11	Average Premiums for Medicare-Age Retirees in Largest Health Plan, Single Coverage, 2005	20
Figure 12	For Medicare-Age Retirees with Single Coverage, Average Monthly Retiree Contribution to Premium in Largest Health Plan, 2005	21
Figure 13	Distribution of Medicare-Age Retirees with Various Deductibles for Single Coverage in Largest Health Plan, 2005	22
Figure 14	Distribution of Medicare-Age Retirees with Various Annual Out-of-Pocket Limits in Largest Health Plan, Single Coverage, 2005	23
Figure 15	Distribution of Medicare-Age Retirees with Various Cost-Sharing Formulas for Prescription Drug Coverage in Largest Health Plan, 2005	24
Figure 16	Type of Health Plan with the Largest Number of Medicare-Age Retirees Enrolled, 2005	25

## **Past and Future Changes to Retiree Health Benefits**

Figure 17	Percentage of Firms that Increased Retirees' Share of Premium over Last Two Years, 2005	27
Figure 18	Percentage of Firms that Increased Retiree Cost-Sharing for Prescription Drugs over Last Two Years, 2005	28
Figure 19	Percentage of Firms that Eliminated Retiree Health Benefits for New Employees over Last Two Years, 2005	29
Figure 20	Percentage of Firms Planning to Increase Retirees' Share of Premium in the Next Two Years, 2005	30
Figure 21	Percentage of Firms Planning to Increase Retiree Cost-Sharing for Prescription Drugs in the Next Two Years, 2005	31
Figure 22	Percentage of Firms Planning to Eliminate Retiree Health Benefits for New Employees in the Next Two Years, 2005	32

## **Governmental Accounting Standards Board (GASB) Regulations**

Figure 23	Percentage of Public Employers Familiar with GASB Regulations, 2005	34
Figure 24	Among Employers Familiar with GASB Regulations, Percentage of Public Employers Concerned About Financial Impact of Complying with Regulations, 2005	35
Figure 25	Among Employers Familiar with GASB Regulations, Percentage of Public Employers that Plan to Reduce Financial Contribution to Retiree Health Benefits in Response to Regulations, 2005	36
<b>Methods</b>		<b>37</b>

# Highlights

## Retiree Health Benefits Offer Rates

- The percent of firms offering retiree health benefits has remained constant between 2000 and 2006. Offer rates for large firms (200+ workers) are far higher than those for small firms (3–199 workers), at 35 percent vs. 9 percent.

## The Medicare Modernization Act of 2003 (MMA): the Part D Prescription Drug Benefit

- The vast majority of firms that offered retiree health benefits to Medicare-age retirees in 2005 said they would continue to offer some level of prescription drug coverage to these retirees in 2006. The share of firms reporting they planned to drop prescription drug coverage in 2006 was considerably smaller than were earlier estimates from a 2004 survey.
- While many firms still did not know how they would structure their prescription drug benefit for Medicare-age retirees in 2006, the majority of firms reported they would offer a drug benefit that was at least actuarially equivalent to Part D.

## Retiree Health Benefits for Medicare-Age Retirees, 2005

- Ninety-four percent of active workers employed by public employers are currently on track to be eligible for retiree health benefits after they retire and become eligible for Medicare, compared with 58 percent at midsize private firms.
- Monthly premiums for Medicare-age retirees averaged \$318 for midsize private firms and \$320 for public employers. These premiums increased 9 percent for midsize private firms from 2004 to 2005, and 5 percent for public employers.
- Medicare-age retirees from midsize private firms contributed an average of \$76 monthly towards premiums, compared with \$116 for retirees from public employers.
- Approximately two-thirds of Medicare-age retirees in both public and midsize private firms had an annual deductible of less than \$200 for single coverage.
- Approximately three-quarters of Medicare-age retirees in both public and midsize private firms had a three- or four-tiered cost-sharing arrangement for prescription drugs.
- Almost three-quarters of Medicare-age retirees from midsize private firms were enrolled in a PPO, compared with just over half of those from public employers.

# Highlights (continued)

## **Past and Future Changes to Retiree Health Benefits**

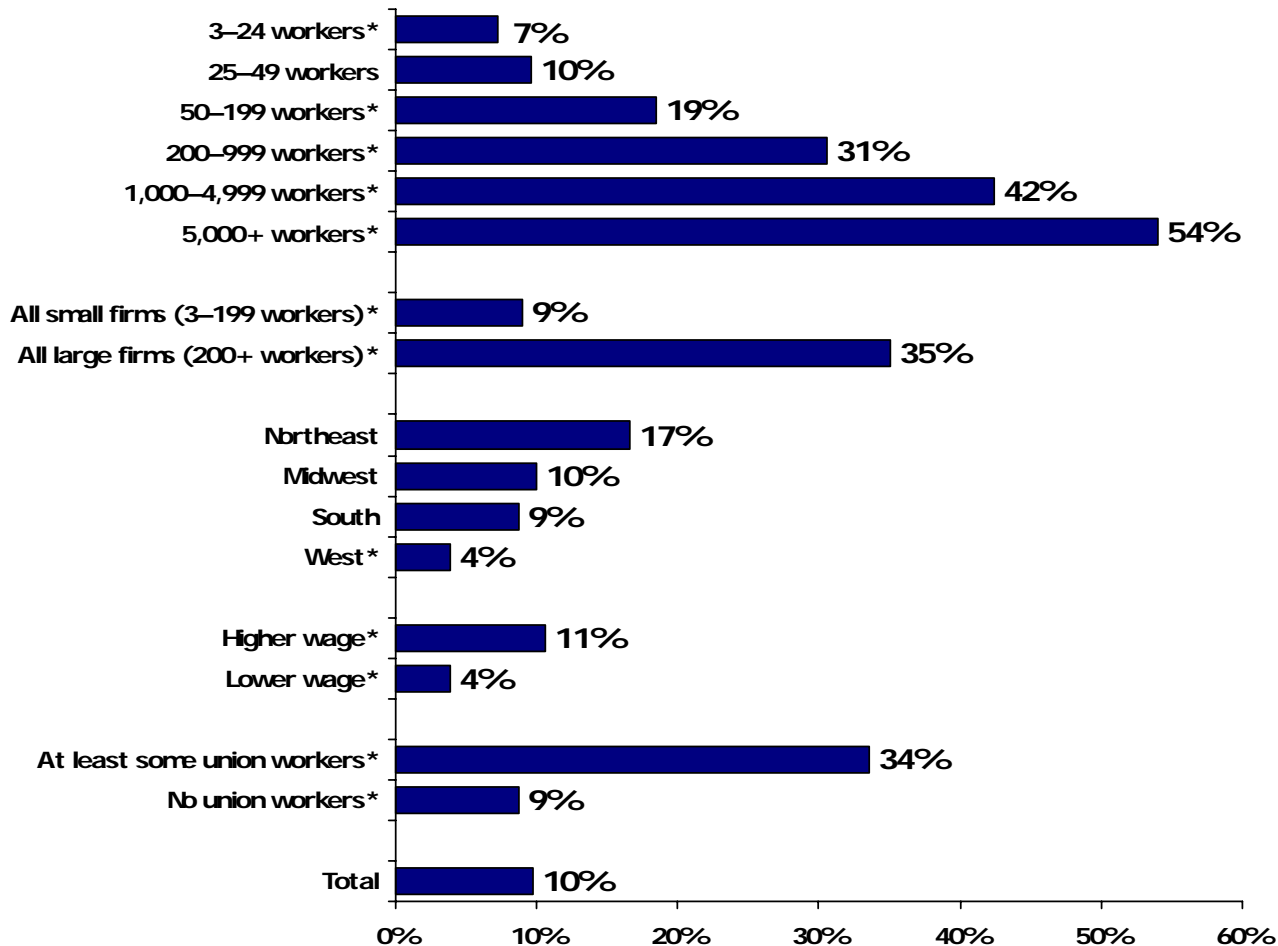
- During the past two years, about a quarter of both public and midsize private firms increased the retirees' share of the premium.
- One-third of firms, both public and midsize private, increased retiree cost-sharing for prescription drugs over the last two years.
- Seven percent of midsize private firms and 3 percent of public employers eliminated retiree health benefits for new hires.
- Approximately half of all firms are planning to increase retirees' cost-sharing for prescription drugs during the next two years.
- Five percent of midsize private firms and 2 percent of public employers are "very likely" to terminate retiree health benefits for Medicare-age retirees in the next two years.

## **Governmental Accounting Standards Board (GASB) Regulations**

- Forty-three percent of public employers said they were "very concerned" about the financial impact of complying with the GASB regulations, while another 29 percent were "somewhat concerned."

# Retiree Health Benefits Offer Rates

## Figure 1. Percentage of Firms Offering Retiree Health Benefits, by Characteristics, 2006



- Among firms that offer health benefits to active workers, the percentage of large firms (200+ workers) offering retiree health benefits is almost quadruple the offer rate of smaller firms (35% and 9%, respectively).

- Higher wage firms are significantly more likely than lower wage firms (11% vs. 4%) to offer retiree health benefits.

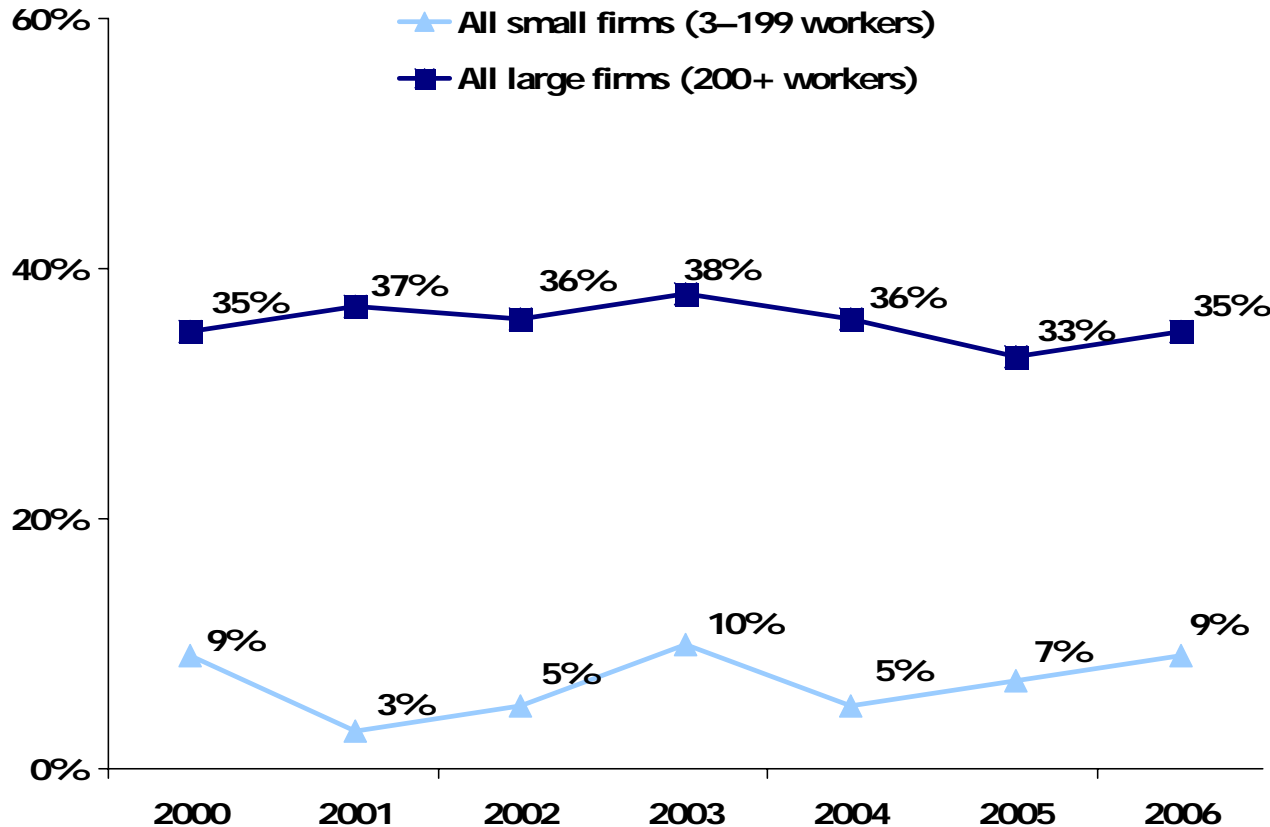
- Firms with at least some union workers are significantly more likely to offer retiree health benefits than are firms with no union workers, at 34% vs. 9%.

\* Estimate is statistically different from all other firms.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.



**Figure 2. Among Firms that Offer Health Benefits to Active Workers, Percentage of All Small and All Large Firms Offering Retiree Health Benefits, 2000–2006**



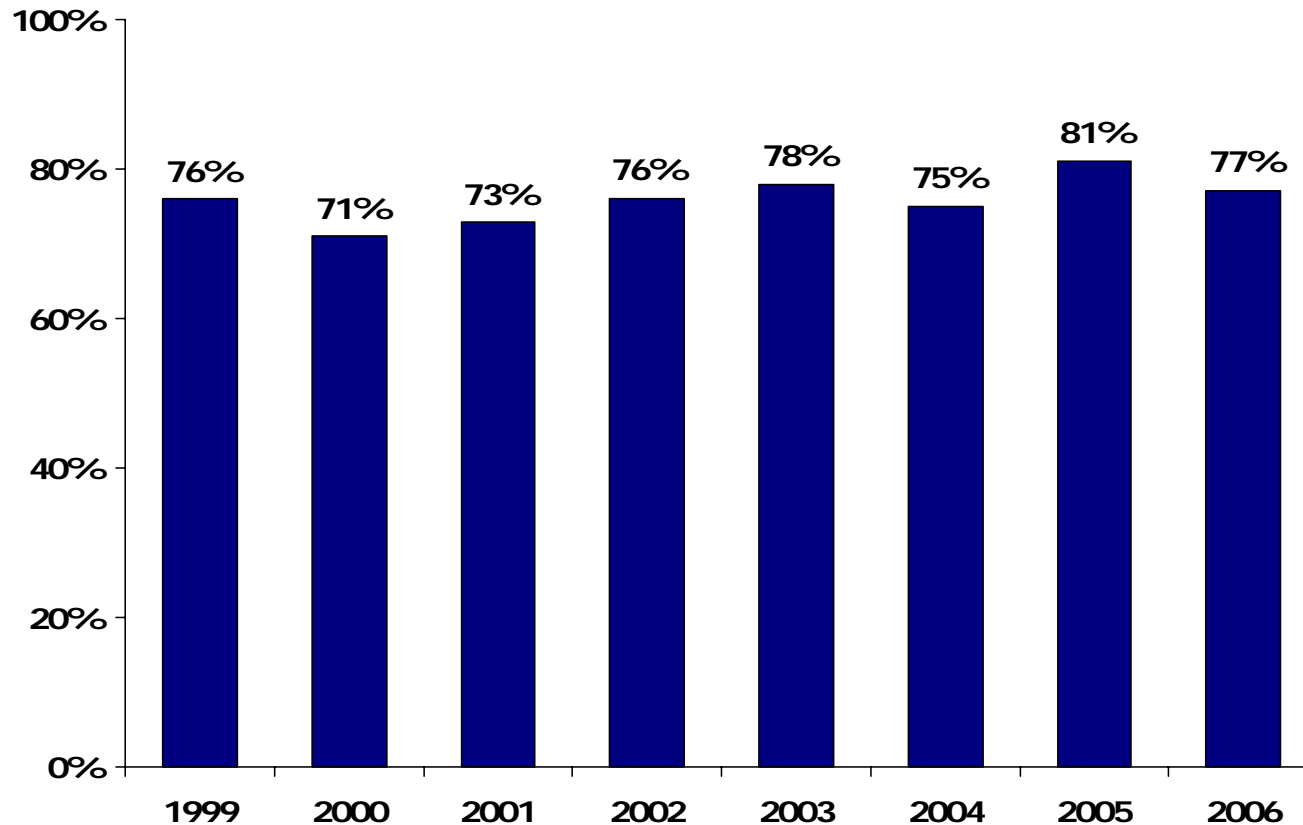
- Among firms that offer health benefits to active workers, 35% of large employers (200+ workers) offered retiree health benefits in 2006, statistically unchanged in recent years.

- The percentage of all small firms (3–199 workers) offering retiree health benefits to their employees is significantly lower than for large firms, but has been fairly stable since 2000.

\* Tests found no statistically different estimates from the previous year.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2006.

**Figure 3. Among Firms Offering Retiree Health Benefits, the Percentage of Large Firms (200+ workers) Offering Retiree Health Benefits to Medicare-Age Retirees, 1999–2006**



- The vast majority (77%) of large firms (200+ workers) that offer retiree health benefits offer them to their Medicare-age retirees.

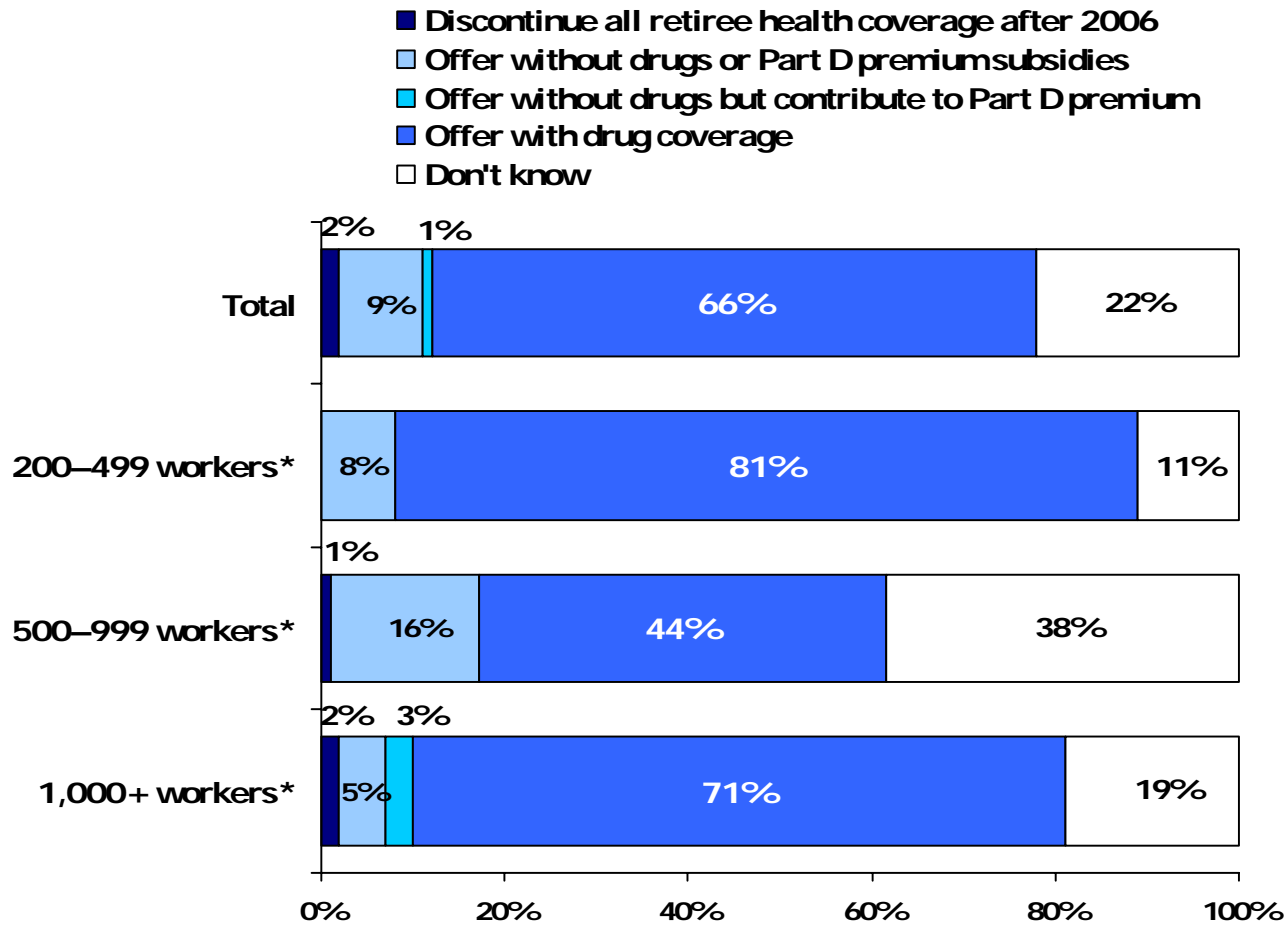
- The percentage of large firms offering retiree health benefits to Medicare-age retirees has remained statistically unchanged since 1999.

\* Tests found no statistically different estimates from the previous year.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

# **The Medicare Modernization Act of 2003: The Part D Prescription Drug Benefit**

### Figure 4. How Private Firms Offering Retiree Health Benefits to Medicare-Age Retirees in 2004 Predicted They Would Respond to the Medicare Modernization Act



- In 2004, 66% of private firms that offered retiree health benefits to Medicare-age retirees predicted they would respond to the new Part D prescription drug benefit by continuing to offer retiree health benefits with some prescription drug coverage.

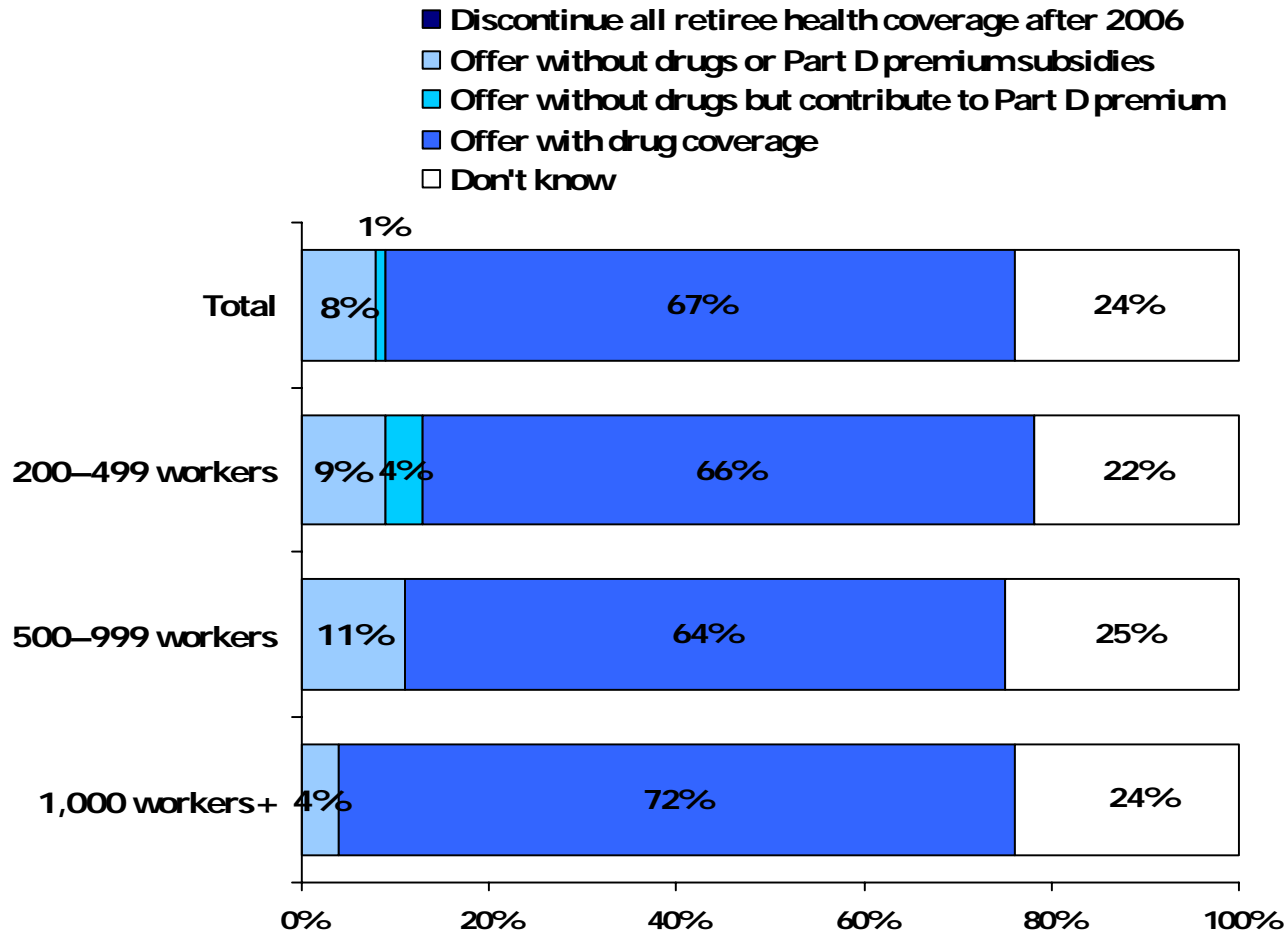
- Two percent thought they would discontinue all retiree health coverage after 2006, and 10% thought they would discontinue drug coverage.

- Midsize private firms were significantly more likely than large firms (1,000+ workers) to predict terminating drug coverage in 2006.

\* Distribution is statistically different from all other firms.

Source: Special retiree supplement to Kaiser/HRET Survey of Employer Sponsored Health Benefits, 2004.

### Figure 5. How Public Employers Offering Retiree Health Benefits to Medicare-Age Retirees in 2004 Predicted They Would Respond to the Medicare Modernization Act\*



- In 2004, 67% of public employers that offered retiree health benefits to Medicare-age retirees predicted they would respond to the new Part D prescription drug benefit by continuing to offer retiree health benefits with some prescription drug coverage.

- None thought they would discontinue all retiree health coverage after 2006, and 9% thought they would discontinue drug coverage.

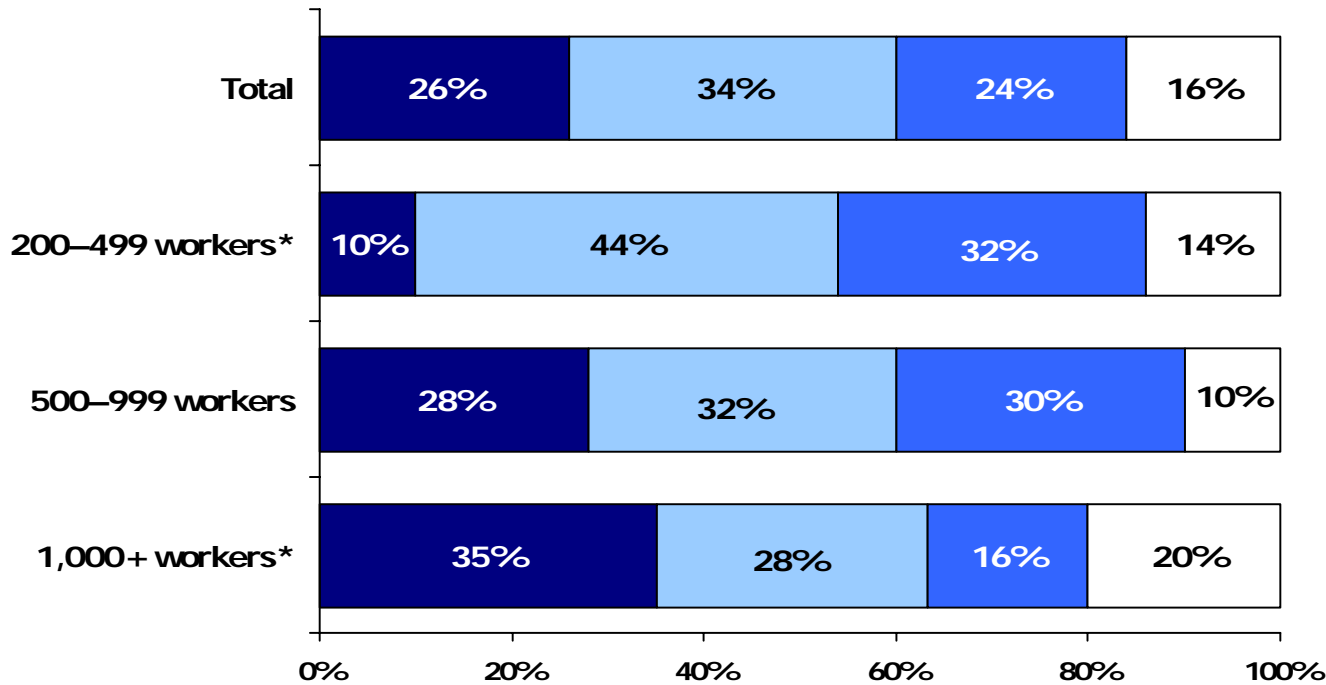
- Midsize public employers were not significantly different from large public employers (1,000+ workers) in the likelihood of terminating drug coverage in 2006.

\* Tests found no statistically different distributions from all other firms.

Source: Special retiree supplement to Kaiser/HRET Survey of Employer Sponsored Health Benefits, 2004.

### Figure 6. Among Private Firms That Offered Retiree Health Benefits to Medicare-Age Retirees in 2004 and Planned to Continue Offering Drug Coverage in 2006, Predicted Structure of Prescription Drug Benefit Design

- Offer drug benefit that is at least equal in value to new Part D benefit and accept subsidy
- Offer supplement to Part D coverage
- Establish own Medicare prescription drug plan
- Don't know



• In 2004, 34% of private firms that offered retiree health benefits to Medicare-age retirees and planned to continue some level of drug coverage after 2006 predicted they would offer only supplemental drug coverage, with retirees expected to take up the new Part D benefit as their primary drug coverage.

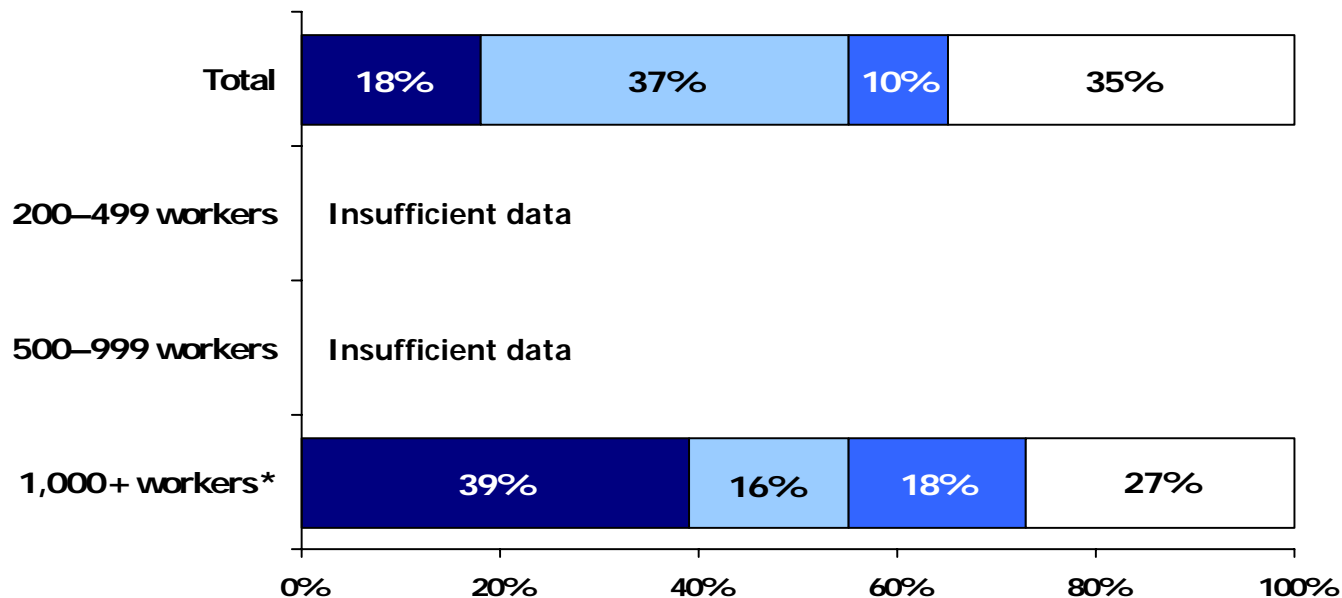
• Somewhat smaller percentages thought they would offer drug coverage that was at least equal in value to the Part D benefit and accept the subsidy, or establish a drug plan.

• Midsize private firms were significantly less likely than large firms (1,000+ workers) to predict offering a drug benefit equal in value to Part D in 2006.

\* Distribution is statistically different from all other firms.

**Figure 7. Among Public Employers That Offered Retiree Health Benefits to Medicare-Age Retirees in 2004 and Planned to Continue Offering Drug Coverage in 2006, Predicted Structure of Prescription Drug Benefit Design**

- Offer drug benefit that is at least equal in value to new Part D benefit and accept subsidy
- Offer supplement to Part D coverage
- Establish own Medicare prescription drug plan
- Don't know



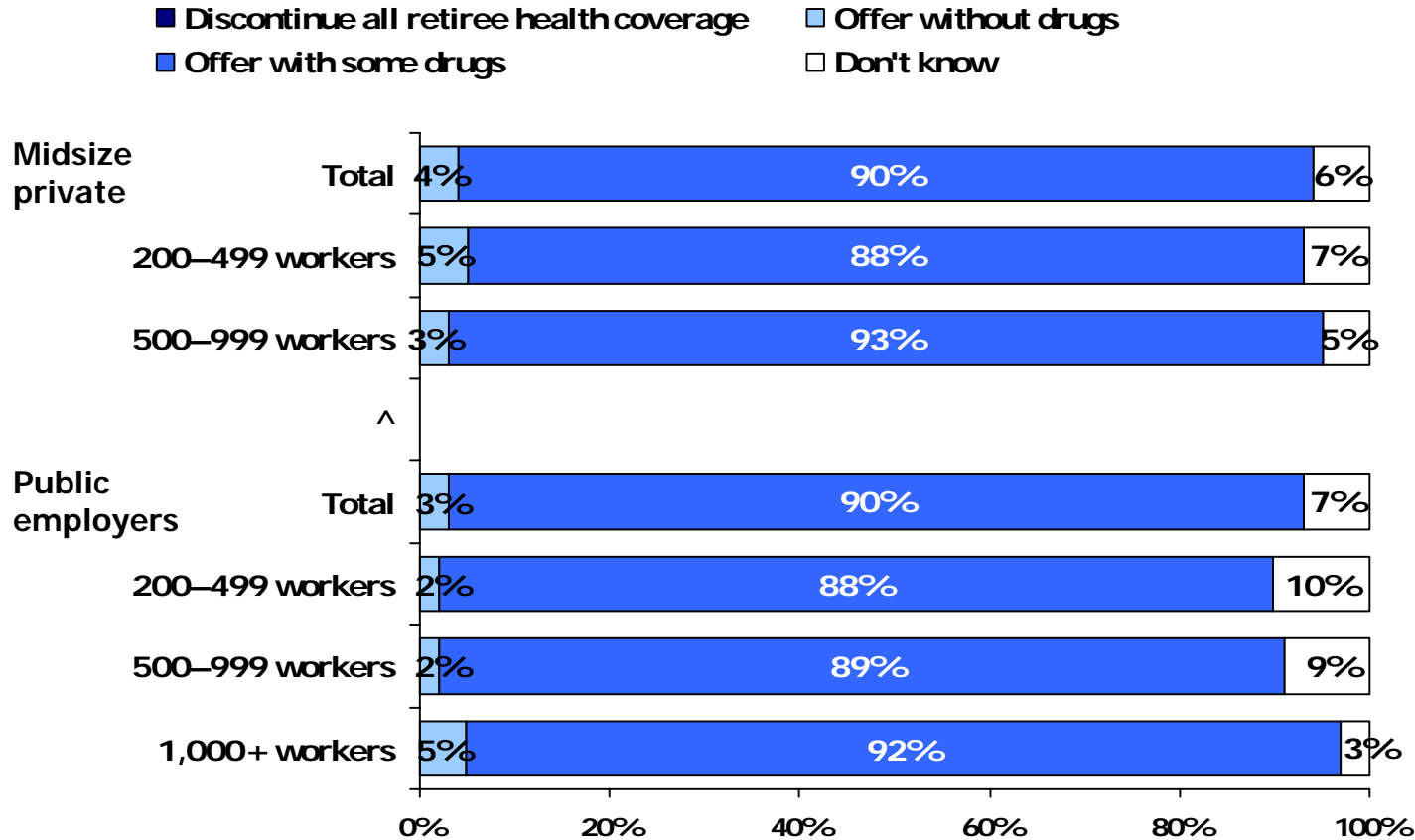
• In 2004, 37% of public employers that offered retiree health benefits to Medicare-age retirees and planned to continue some level of drug coverage after 2006 predicted they would offer only supplemental drug coverage, with retirees expected to take up the new Part D benefit as their primary drug coverage.

• Smaller percentages thought they would offer drug coverage that was at least equal in value to the Part D benefit and accept the subsidy, or establish a drug plan.

\* Distribution is statistically different from all other firms.

Source: Special retiree supplement to Kaiser/HRET Survey of Employer Sponsored Health Benefits, 2004.

### Figure 8. How Firms Offering Retiree Health Benefits with Prescription Drug Coverage to Medicare-Age Retirees Responded to the Medicare Modernization Act, 2005\*



- Among midsize private firms that offered prescription drug coverage to their Medicare-age retirees, 90% reported they would continue to offer retiree health benefits with some level of drug coverage, while only 4% said they planned to stop offering a prescription drug benefit.

- Similarly, only 3% of public employers reported they planned to drop prescription drug coverage. These percentages are lower than estimates from the 2004 survey previously discussed.

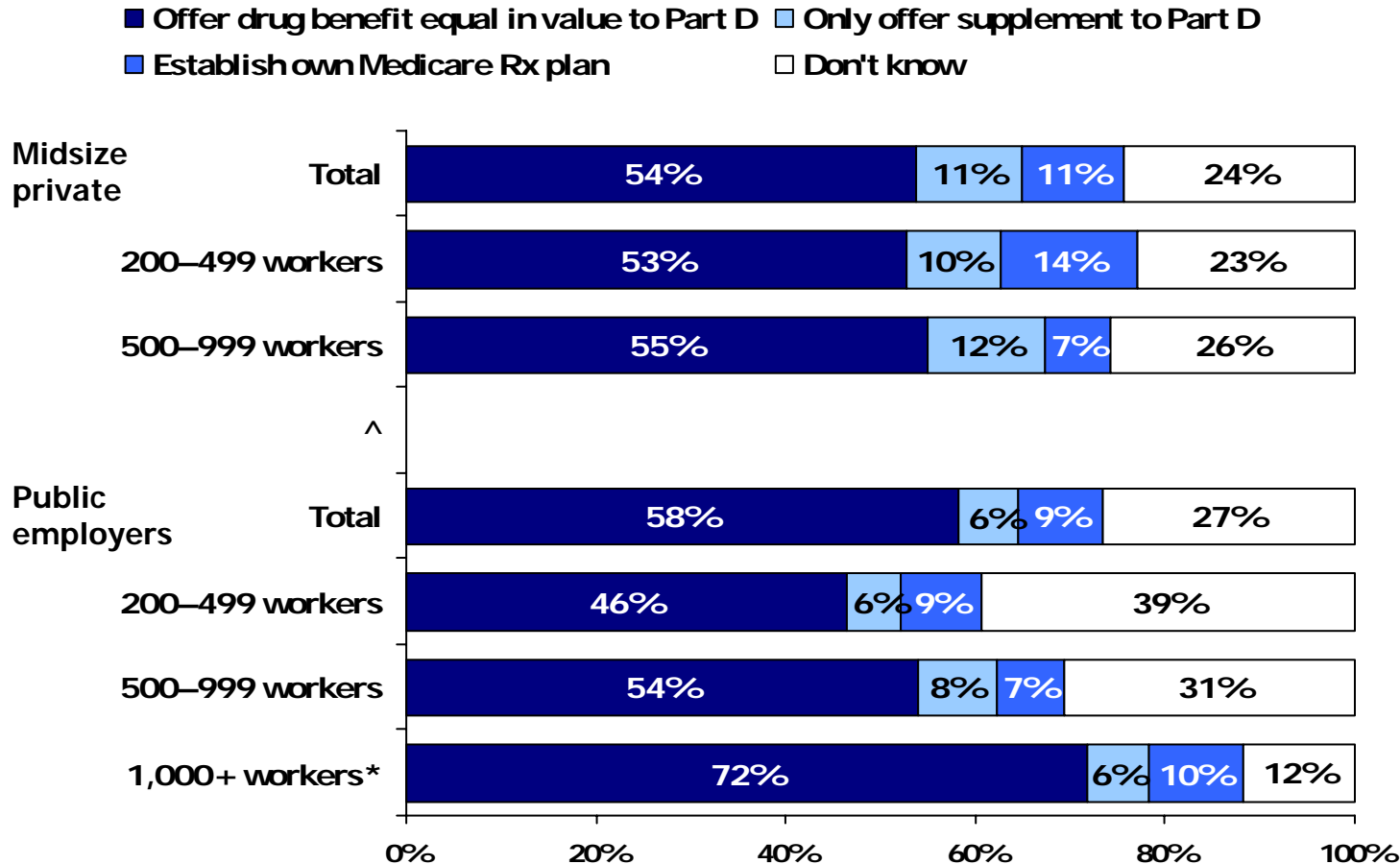
^ No private firms of 1,000+ workers were surveyed.

\* Tests found no statistically different distributions from all other firms within private/public employers at  $p < 0.05$  level.

Source: CMWF/NORC Survey of Retiree Health Benefits, 2005.



### Figure 9. Among Firms Offering Retiree Health Benefits to Medicare-Age Retirees with Some Drug Coverage in 2006, Structure of Prescription Drug Benefit Design



- More than 50% of public and midsize private firms reported they would offer a drug benefit in 2006 that is at least equal in value to Medicare Part D coverage, which would serve as retirees' primary drug coverage.

- Comparatively small percentages of both midsize private and public employers said they would offer a supplement to Part D, or sponsor their own drug plan.

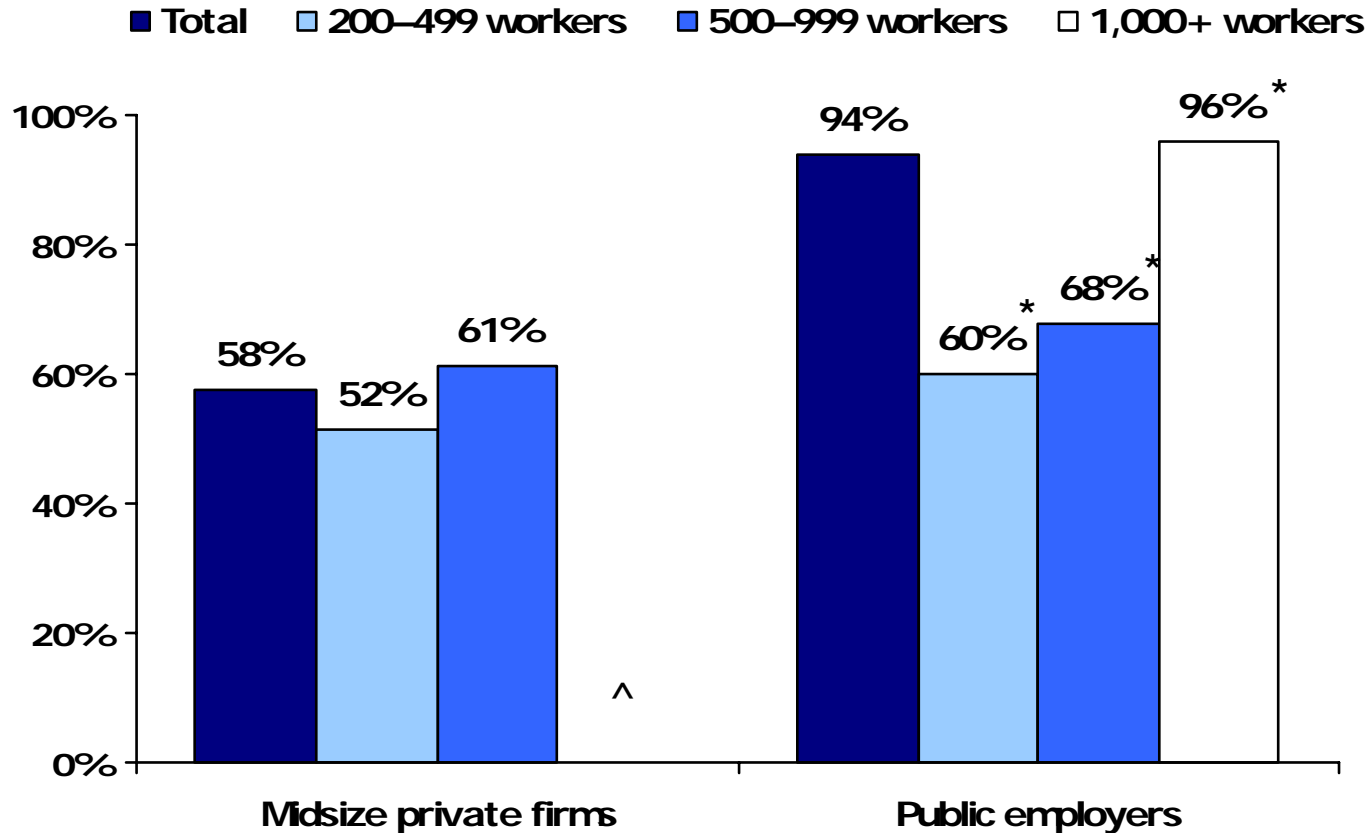
^ No private firms of 1,000+ workers were surveyed.

\* Distributions are statistically different from all other firms within private/public employers at p < 0.05 level.

Source: CMWF/NORC Survey of Retiree Health Benefits, 2005.

# **Retiree Health Benefits for Medicare-Age Retirees, 2005**

**Figure 10. Among Firms Offering Retiree Health Benefits to Medicare-Age Retirees, Percentage of Active Workers Currently Eligible for Retiree Health Benefits After They Retire and Become Eligible for Medicare, 2005**



- 94% of active workers working for public employers currently offering retiree health benefits to Medicare-age retirees are on track to receive health benefits after they retire and become eligible for Medicare. The corresponding figure for midsize private firms is 58%.

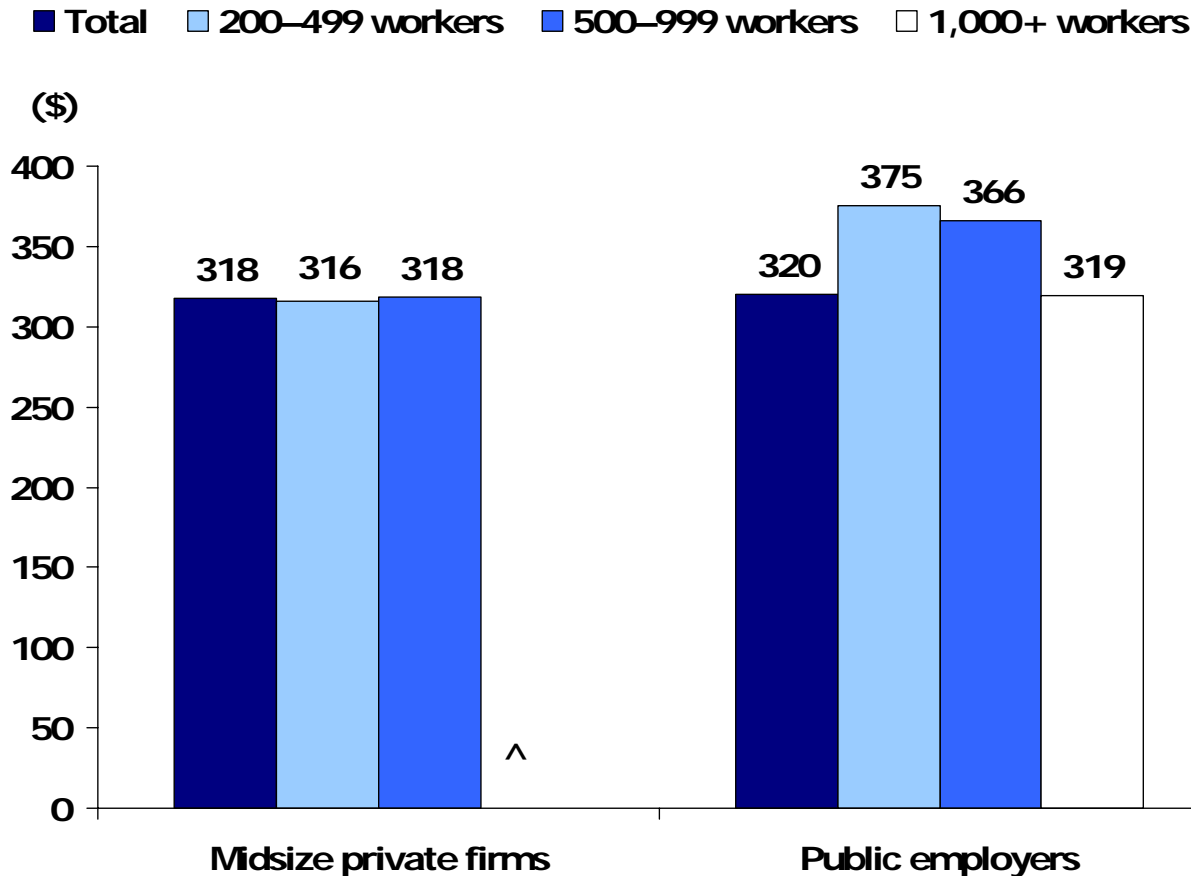
- Larger public employers have a significantly higher percentage of active workers who will be eligible for retiree benefits when they retire than do smaller public employers.

^ No private firms of 1,000+ workers were surveyed.

\* Estimate is statistically different from all other firms within private/public employers at  $p < 0.05$  level.

Source: CMWF/NORC Survey of Retiree Health Benefits, 2005.

### Figure 11. Average Premiums for Medicare-Age Retirees in Largest Health Plan, Single Coverage, 2005\*



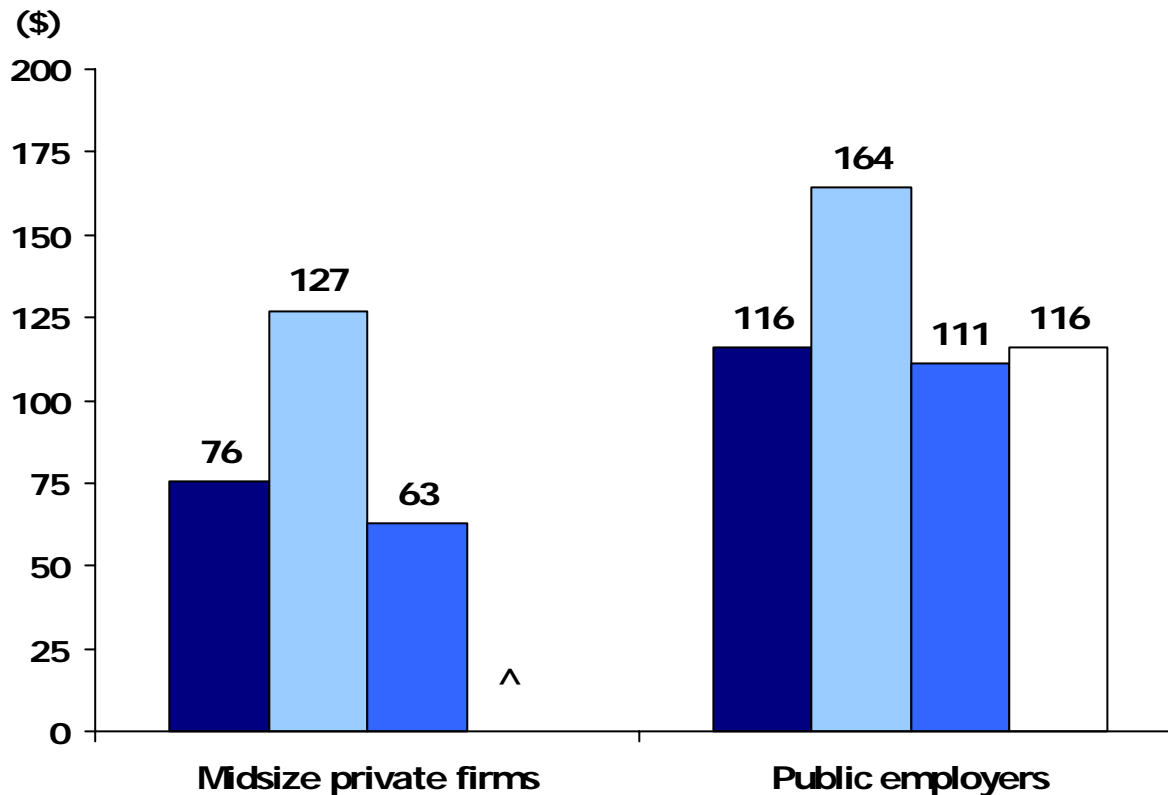
- Premiums for a Medicare-age retiree with single coverage in 2005 averaged \$318 for midsize private firms, and \$320 for public employers.
- Premiums did not vary significantly by firm size.

^ No private firms of 1,000+ workers were surveyed.

\* Tests found no statistically different estimates from all other firms within private/public employers at  $p < 0.05$  level.

**Figure 12. For Medicare-Age Retirees with Single Coverage, Average Monthly Retiree Contribution to Premium in Largest Health Plan, 2005\***

■ Total    □ 200–499 workers    ■ 500–999 workers    □ 1,000+ workers



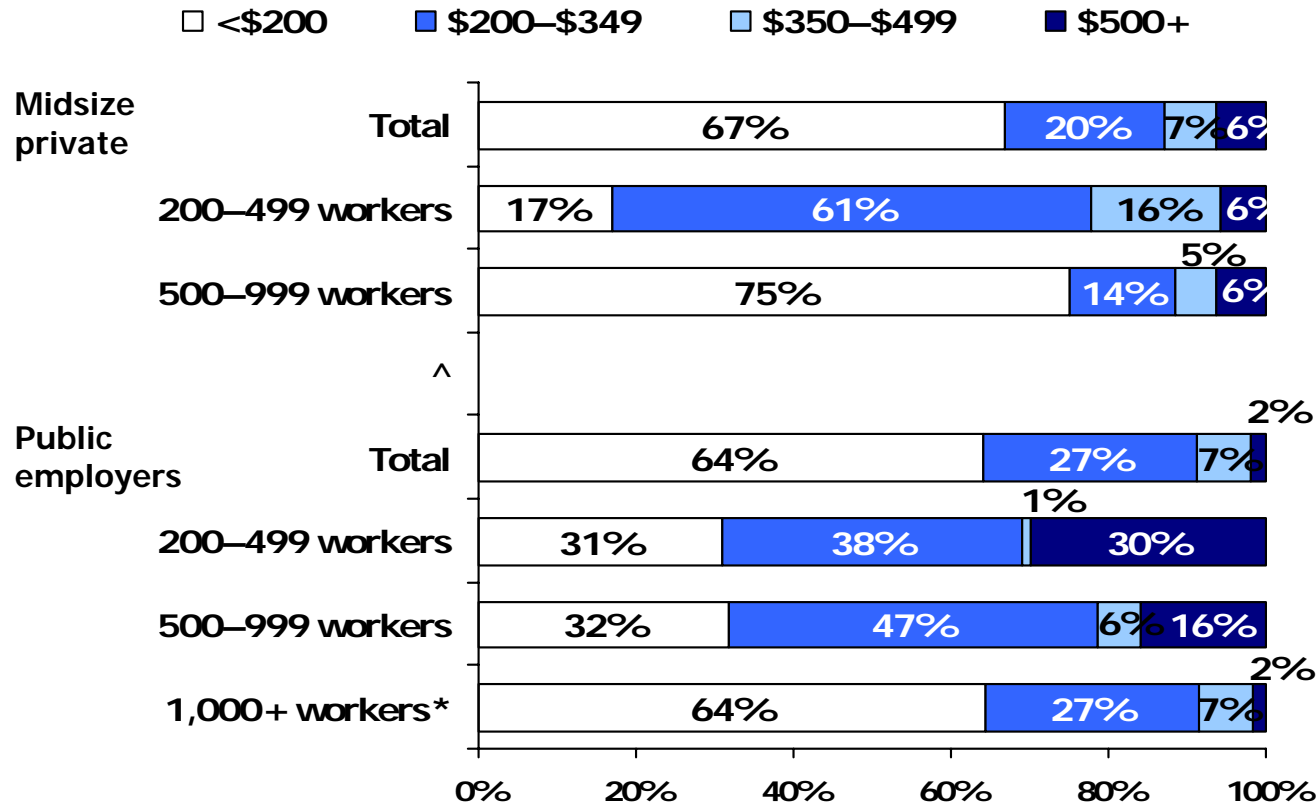
- Medicare-age retirees in midsize private firms paid an average of \$76 each month for their retiree health benefits, while retirees in the public sector paid an average of \$116 monthly for single coverage.

- Differences by firm size within the private and public categories were not significantly different.

^ No private firms of 1,000+ workers were surveyed.

\* Tests found no statistically different estimates from all other firms within private/public employers at  $p < 0.05$  level.

### Figure 13. Distribution of Medicare-Age Retirees with Various Deductibles for Single Coverage in Largest Health Plan, 2005



- Two-thirds of Medicare-age retirees in midsize private firms faced a deductible of less than \$200 for single coverage in 2005, similar to the 64% in the public sector.

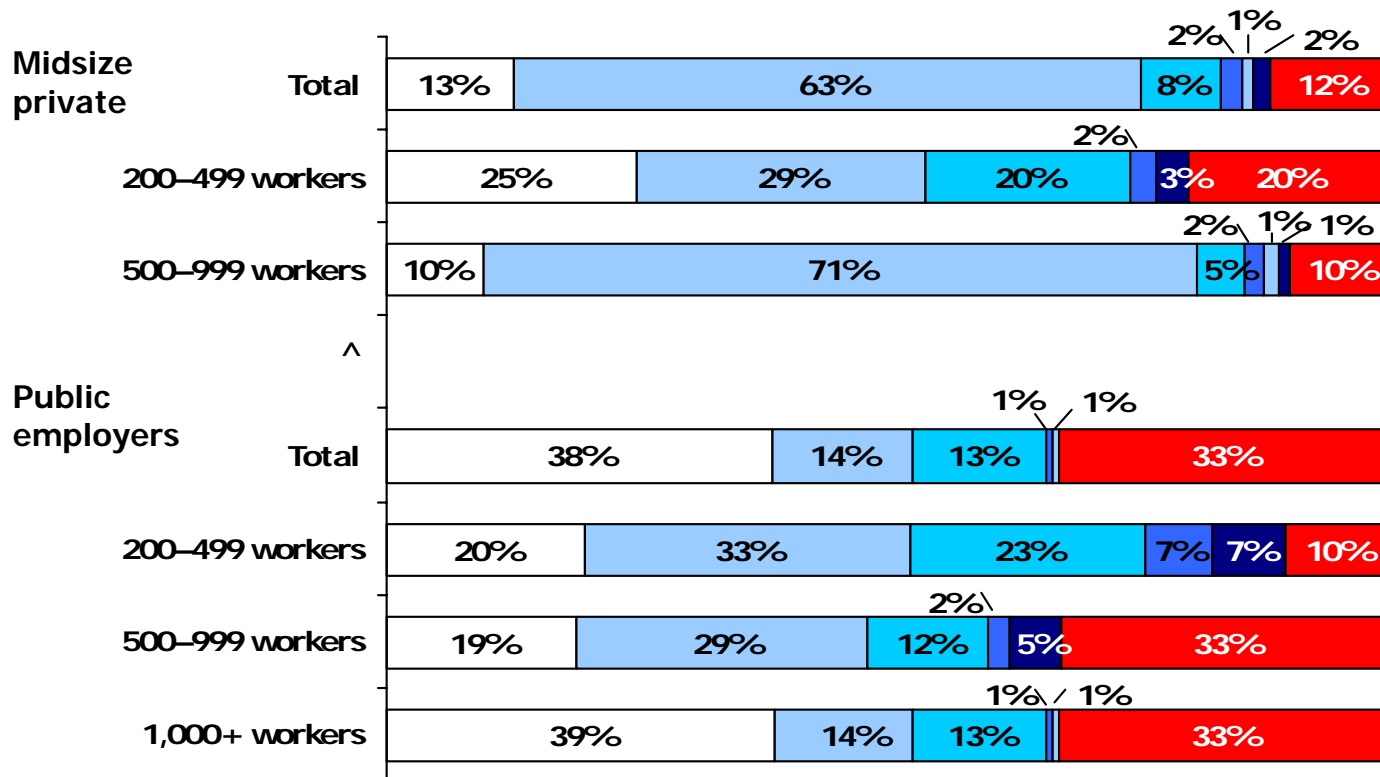
- Medicare-age retirees from the largest public employers (1,000+ workers) were significantly more likely to have smaller deductibles than were retirees from smaller public employers.

^ No private firms of 1,000+ workers were surveyed.

\* Distributions are statistically different from all other firms within private/public employers at  $p < 0.05$  level.

### Figure 14. Distribution of Medicare-Age Retirees with Various Annual Out-of-Pocket Limits in Largest Health Plan, Single Coverage, 2005\*

<=\$999     
  \$1,000–\$1,999     
  \$2,000–\$2,999     
  \$3,000–\$3,999  
 \$4,000–\$4,999     
  \$5,000+     
  No Limit



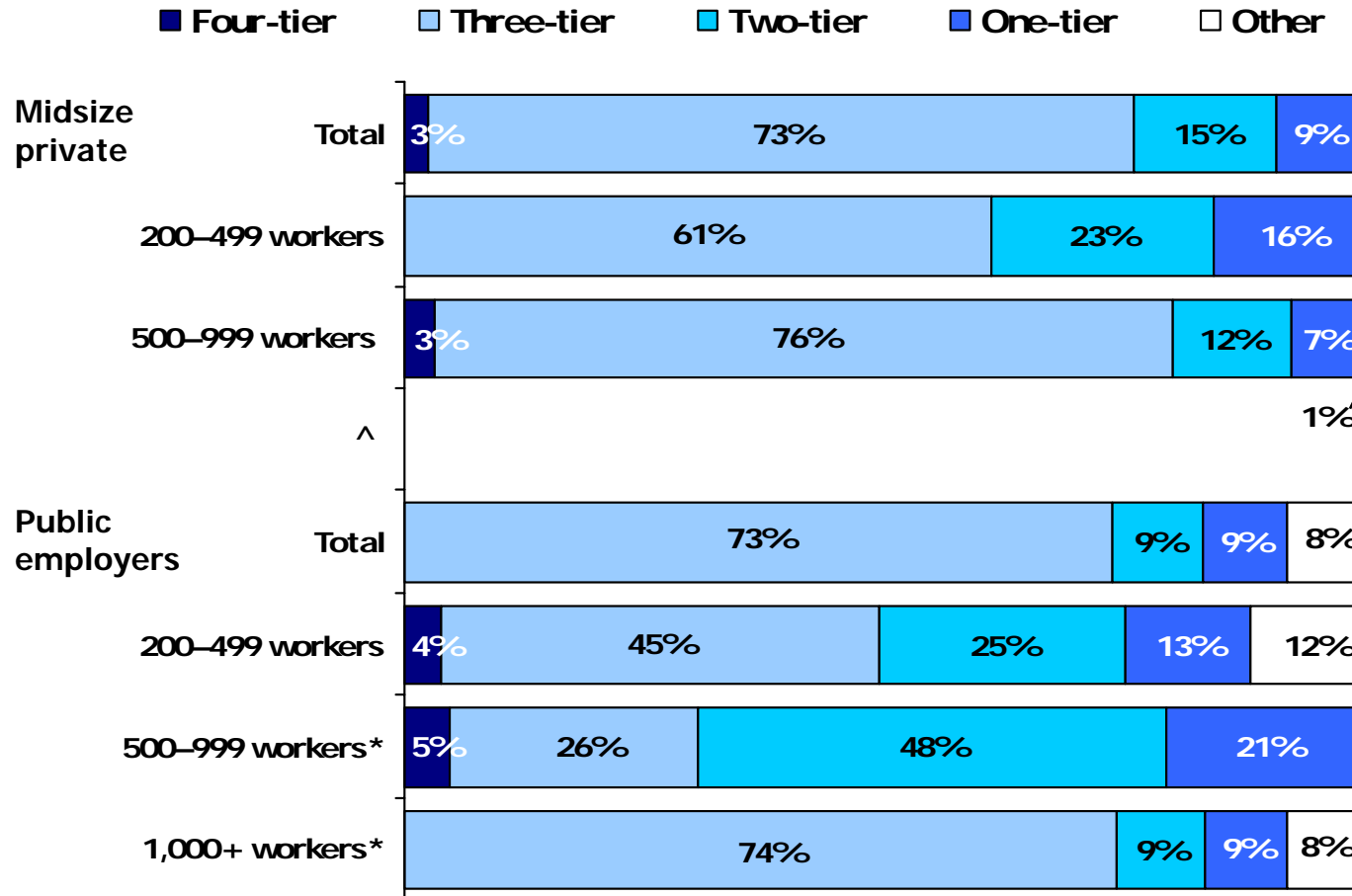
- The majority of Medicare-age retirees with single coverage in both public (67%) and midsize private (88%) firms had an annual out-of-pocket maximum in their health plans.

- Just 12% of Medicare-age retirees in midsize private firms had no limit on their annual out-of-pocket expenditures, while 33% of those from public employers had no limit.

^ No private firms of 1,000+ workers were surveyed.

\* Tests found no statistically different distributions from all other firms within private/public employers at p < 0.05 level.

### Figure 15. Distribution of Medicare-Age Retirees with Various Cost-Sharing Formulas for Prescription Drug Coverage in Largest Health Plan, 2005



- More than three-quarters of Medicare-age retirees in both public and midsize private firms faced three- or four-tiered cost-sharing for prescription drugs. Only 9% of these retirees faced one tier (that is, paid the same regardless of the type of drug chosen).

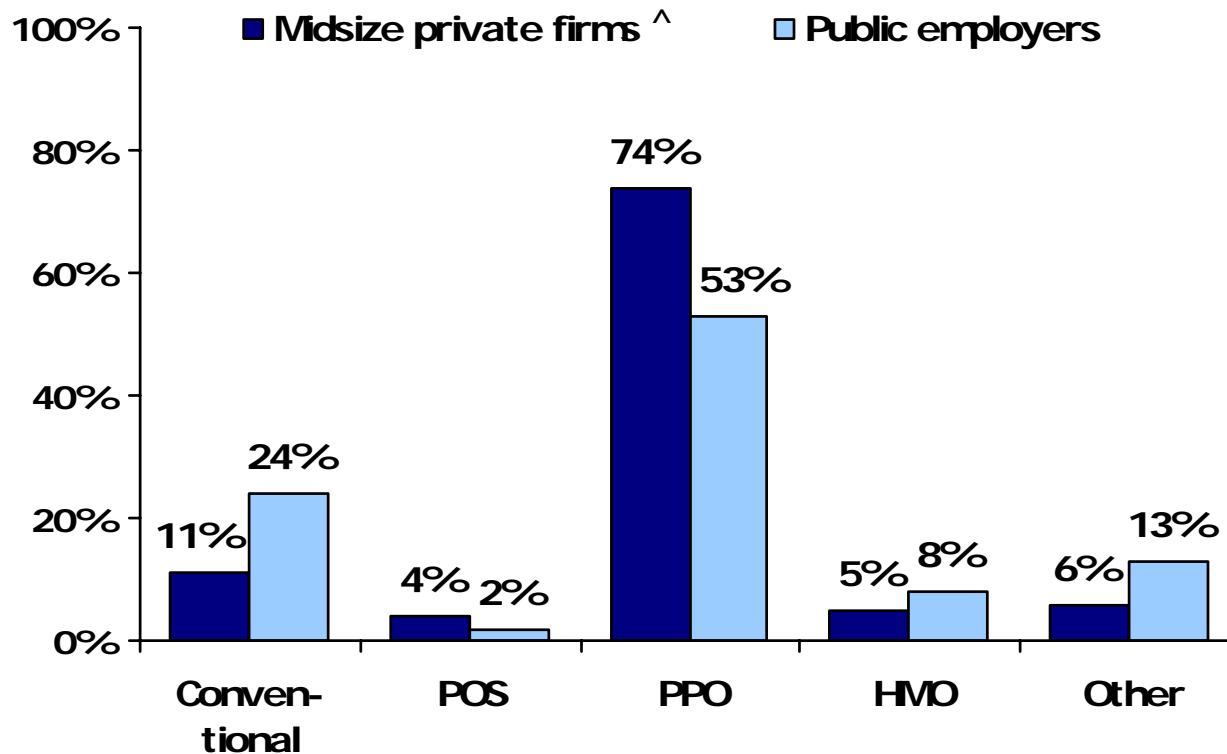
- Medicare-age retirees from the largest public employers (1,000+ workers) were more likely to have tiered cost-sharing than were retirees from smaller public employers.

^ No private firms of 1,000+ workers were surveyed.

\* Distributions are statistically different from all other firms within private/public employers at  $p < 0.05$  level.



**Figure 16. Type of Health Plan with the Largest Number of Medicare-Age Retirees Enrolled, 2005**



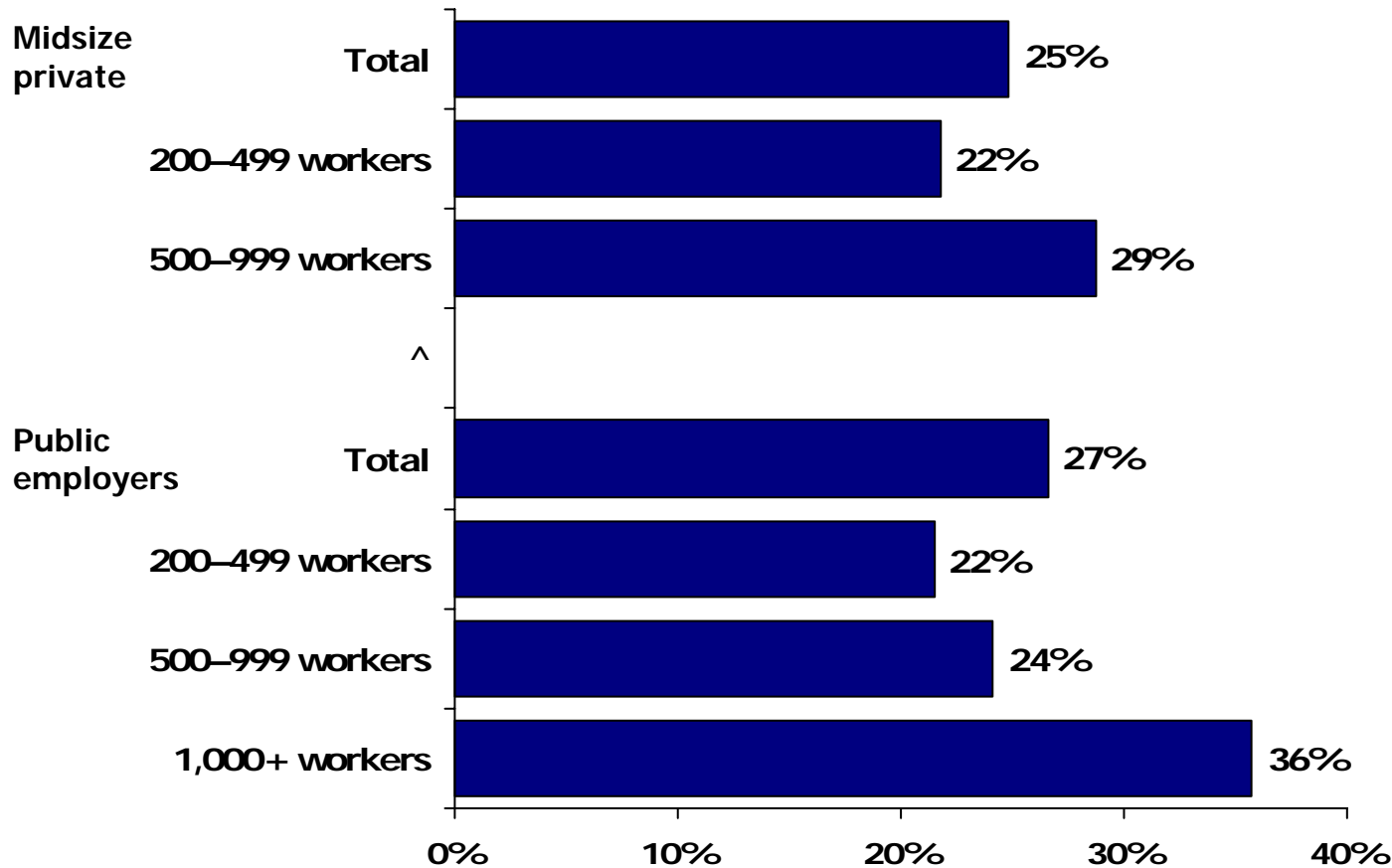
- Medicare-age retirees in midsize private firms were most likely to be enrolled in a PPO plan in 2005, at 74%. Conventional plans followed, at 11%.

- In contrast, just over half (53%) of Medicare-age retirees from public employers were enrolled in a PPO plan, while 24% were in conventional plans and 8% were in HMOs.

^ No private firms of 1,000+ workers were surveyed.

# **Past and Future Changes to Retiree Health Benefits**

### Figure 17. Percentage of Firms that Increased Retirees' Share of Premium over Last Two Years, 2005



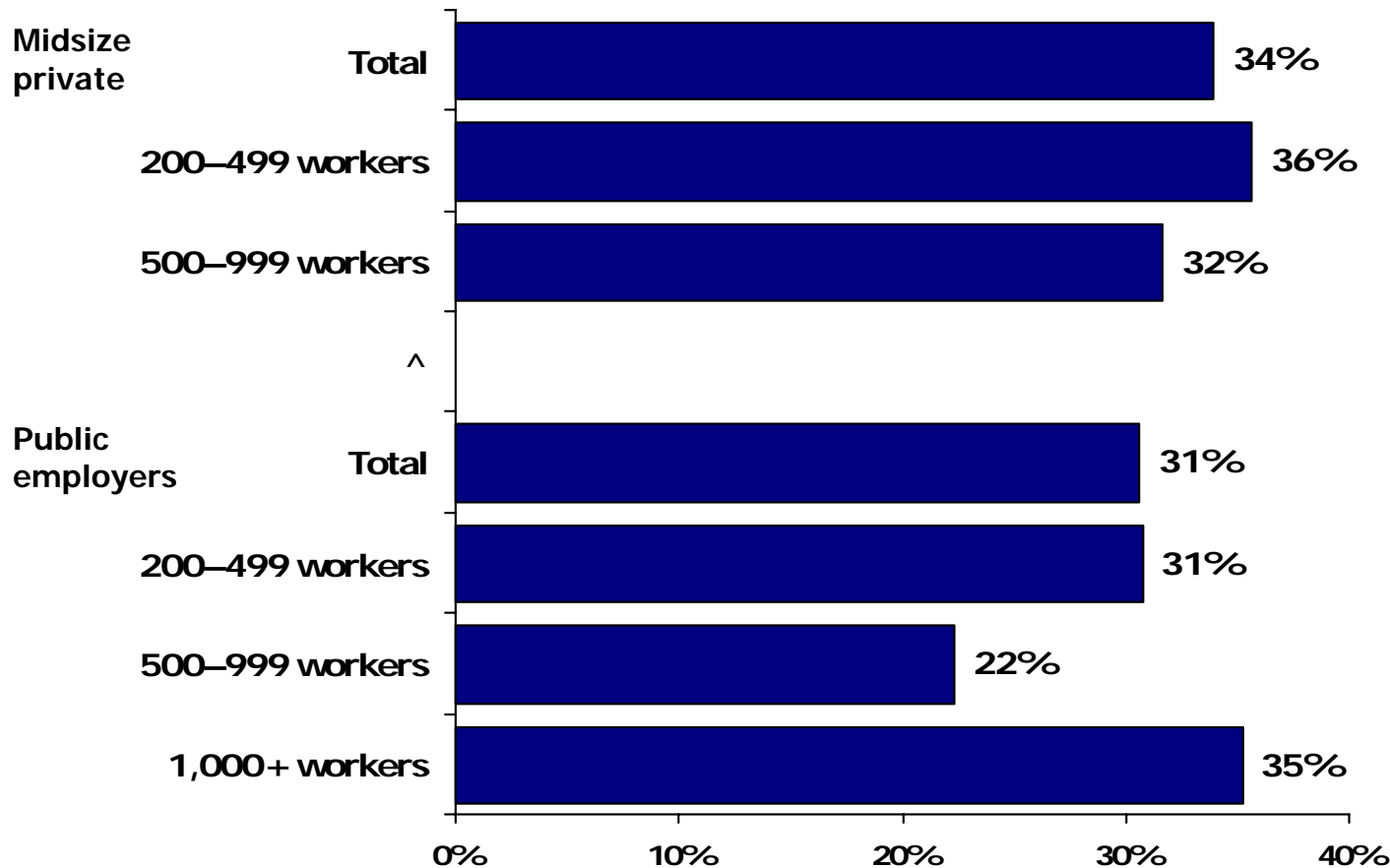
- During the last two years, 25% of midsize private firms and 27% of public employers increased the retirees' share of the premium.

- Large public firms (1,000+ workers) were more likely to increase retirees' share of the premium over the last two years (36%) than were public employers of smaller sizes.

^ No private firms of 1,000+ workers were surveyed.

\* Estimate is statistically different from all other firms within private/public employers at  $p < 0.05$  level.

**Figure 18. Percentage of Firms that Increased Retiree Cost-Sharing for Prescription Drugs over Last Two Years, 2005\***

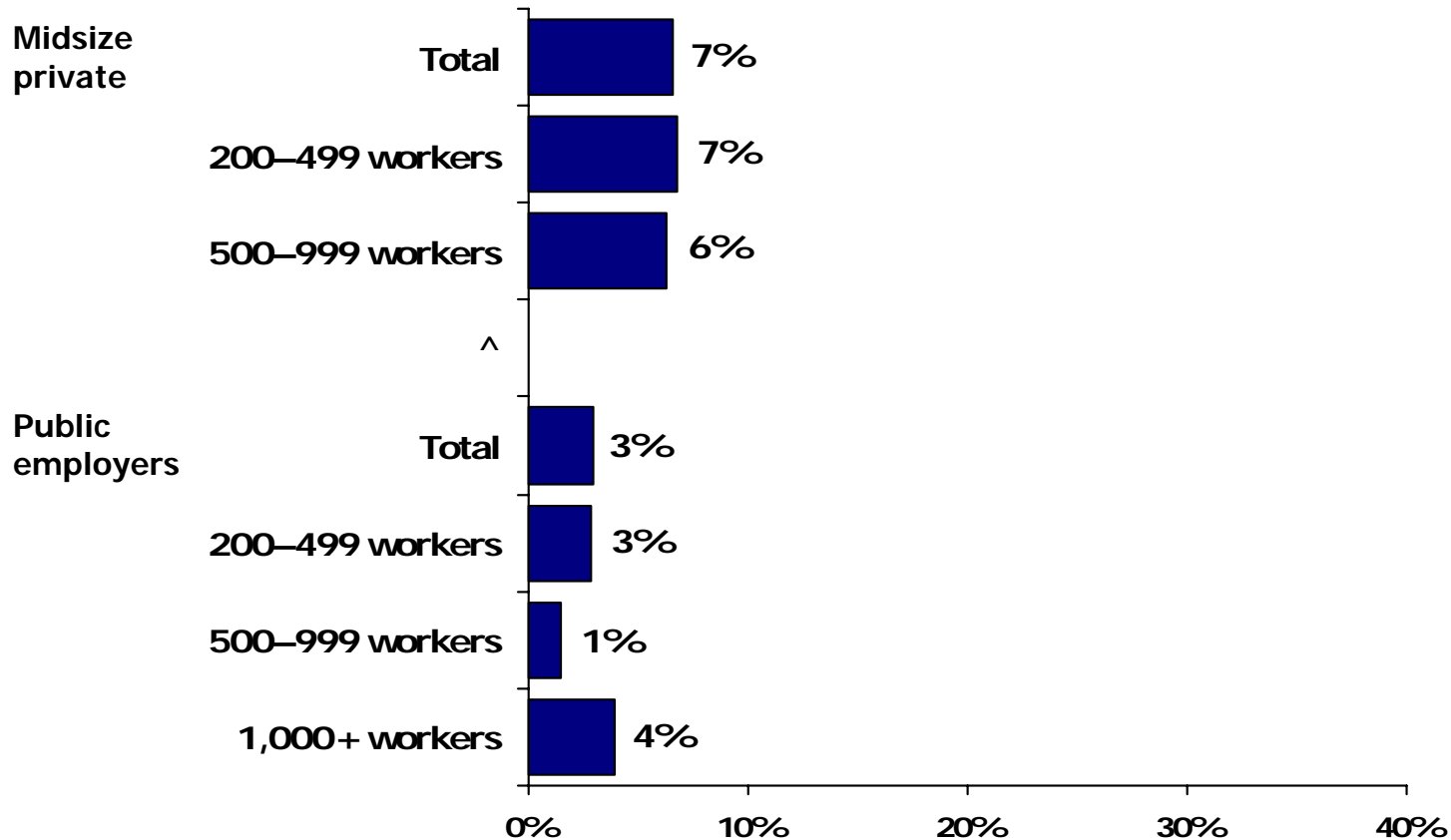


• Approximately 34% of midsize private firms and 31% of public employers increased retiree cost-sharing for prescription drugs over the last two years.

^ No private firms of 1,000+ workers were surveyed.

\* Tests found no statistically different estimates from all other firms within private/public employers at  $p < 0.05$  level.

**Figure 19. Percentage of Firms that Eliminated Retiree Health Benefits for New Employees over Last Two Years, 2005\***



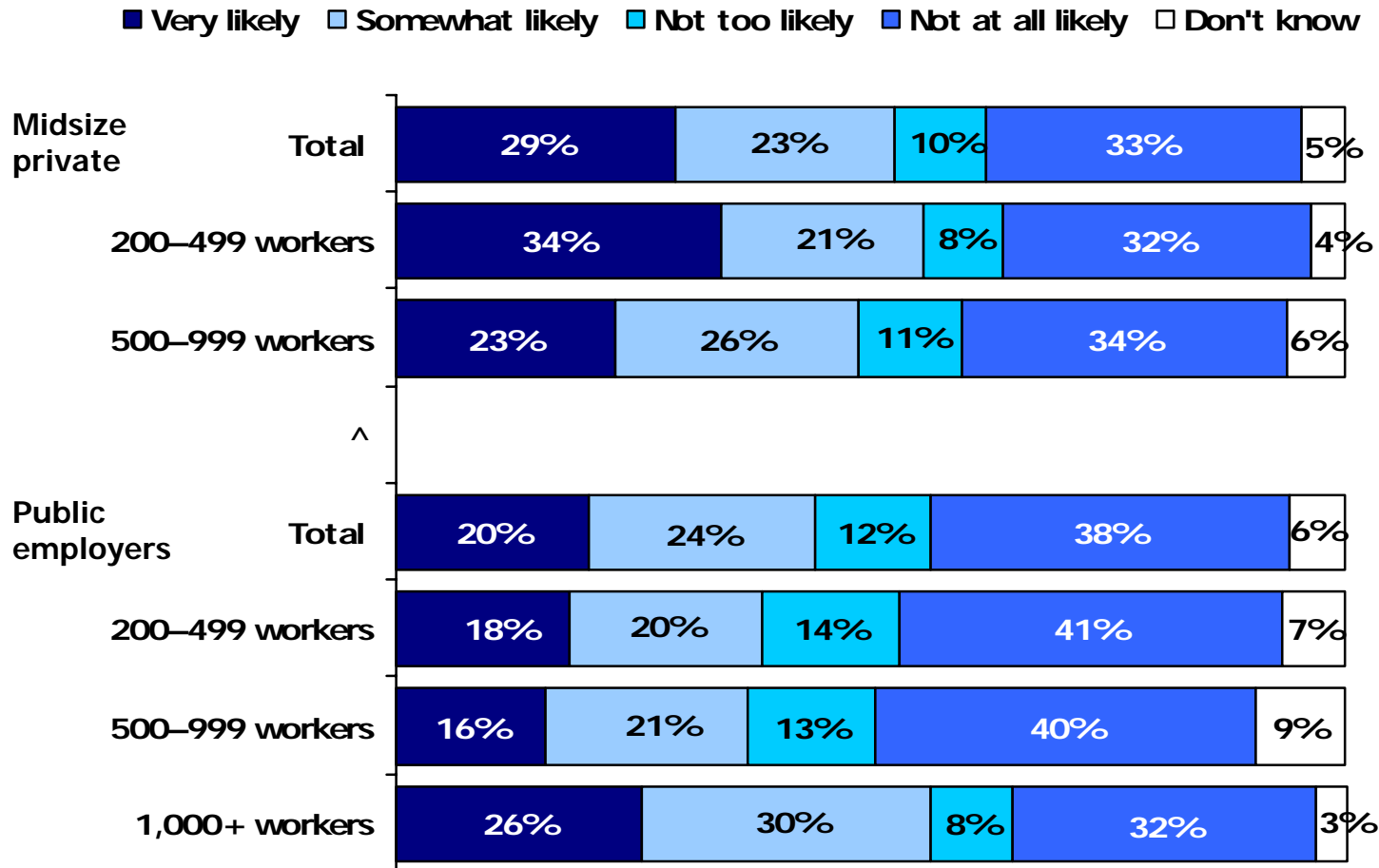
- 7% of midsize private firms eliminated retiree health benefits for new employees over the last two years.

- 3% of public employers eliminated retiree health benefits for new employees over the last two years.

^ No private firms of 1,000+ workers were surveyed.

\* Tests found no statistically different estimates from all other firms within private/public employers at  $p < 0.05$  level.

### Figure 20. Percentage of Firms Planning to Increase Retirees' Share of Premium in the Next Two Years, 2005\*



• 29% of midsize private firms and 20% of public employers said they are very likely to increase retirees' share of the premium over the next two years. Similar percentages reported they are somewhat likely to do so.

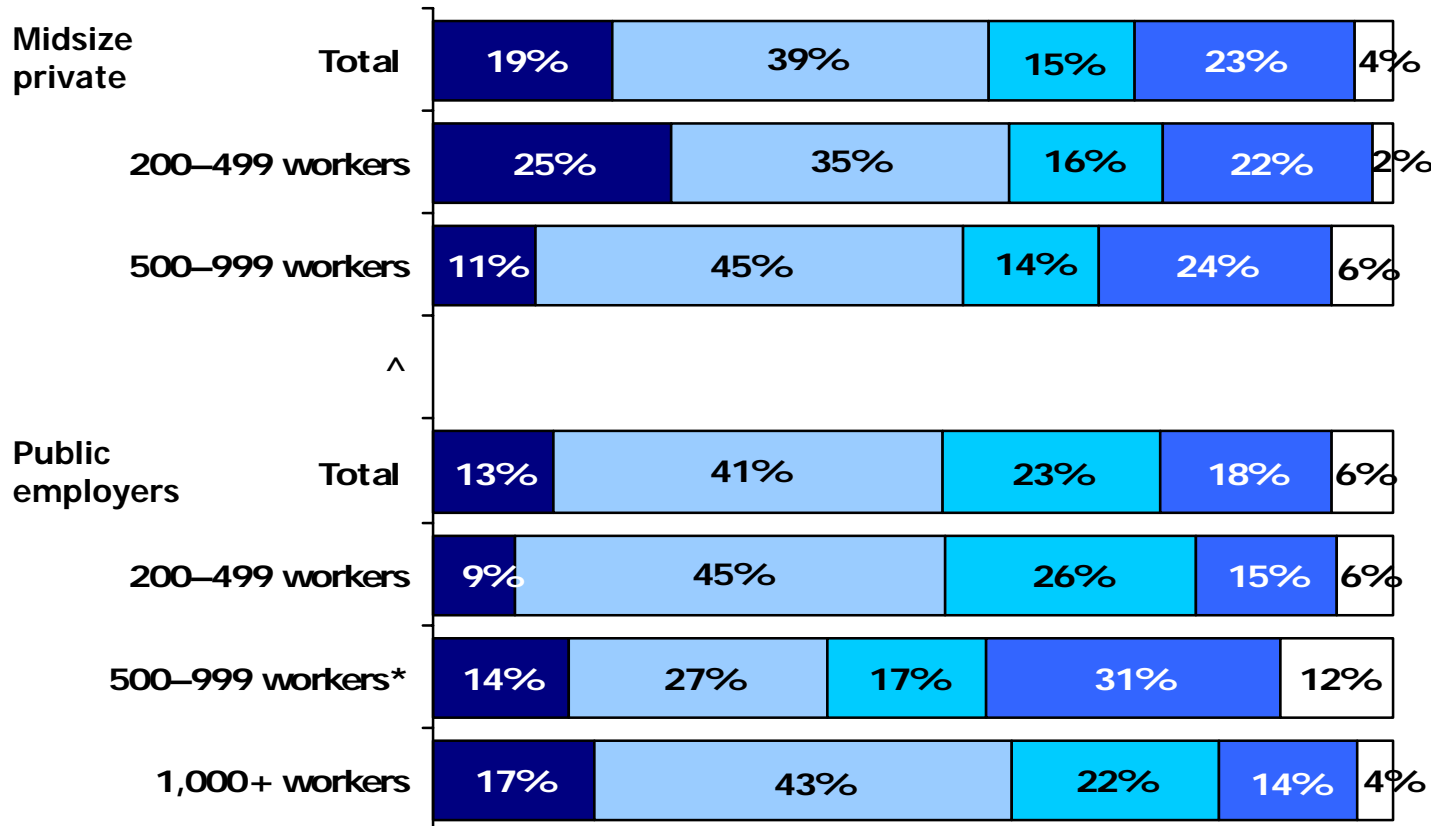
^ No private firms of 1,000+ workers were surveyed.

\* Tests found no statistically different distributions from all other firms within private/public employers at  $p < 0.05$  level.

Source: CMWF/NORC Survey of Retiree Health Benefits, 2005.

### Figure 21. Percentage of Firms Planning to Increase Retiree Cost-Sharing for Prescription Drugs in the Next Two Years, 2005

■ Very likely 
 ■ Somewhat likely 
 ■ Not too likely 
 ■ Not at all likely 
 ■ Don't know



- As with cost-sharing for office visits, smaller percentages of firms reported they are very likely to increase retirees' cost-sharing for prescription drugs over the next two years—19% of midsize private firms and 13% of public employers.

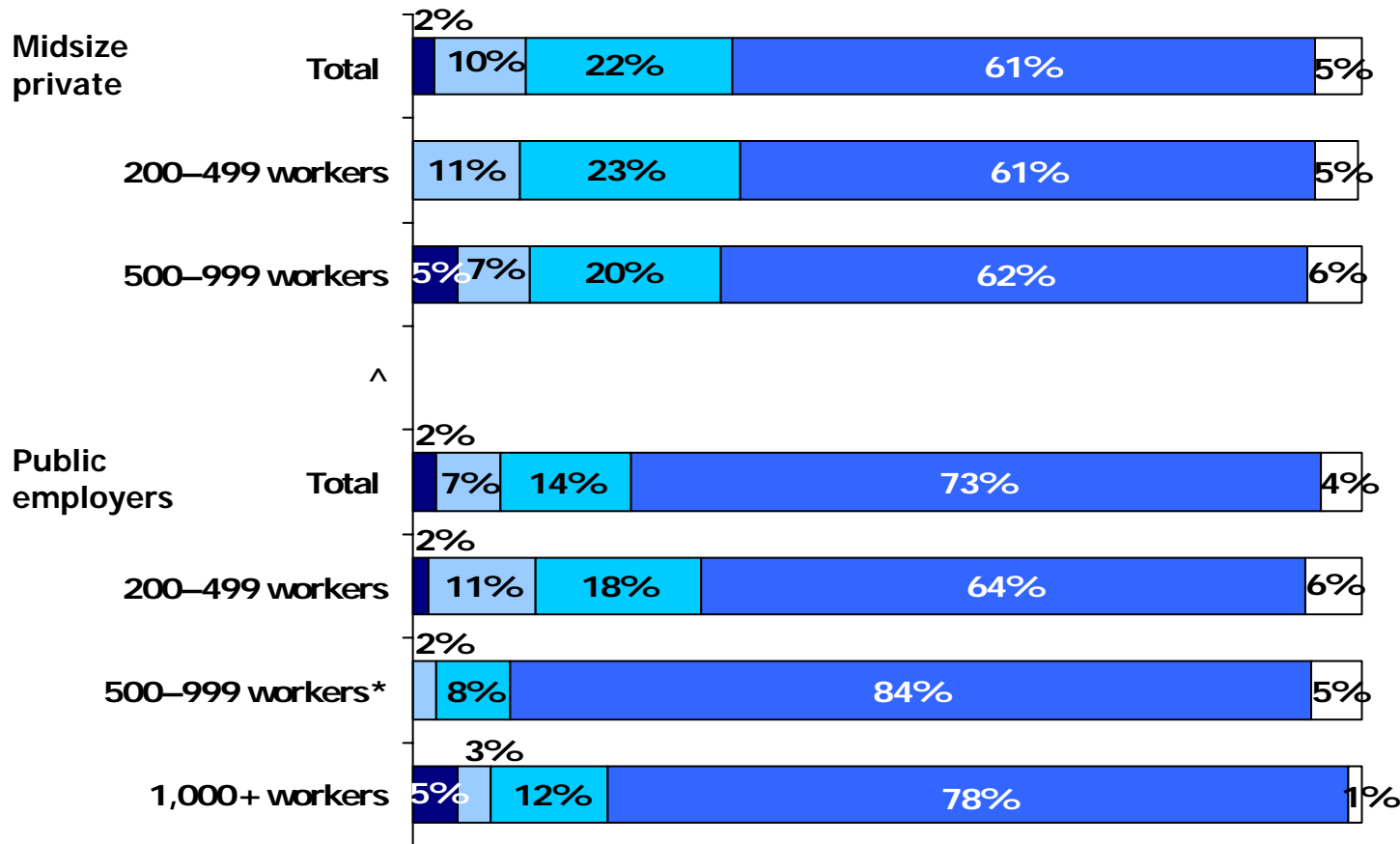
- Compared with all other public employers, those with 500–999 workers are least likely to increase cost-sharing for prescription drugs.

^ No private firms of 1,000+ workers were surveyed.

\* Distributions are statistically different from all other firms within private/public employers at  $p < 0.05$  level.

### Figure 22. Percentage of Firms Planning to Eliminate Retiree Health Benefits for New Employees in the Next Two Years, 2005

■ Very likely 
 ■ Somewhat likely 
 ■ Not too likely 
 ■ Not at all likely 
 □ Don't know



- Very small percentages of both midsize private and public employers (2%) reported they are very likely to eliminate retiree health benefits for new employees during the next two years.

- Public employers with 500-999 workers are least likely to eliminate retiree health benefits for new employees.

^ No private firms of 1,000+ workers were surveyed.

\* Distributions are statistically different from all other firms within private/public employers at  $p < 0.05$  level.

Source: CMWF/NORC Survey of Retiree Health Benefits,

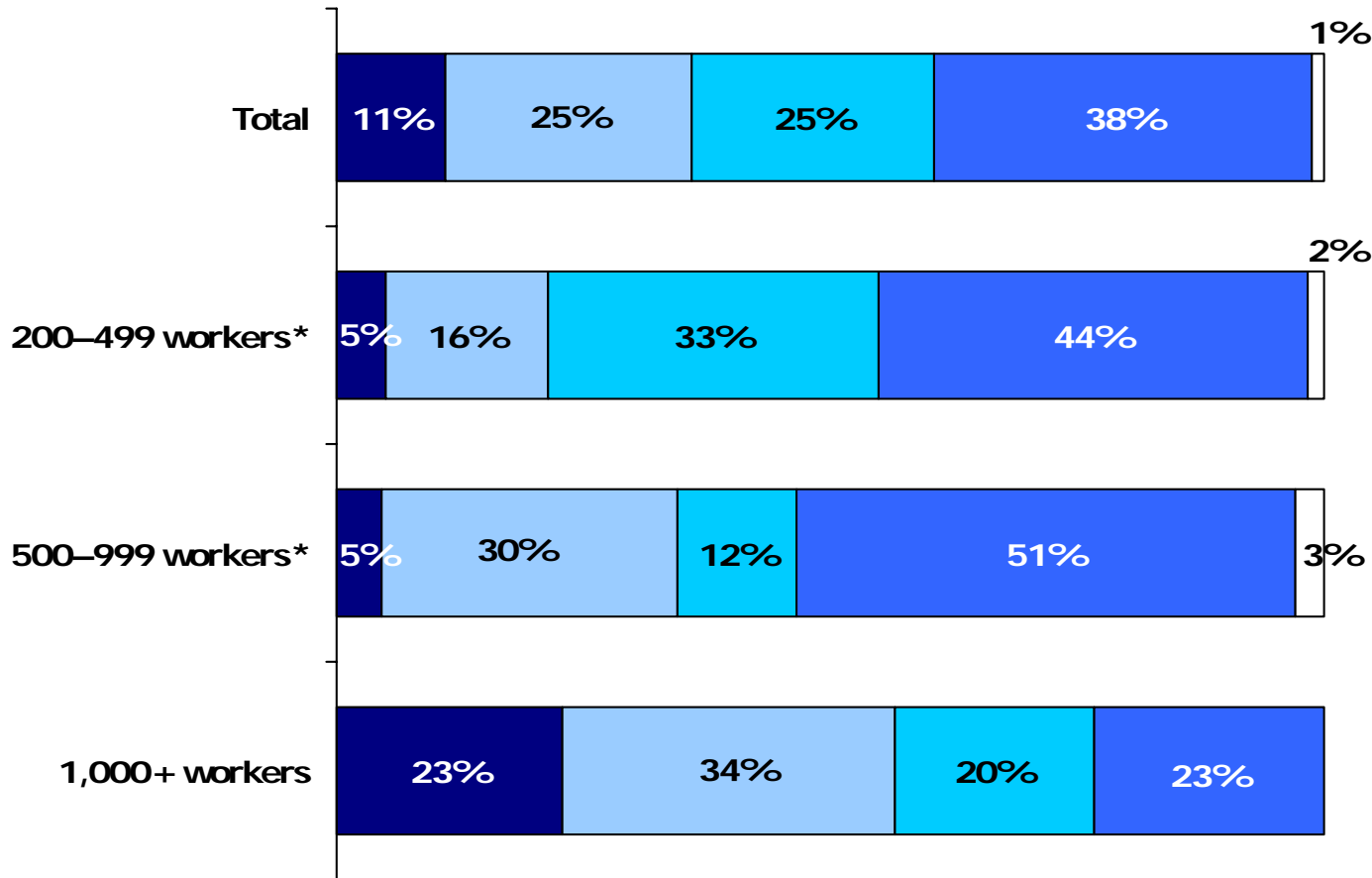
2005.



# **Governmental Accounting Standards Board (GASB) Regulations**

### Figure 23. Percentage of Public Employers Familiar with GASB Regulations, 2005

■ Very familiar □ Somewhat familiar ■ Not too familiar ■ Not at all familiar □ Don't know

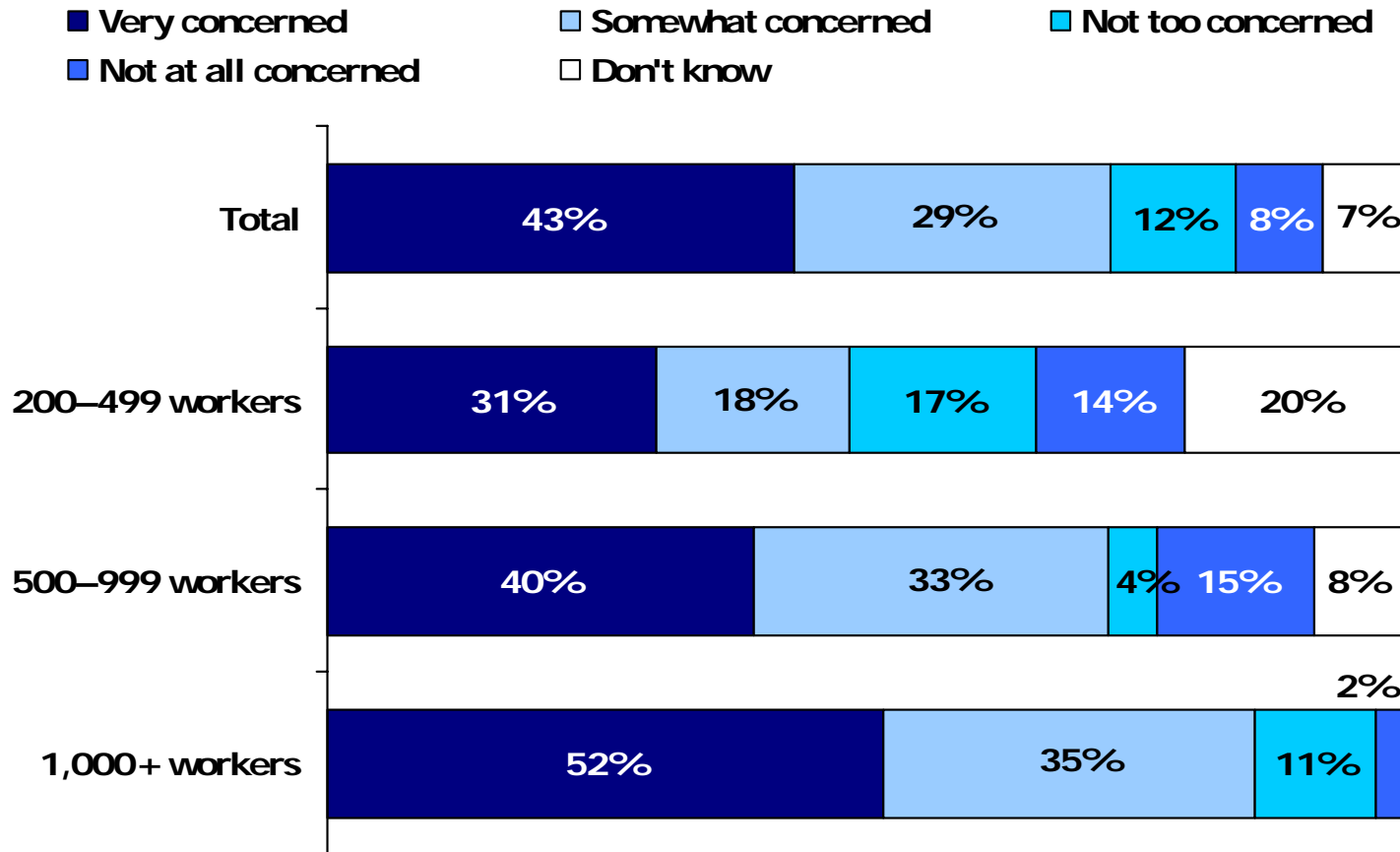


- The Government Accounting Standards Board (GASB) regulations require governments to estimate the cost of retiree coverage on an accrual rather than a pay-as-you-go basis, and went into effect in December 2006.

- Compared with smaller public employers, benefits managers in the largest public employers (1,000+ workers) are the most familiar with the new GASB regulations.

\* Distributions are statistically different from all other firms within public employers at  $p < 0.05$  level.

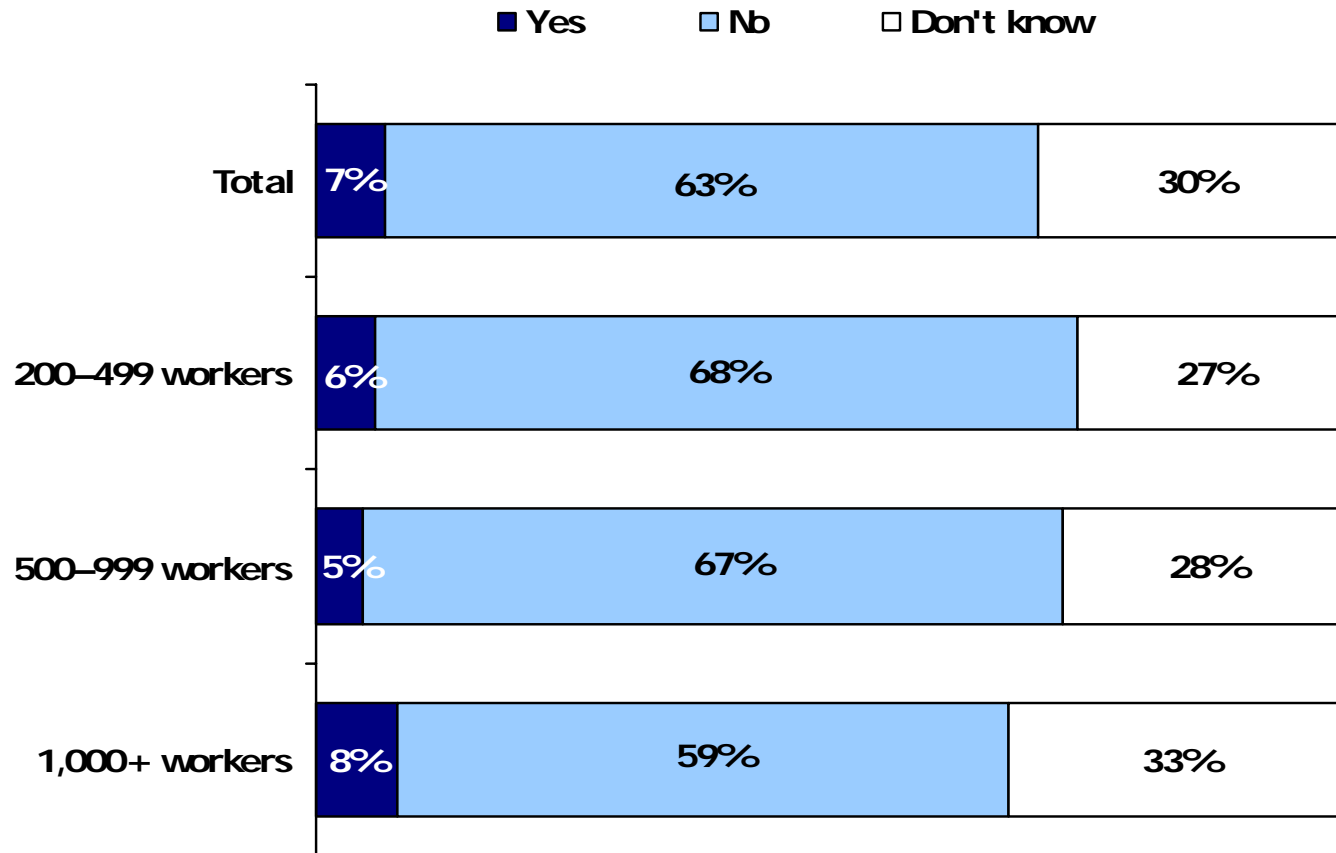
### Figure 24. Among Employers Familiar with GASB Regulations, Percentage of Public Employers Concerned About Financial Impact of Complying with Regulations, 2005



• Benefits managers with public employers were quite concerned about the potential financial impact of complying with the GASB regulations, with 43% very concerned and 29% somewhat concerned.

\* Tests found no statistically different distributions from all other firms within public employers at  $p < 0.05$  level.

**Figure 25. Among Employers Familiar with GASB Regulations, Percentage of Public Employers that Plan to Reduce Financial Contribution to Retiree Health Benefits in Response to Regulations, 2005\***



- As of late 2005, only 7% of public employers familiar with the GASB regulations said they planned to reduce their financial contribution to retiree health benefits because of the new regulations.

- However, nearly one-third of public employers reported they had not yet made a decision.

\* Tests found no statistically different distributions from all other firms within public employers at  $p < 0.05$  level.

# Methods

The Survey of Retiree Health Benefits is a joint product of The Commonwealth Fund (CMWF) and the National Opinion Research Center (NORC). The survey was designed and analyzed by researchers at NORC, and administered by National Research LLC (NR). The findings are based on a random sample of 578 interviews with employee benefit managers in select public and private firms that offer retiree health benefits. NR conducted interviews from October through December 2005. The sample was drawn from the Dun & Bradstreet list of employers and was designed to analyze public firms with 200 or more workers and private firms with 200 to 999 workers. The margin of error for responses among public employers (n=270) is +/- 6.0% and among private employers (n=308) is +/- 5.6%. The response rate was 27% for the entire survey.

This survey instrument was jointly developed by researchers at NORC and CMWF. This survey asked questions about retiree health benefits offered to Medicare-age retirees and/or early retirees, how firms responded to the Medicare Part D prescription drug benefit, Government Accounting Standards Board regulations, and past and future changes to retiree health benefits.

Many variables with missing information were identified as needing complete information within the database. To control for item non-response bias, missing values within these variables were imputed using either a distributional approach (continuous variables) or a hot-deck approach (categorical variables). Calculation of the employer weight follows a common approach. First, the basic weight is determined, followed by a survey non-response adjustment. Finally, a post-stratification adjustment is applied. Retiree weights are calculated as the product of the employer weight and the number of retirees—Medicare-eligible or early retirees—in the firm.

Certain figures on offer rates provide results by three subgroups:

- Firm Size: All Small (3–199 employees); All Large (200+ employees)
- Wage Level: Higher Wage (fewer than 35% of firm's employees earn <\$20,000 per year); Lower Wage (35% or more of firm's employees earn <\$20,000 per year)
- Union Status: Union (firm has at least some union workers); Non-Union (firm has no union workers)

All statistical tests in this chartbook compare subcategories within either public firms (e.g., 200–499 workers vs. 500+ workers; 500–999 workers vs. 200–499 workers, 1,000+ workers; and 1,000+ workers vs. 200–999 workers) or private firms (e.g., 200–499 workers vs. 500–999 workers). Tests include t-tests and chi-square tests and significance was determined at the  $p < 0.05$  level. Because of the complex nature of the design, standard errors are calculated in SUDAAN.

Some exhibits do not sum to 100 percent because of rounding.