AARP Opposes Raising the Age of Eligibility for Medicare

Background

Some policymakers have proposed increasing the age of eligibility for Medicare to age 67. Most proposals would phase in this policy over a period of years, beginning in 2014, when the Exchanges enacted as part of the Affordable Care Act are scheduled to be fully implemented.

Under the Social Security Amendments Act of 1983, the normal retirement age for Social Security was set to increase from 65 to 67 in gradual increments, while the early retirement age of 62 for eligibility for reduced benefits was maintained. The normal retirement age for workers born in or after 1960 was gradually increased to 67 over several decades, in part to reflect increased life expectancy. Supporters of increasing the age of eligibility for Medicare argue that raising the age for Medicare is consistent with Social Security and would help save the program money.

AARP Position

Increasing the age of eligibility for Medicare shifts increased costs onto beneficiaries and other payers of health care, and would lead to other unintended consequences.

- **Increasing the age of eligibility for Medicare risks cost-shifts to beneficiaries.** According to a recent Kaiser Family Foundation report, if fully implemented in 2014, net increases in out-of-pocket spending for 65 and 66 year olds would be $3.7 billion. Approximately two-thirds of 65 and 66 year olds would pay more out-of-pocket, with an average increase of $2,200 per year.

- **Older Americans pay more for their health insurance than younger Americans.** Even if health insurance is available, older Americans often pay several times what it costs to insure younger people. Thus, older Americans frequently go without health insurance.
  - The health insurance Exchanges, scheduled to be up and running by 2014, would provide these individuals with access to health insurance. However, premiums are age rated, and seniors would pay three times the cost (3:1 age rating is permitted in the Exchanges) prior to their entry into the Medicare program.
  - If Exchanges are not fully implemented by 2014, more older Americans aged 65 and 66 will not have access to affordable health insurance, if they can obtain it at all. Many could forego and/or postpone necessary medical services and, in doing so, increase their likelihood of being sicker by the time they enter the Medicare program (thus increasing Medicare costs).

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• **Moving 65 and 66 year olds from a guaranteed benefit to the private market would result in more people uninsured.** The Congressional Budget Office\(^2\) estimates that 5 percent would end up without insurance as a result of not having access to Medicare.

• **Even after the health insurance Exchanges are fully implemented in 2014, many individuals, unable to afford their health insurance, will likely rely on Medicaid or subsidies.** Approximately one third of the 65 and 66 year olds will qualify for Medicaid or the health insurance subsidies (provided to low-income individuals to help them afford their health insurance premiums). Increasing the age of eligibility for Medicare would increase government spending in Medicaid and the health insurance Exchanges, offsetting potential savings.

• **Increasing the age of eligibility for Medicare would increase Part B and D premiums for all Medicare beneficiaries.** Increasing the age of eligibility means that the overall remaining Medicare population would be an older, less healthy, more costly population. According to the Kaiser Family Foundation research, were this policy to be adopted for a single year (2014), Medicare Part B and D premiums would increase for all remaining beneficiaries by approximately 3 percent.

• **Increasing the age of eligibility shifts more cost to employers.** More and more individuals are postponing retirement and are choosing to stay in the workforce longer, in order to afford or access health care. If the age of eligibility for Medicare were increased, employers who offer their employees health insurance would find their costs increased, as workers delayed retirement. According to Kaiser Family Foundation research, in 2014 alone employers would spend an additional $4.5 billion on health care costs for picking up coverage for more older workers.

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2 Congressional Budget Office, *Raising the Age of Eligibility for Medicare and Social Security*, January 2012

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