



## Explainer

# California's Population Aged 65 Years and Older

November 2022

### Introduction

This California Health Benefits Review Program (CHBRP) explainer provides an overview of the population aged 65 and older in California, including sources of health insurance, demographic information, and how legislation and regulations may impact insurance coverage for this population.<sup>1</sup>

### Health Care Coverage for Older Californians

Californians aged 65 years and older comprise the state's fastest growing age group, although nationally it is the age group of residents 85 years and older (ACL, 2022). In 2021, there were nearly 6 million adults aged 65 and older residing in California (US Census Bureau, 2021a), representing roughly 15% of the state's total population. The California Department of Finance projects this population to grow to over 8.7 million by 2030, or roughly 20% of the state's total (DOF, 2019). For the majority of adults aged 65 and older, federal health programs – predominantly Medicare – act as primary sources of health care coverage. However, many Californians aged 65 years and older receive supplementary coverage through multiple forms of insurance regulated at the state level.

### Sources of Health Insurance

There are numerous sources of health insurance for Californians aged 65 years and older, both publicly and privately funded. Health insurance may be regulated by either the federal or state government, or both.

#### *Publicly Funded Health Insurance*

- **Medicare.** In general, Medicare is available for people aged 65 years or older, those younger than 65 years with disabilities, and those with end stage renal disease. Medicare is divided into different parts that cover specific services. "Original Medicare" includes Part A and Part B.

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<sup>1</sup> CHBRP provides independent, evidence-based analyses of proposed health insurance benefit related legislation that could impact state-regulated health plans and policies. When analyzing a bill that would alter coverage for a test, treatment, or service, CHBRP considers all age groups potentially impacted by the legislation.

- **Part A (Hospital Insurance)** helps cover inpatient hospital care, skilled nursing facilities, hospice care, and some home health care. Individuals are eligible for premium-free Part A if they are age 65 or older and they, or their spouse, worked and paid Medicare taxes for at least 10 years (DHHS, 2014).
- **Part B (Medical Insurance)** covers primarily physician services and outpatient care for a monthly premium. It also helps cover many preventive services, durable medical equipment, and some home health care.
- **Part D (Prescription Drug Coverage)** provides a prescription drug benefit for a monthly premium. It is available to everyone with Medicare, however beneficiaries must join a Medicare-approved plan that offers drug coverage.
- **Medicare Advantage (also known as Part C or Medicare Managed Care plans)** is a Medicare-approved plan from a private insurance company that offers an alternative to Original Medicare. Bundled plans include Part A, Part B, and usually Part D. Of the 63.5 million Medicare beneficiaries nationwide in 2021, approximately 6.5 million (10.2%) resided in California. Among Californians who are Medicare-only beneficiaries, approximately half (49.5%) had Medicare Advantage (DHCS, 2022a).
- **Medicaid.** Medicaid provides health coverage to qualifying low-income individuals. It is one of the largest health care payers in the United States. States operate their Medicaid programs within federal standards and a wide range of state options in exchange for federal matching funds. Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services (DHCS) and is available to adults aged 65 years and older as both primary and secondary insurance. Adults with an income of up to 138% of the federal poverty level<sup>2</sup> are eligible for the program. The majority of Medi-Cal beneficiaries are enrolled in managed care plans regulated by the Department of Managed Health Care (DMHC) or county-organized health systems (COHS). The remaining beneficiaries are enrolled in a fee-for-service Medi-Cal model.
- **CalPERS.** The California Public Employees' Retirement System (CalPERS) manages pension and health benefits for public employees and retirees. It is regulated by DMHC. Enrollees in a CalPERS Basic (non-Medicare) health plan who meet the requirements for Medicare may enroll in a CalPERS Medicare health plan. CalPERS offers eligible members a choice of Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs) as part of their sponsored health coverage and extends coverage to spouses and dependents. In a few counties where access to HMOs is limited, a third option, Exclusive Provider Organization (EPO), is available. An EPO provides benefits similar to an HMO with some PPO features (CalPERS, 2022a).
- **TRICARE for Life (TFL).** TRICARE is a health insurance program managed by the U.S. Defense Health Agency for current and former U.S. military members and their dependents. For those aged 65 years and older, TFL is Medicare-wrap around coverage for TRICARE-eligible beneficiaries enrolled in both Medicare Part A and Part B. For those also enrolled in Medicare Part D, TRICARE acts as a secondary payer for prescription drug costs. Otherwise, TFL provides prescription drug coverage that does not require enrollment in Medicare Part D (TRICARE, n.d.). TFL is an individual entitlement; coverage does not extend to family members.
- **Veterans Affairs Benefits.** The U.S. Department of Veterans Affairs (VA) makes health care benefits available to individuals who served in the U.S. military or are retired veterans. Individuals must meet certain service requirements to be eligible. Many individuals who qualify for VA health care benefits are dually eligible for Medicare.

### *Privately Funded Health Insurance*

All privately funded health insurance options in California are regulated by either DMHC or the California Department of Insurance (CDI).

- **Individual Market.** Those who are not eligible for government-subsidized programs or do not have coverage through their employer may purchase health insurance individually. Health insurance may be purchased through the state health insurance marketplace or outside of the marketplace, directly from insurers or brokers. Covered California is California's health insurance marketplace. Subsidized plans are available to Californians with annual incomes between 133 and 600% of the federal poverty level (FPL). Individuals may also purchase non-subsidized plans through the state health insurance marketplace.

<sup>2</sup> In 2022, the FPL for a single-person household was \$18,755 (DHCS, 2022b).

- **Employer-sponsored insurance (Small or Large Group Market).** Under the Affordable Care Act, all businesses with 50 or more full-time employees are required to offer some form of health insurance benefit or are subject to financial penalties. Some small employers offer health benefits of their own accord or have plans available through Covered California for Small Business (CCSB), formerly known as the Small Business Health Options (SHOP) program. Some employers also offer retiree coverage.

## Multiple Sources of Coverage

Eligible individuals aged 65 years or older may enroll in multiple forms of health insurance. The primary source of coverage depends on the combination of plans in which the person is enrolled. For example, those who qualify for both Medicare and Medi-Cal (dual eligible beneficiaries) must use Medicare as their primary insurance and Medi-Cal as their secondary insurance.

For those with employer-sponsored insurance, payment responsibilities depend on the individual's or their spouse's employment status as well as the number of employees under the employer's health plan or policy (DHHS, 2021). If the individual or their spouse is still employed, the group health plan or policy acts as the primary payer if the employer has 20 or more employees or forms part of a multi-employer group health plan and covers the same services as Medicare. If the employer has fewer than 20 employees, Medicare acts as the primary payer. If both the individual and their spouse are retired, Medicare acts as the primary payer while retiree coverage pays second.

## Enrollment

In 2023, CHBRP estimates approximately 99% of Californians aged 65 and older will be enrolled in health insurance, and the remaining 1% will be uninsured.<sup>3,4</sup> The majority of this population will receive their health insurance coverage through Medicare.

## Medicare and Medi-Cal

CHBRP estimates nearly 5.4 million Californians – the majority of who will be over 65 years of age – will be enrolled in only Medicare in 2023. Approximately 1.4 million additional residents will be dually eligible individuals, meaning they will be beneficiaries of both Medicare and Medi-Cal. Among those dually eligible, approximately 7 in 10 enrollees are aged 65 years and older (CHCF, 2019).

CHBRP estimates 56,000, or less than 1%, of Californians enrolled in DMHC-regulated Medi-Cal plans only will be over the age of 65.<sup>3</sup> CHBRP assumes a similar percentage will receive coverage only from a Medi-Cal COHS plan.

## CalPERS

CalPERS reported that over 506,000 health plan members receiving benefits in 2021 were retirees with the average age of 58.7 years. While data is not provided concerning the specific ages of CalPERS retirees, a large share of retirees are likely to be aged 65 and older given their average age (CalPERS, 2022b).

## Private Health Insurance

CHBRP estimates approximately 192,000 Californians aged 65 and older will be enrolled in privately funded commercial health insurance.<sup>2</sup> Among this group:

<sup>3</sup> See CHBRP's *Sources of Health Insurance in California for 2023*, available as a resource at: [https://chbrp.org/other\\_publications/index.php](https://chbrp.org/other_publications/index.php).

<sup>4</sup> Recent enrollment data for Californians aged 65 and older enrolled in CalPERS, TRICARE and VA health insurance is currently unavailable.

- 16,000 Californians aged 65 and older will be enrolled in an individually purchased insurance plan or policy outside of Covered California in 2023.<sup>5</sup>
- 38,000 Californians aged 65 and older will be enrolled in a small group health insurance plan or policy in 2023.
- 154,000 Californians aged 65 and older will be enrolled in a large group health insurance plan or policy in 2023.

## Uninsured

Approximately 36,000 Californians aged 65 and older will be uninsured in 2023.<sup>6</sup>

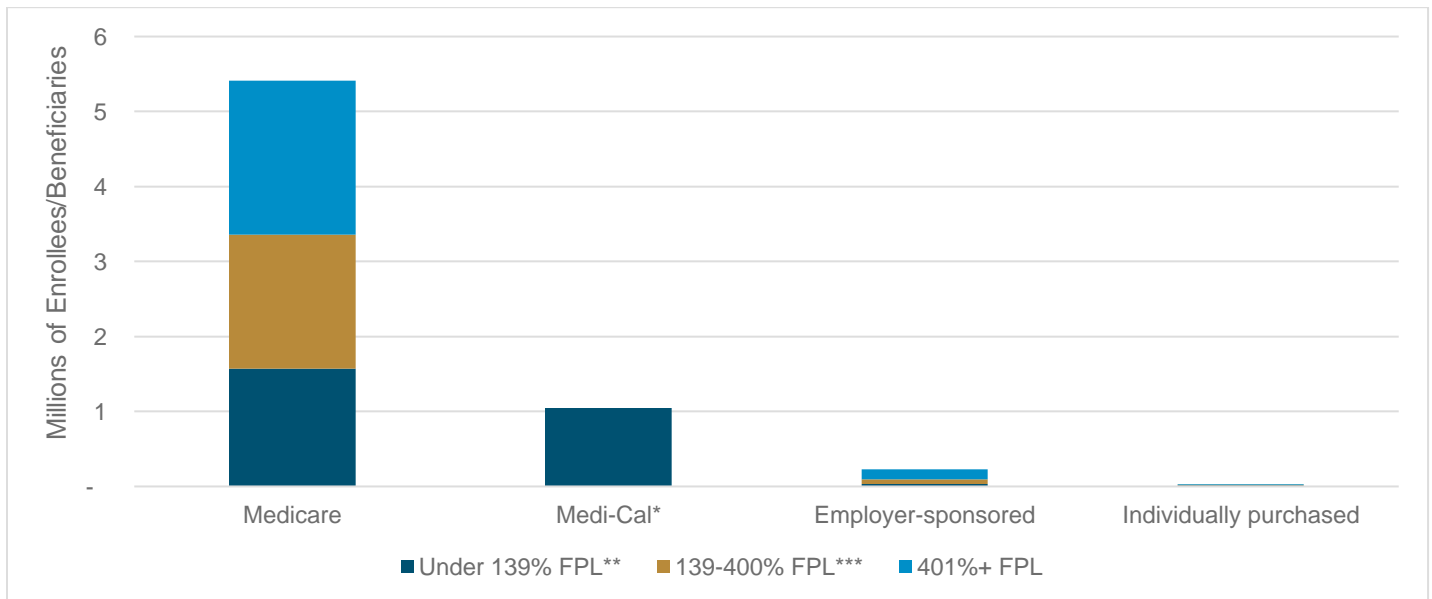
## Key Characteristics of Insured Californians Aged 65 and Older

Californians aged 65 years and older vary in insurance coverage based on income level, sex, and race and ethnicity.

### Income Level

Annual income is one of the primary drivers impacting a person's access to health insurance coverage. Californians with an income equal to or less than 138% FPL qualify for the state's Medi-Cal program. Residents who are low income but above 138% FPL may qualify for government subsidies for health insurance through Covered California or other programs. Over half of the older Californians with employer-sponsored insurance earn an income of at least 400% FPL. There is a similar share of Medicare beneficiaries who are older Californians below 138% FPL, between 139-400% FPL, and above 400% FPL (Figure 1).

**Figure 1. Income Level (FPL) of Enrollees Aged 65 and Older in California, by Insurance Type<sup>3</sup>**



Sources: KFF, 2020; SHADAC, 2019; CHHS, 2022.

Note: Information on income level for CalPERS, TRICARE, and VA enrollees aged 65 and older is currently unavailable.

Key: FPL = federal poverty level.

\*There may be a small number of Medi-Cal beneficiaries enrolled in the Working Disabled Program (WDP) which has an income cutoff of 250% FPL.

\*\*Data for Medicare beneficiaries includes enrollees who earn under 200% FPL.

\*\*\*Data for Medicare beneficiaries includes enrollees who earn 200-400% FPL.

<sup>5</sup> CHBRP estimates that no Californians aged 65 years and older will be enrolled in individually purchased insurance plans or policies through Covered California in 2023.

<sup>6</sup> See CHBRP's *Sources of Health Insurance in California for 2023*, available as a resource at: [https://chbrp.org/other\\_publications/index.php](https://chbrp.org/other_publications/index.php).

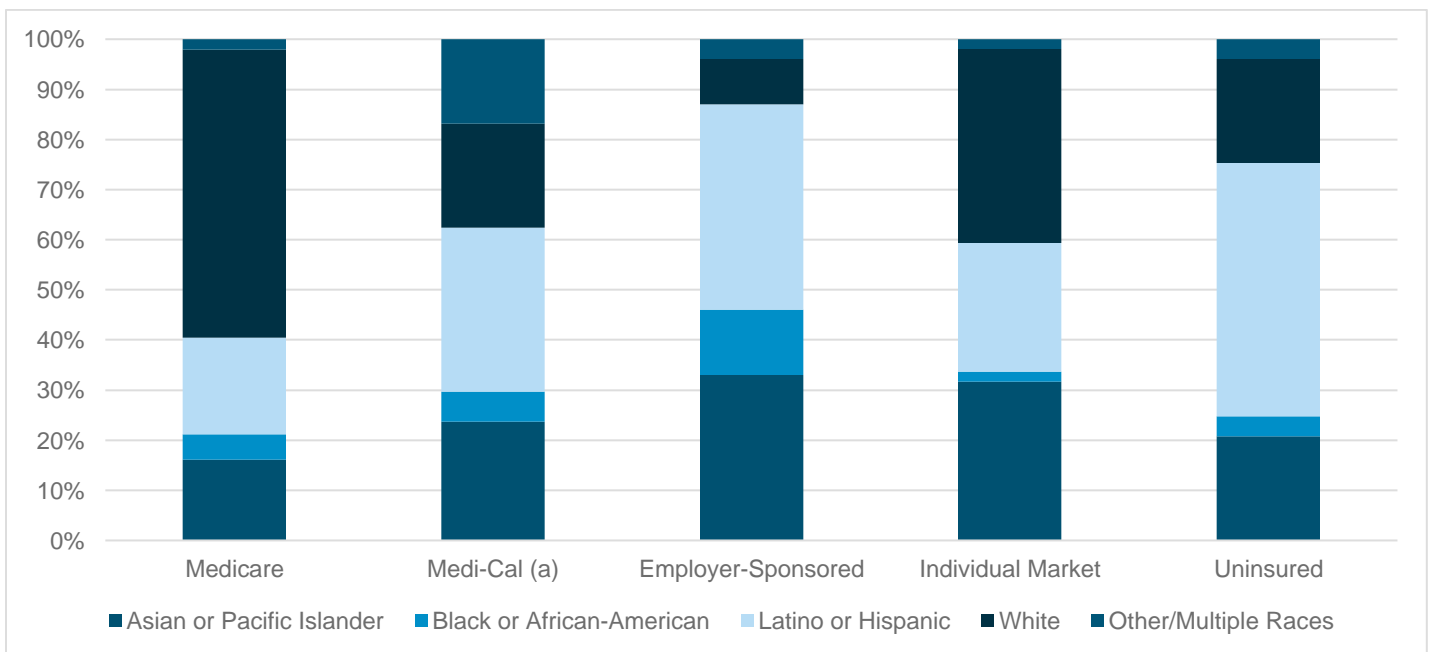
## Sex

Among Californians aged 65 and older, approximately 55% are female and 45% are male (U.S. Census Bureau, 2021a).<sup>7</sup> Distribution of health insurance coverage of this population based on sex is generally consistent with these figures, with similar data among older Californians covered by Medicare, Medi-Cal, or individually purchased plans or policies (KFF, 2020; CHHS, 2022; SHADAC, 2019). One exception is that just over half of those older Californians enrolled in employer-sponsored (small or large group) insurance are male (SHADAC, 2019).

## Race and Ethnicity

California has a diverse population, with no race or ethnic group representing a majority of the state's total population. Approximately 39% of Californians identify as Latino or Hispanic, 35% as White, 15% as Asian or Pacific Islanders, 5% as Black or African American, and 4% as multiracial. The population 65 years and older, however, is more homogenous with over half (57%) of identifying as White (U.S. Census Bureau, 2021a). Accordingly, the majority of the older Californians enrolled in Medicare are White (Figure 2). Distribution by race and ethnicity of non-Medicare coverage of older Californians is inconsistent with the racial and ethnic diversity of the state's overall population. Black Californians have a higher representation of those older residents with employer-sponsored health insurance coverage and lower of those with individual coverage. Asians and Pacific Islanders comprise a higher percentage of older Californians with employer-sponsored and individually purchased coverage, Medi-Cal, and the uninsured. Latinos represent approximately 19% of those older Californians with Medicare and approximately half of the uninsured (CHHS, 2022; SHADAC, 2019; U.S. Census Bureau, 2021b) (Figure 2).

**Figure 2. Race and Ethnicity of Californians Aged 65 Years and Older, by Health Insurance Coverage**



Source: CHHS, 2022; SHADAC, 2019; U.S. Census Bureau, 2021b.

(a) Medi-Cal data for the “Other/Multiple Races” category includes responses from individuals identifying as American Indian/Alaska Native and those who did not report their race or ethnicity.

<sup>7</sup> The 2020 U.S. Census did not ask for a person’s sexual orientation and gender identity in addition to their sex.

## The Changing Policy Landscape

### Legislative and Regulatory Changes

California has enacted several legislative and regulatory changes that have or will impact health coverage for residents aged 65 years and older. Notable changes since 2019 include Medi-Cal expansion for older adults, the California Advancing and Innovating Medi-Cal (CalAIM) program, and the state's Master Plan for Aging.

#### *Medi-Cal Initiative: Older Adult Expansion*

In May 2022, full scope Medi-Cal benefits were extended to all California adults aged 50 years and older, regardless of immigration status. The policy impacted residents who were uninsured or had restricted scope<sup>8</sup> Medi-Cal benefits but met all Medi-Cal eligibility requirements apart from holding U.S. citizenship. The expansion program requires those without a Share of Cost<sup>9</sup> to enroll in a Medi-Cal Manage Care Plan, and those with one to receive benefits through the Fee-for-Service Medi-Cal program. Nearly all Medi-Cal beneficiaries receive their health care through a managed care model.

#### *CalAIM*

CalAIM is a long-term plan to transform the state's Medi-Cal program. DHCS is responsible for its implementation. The goal of the program is to offer beneficiaries a more equitable, coordinated, and person-centered approach to their health care. Specific to the state's older population, CalAIM intends to transition institutional long-term care to a statewide manage care system to streamline administrative functions and provide residents with coordinated and integrated care. DHCS also plans to implement policies projected to promote care integration for beneficiaries dually eligible for Medicare and Medi-Cal. Implementation began in January 2022 and is scheduled to continue through 2027 (DHCS, 2020).

#### *Master Plan on Aging*

An executive order signed in 2019 directed state agencies to develop a statewide Master Plan for Aging (Plan). The Plan is expected to serve as a blueprint for California to implement programs and partnerships that promote healthy aging and prepare the state for future demographic changes. The Plan proposes five goals for California to reach by 2030 related to housing, health, equity and inclusion, caregiving, and economic sufficiency. The health goal targets reduction of racial and ethnic disparities and increasing life expectancy through initiatives such as geriatric care expansion, increased dementia research, and innovations to nursing home care.

### Health Benefit Mandates

Per its authorizing statute, CHBRP generally analyzes legislation related to health benefit mandates for DMHC- and CDI-regulated health insurance coverage. Most legislation requested to be considered would affect privately-funded health insurance. CHBRP analyses consider all populations that may be impacted by a proposed mandate. CHBRP estimates Californians aged 65 years and older will comprise about 1.5% of state residents with privately-funded DMHC- or CDI-regulated health insurance in 2023.<sup>2</sup> Although older Californians are considered in CHBRP analyses as appropriate, the majority of Californians aged 65 years and older are enrolled in publicly-funded insurance coverage and therefore any potential impact by most health benefit mandates analyzed by CHBRP would have a nominal impact on this population as a whole.

<sup>8</sup> Restricted scope coverage refers to pregnancy-related and emergency services.

<sup>9</sup> Share of Cost is a predetermined amount of health care expenses a beneficiary must pay each month prior to any cost coverage by Medi-Cal.



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