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Active and retired public employees' health insurance: Potential data sources

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ABSTRACT

Employer-provided health insurance for public sector workers is a significant public policy issue. Underfunding and the growing costs of benefits may hinder the fiscal solvency of state and local governments. Findings from the private sector may not be applicable because many public sector workers are covered by union contracts or salary schedules and often benefit modifications require changes in legislation. Research has been limited by the difficulty in obtaining sufficiently large and representative data on public sector employees. This article highlights data sources researchers might utilize to investigate topics concerning health insurance for active and retired public sector employees.

In July 2013, public workers, including state, local, and federal government employees, accounted for about 15 percent of the U.S. non-farm labor force.[1] Clemens and Cutler (2014) estimated that state and local governments spent $117 billion on health insurance in 2010 alone. Health insurance represented about 12.2 percent of the total compensation cost for state and local government workers in June 2013.[2] Underfunding and growing costs of benefits have implications for public policy and the fiscal solvency of state and local governments. Furthermore, findings from the private sector may not be directly relevant in the public sector because many public sector workers are covered by union contracts or fixed salary schedules and often benefit modifications require changes in legislation. Thus, from both an academic and a policy perspective, understanding health care costs and health insurance in the context of public sector workers is of paramount importance.

There are many important questions associated with employer-provided health insurance and retiree health insurance for public sector workers. For example, we might wish to know what a given state or local employer spends on providing health insurance benefits to active and/or retired employees. Is the cost of health insurance and/or retiree health insurance passed on to workers? How do the benefits affect employee behavior? How will the Affordable Care Act affect state and local governments' employee health insurance provision? While articles referenced herein attempt to address some of these research questions, much is still not known about this expensive and potentially important employee benefit in the public sector. One reason that these topics are relatively understudied is that it is difficult to obtain sufficiently large and representative data focusing on public sector employees. This article outlines some potential data sources that interested researchers might utilize to investigate topics concerning employer-provided health insurance for active and retired public sector employees.

1. Nationally representative individual-level data

Many commonly used, nationally representative, individual-level datasets allow for the identification of public sector employees. To be a useful data source for studying health benefits in the public sector, a dataset should contain some information on health insurance coverage, earnings/wages, employment status, and sector of employment. While it is not uncommon to observe health insurance coverage, it is relatively rare for a dataset to include information on the parameters and generosity of an employee's health plan. However, if we observe that an individual is an employee of a state government and we know that employee's state of residence, we can match publicly available information about health insurance offerings to the survey or administrative

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[1] See Bureau of Labor Statistics, Current Employment Statistics, http://www.bls.gov/web/empsit/ceseeb1b.htm [accessed October 29, 2013].

[2] See Bureau of Labor Statistics, Economic News Release, http://www.bls.gov/news.release/ecec.t04.htm, [accessed October 29, 2013].

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data. Thus, it is particularly useful if a nationally representative dataset includes state of residence or other geographic identifiers.[3]

In this section, we outline several data sources that separately identify federal, state, and local government employees.[4] This is not an exhaustive list but attempts to cover the largest and most prominent datasets. As a basis of comparison, Table 1 presents a description of data availability for health insurance, health status, and geography. The table then presents sample sizes for a sample of full-time, currently employed federal, state, and local government workers.[5] First, counts are presented for workers ages 18–64; then, counts are presented separately for federal, state, and local workers between ages 50 and 64.

1.1. Health and Retirement Study

By far the most common survey for studying older workers and retirees is the Health and Retirement Study (HRS).[6] The HRS is a panel dataset that began in 1992. The 2010 data release includes ten waves of data and five entry cohorts.[7] The most important advantage of the HRS is the wealth of detail available both from the respondent and from merged employer data in some years. In addition, the panel nature allows one to study past employment (e.g., Shoven and Slavov, 2014). The more recent years of data separately identify federal, state, and local government workers.[8] In these data, health insurance coverage, health costs, and health status are all observed over time. However, geographic information in more detail than Census region is only available in a restricted-access version of the dataset.

As illustrated in Table 1, the most significant limitation of the HRS is the small sample size. Using the 2010 data release, which includes all respondents and their spouses from all cohorts that were still alive at the time of the survey, only 1049 observations out of the 4863 full-time, currently employed individuals are public sector employees. When we further restrict the sample to those between the ages of 50–64, the sample size is only 954 workers.

The HRS is particularly useful when a researcher requires detailed information on wealth/assets or health and health behaviors. For example, Clark and Mitchell (2014) consider how access to and generosity of health insurance affects retirement savings. In another example of how the HRS might be used to study health insurance and public sector employees, Shoven and Slavov (2014) consider how the availability of employer-provided health insurance and retiree health insurance affects retirement behavior.

1.2. Survey of Income and Program Participation

The Survey of Income and Program Participation (SIPP) is a large, nationally representative dataset collected by the Census Bureau since 1984 with extensive information on sources of income.[9] The sample design includes short panels (between two and four years), with new samples drawn every four years (prior to 1996 new panels began every year). The panels range in size from 14,000 to 36,700 and are each nationally representative. The SIPP data identify separately individuals employed in the private sector (for profit versus non-profit) and local, state, or federal government employees.

The SIPP includes topical modules that are fielded in various waves for some panels. The Medical Expenses/Utilization of Health Care module includes health status and some measures of medical services utilization. Another topical module includes information on Employer Provided Health Benefits. Also particularly relevant may be the Retirement and Pension Plan Coverage module, which even includes data on work interruptions for family care. The panel structure allows for the data included in the topical modules to be merged across waves, so that one can construct a dataset that looks at employment transitions within one panel or information from multiple waves of one panel may be collapsed and used as a detailed cross-section.[10]

Besides the wealth of detail available in the topical modules, a real benefit of the SIPP is the large sample size combined with a panel structure (albeit for only 2.5 years in more recent panels). For Table 1, we include statistics only for the 2008 Panel, Wave 1. Thus, if one wanted to include all available panels the sample size would be substantially larger. The total number of full-time federal, state, or local government employees in the 2008 Panel is approximately 23,325. When restricting to only workers nearing retirement, ages 50–64, the total sample of public sector workers is 8623. Thus, in only one panel the sample size is nearly ten times that of the more commonly used HRS.

1.3. Current Population Survey

The Current Population Survey (CPS) is sponsored jointly by the U.S. Census Bureau and the U.S. Bureau of Labor Statistics.[11] Each sample is about 60,000 households who are surveyed each month for 4 months, then out of the sample for 8 months, and then back in the survey for 4 months. The monthly data are used by the BLS to provide labor force statistics, such as the unemployment rate. There are supplements in several of the months.[12] The most commonly used supplement for labor economics research is the Annual Social and Economic Supplement conducted in March. One particular advantage of the March CPS is the inclusion of a measure of the employer's contribution toward the employee's health insurance. Since 1996 the data also include a five-point health status scale. In addition, the 2010 CPS includes a new set of questions on medical out-of-pocket expenses. Table 1 presents statistics for the

[3] For example, one might use the classifications of retiree health insurance percent of the premium paid available in GAO (2007), data found in actuarial reports, or data available on state websites. While theoretically one might do a similar matching on county for local government employees, no systematic data exist on county and city health plans. Moreover, as state and local health plans may differ, it may be difficult to assign a survey respondent to the correct health plan information once collected. For example, in North Carolina teachers are state government employees and part of the State Health Plan, but might erroneously report on a survey being a local employee.

[4] The U.S. Census Bureau provides several data sources that contain health information, as summarized at: http://www.census.gov/sdc/healthstats_JCD.pdf [accessed October 29, 2013]. Census Bureau data typically includes a variable on "class of worker" which identifies the sector of employment.

[5] When possible, we define "full time" as working at least 40 weeks per year, at least 35 hours per week, and currently working for pay.

[6] For information on accessing these data see: http://hrsonline.isr.umich.edu/ [accessed October 29, 2013].

[7] The entry cohorts are 1992 HRS cohort; the 1993 Study of Assets and Health Dynamics (AHEAD) cohort; the 1998 Children of Depression cohort; the 1998 War Babies cohort; and the 2004 Early Baby Boomer cohort.

[8] The 2006, 2008, and 2010 waves separately identify state or local workers, while previous waves grouped them together. See the data appendix of Clark and Mitchell (2013) for a methodology for separately identifying state and local workers using the RAND version of the HRS.

[9] For more information and to access the SIPP, see: http://www.census.gov/sipp/ [accessed October 29, 2013].

[10] Perhaps more so than the other datasets considered here, the SIPP panels have suffered from attrition problems. Although I know of no studies examining this issue in particular, it is possible that attrition problems are particularly problematic when studying life transitions between waves, such as retirements.

[11] For information and access to the CPS, see: http://www.census.gov/cps/ [accessed October 29, 2013].

[12] For information on available supplements, see: http://www.census.gov/cps/about/supplemental.html [accessed October 29, 2013].