As Americans die younger, corporations to reap billions in pension costs

Kate Randall
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Life expectancy for Americans has stalled and reversed in recent years, ending decades of improvement. According to a new Bloomberg study, this grim reality has an upside for US corporations, saving them billions in pension and other retirement obligations owed to workers who are dying at younger ages.

In 2015, the American death rate rose slightly for the first time since 1999, according to data from the Centers for Disease Control and Prevention (CDC). Over the last two years, at least 12 large companies have reported that negative trends in mortality have led them to reduce their estimates for how much they could owe to retirees by a combined $9.7 billion, according to Bloomberg’s analysis of company filings.

It is highly unusual in modern times, except under epidemic or war conditions, for life expectancy in an industrial country to stop improving, let alone decline. Laudan Aron, a demographer at the Urban Institute, told Bloomberg that falling US life expectancy, especially when compared to other high-income countries, should be “as urgent a national issue as any other that’s on our national agenda.”

But this has not sounded alarm bells in Washington. In fact, shortened life expectancy in the 21st century is the result of deliberate government policy of both big business parties: to restrict access to affordable health care, resulting in increased disease, suffering and early death.

Those who stand to cash in on the shortened lifespans of workers include General Motors, Verizon and other giant corporations. Lockheed Martin, for instance, has reduced its estimated retirement obligations for 2015 and 2016 by a total of about $1.6 billion, according to a recent annual report.

Companies have reduced estimates of what they will owe future retirees. According to a Society of Actuaries (SOA) report, companies can expect to lower their pension obligations by about 1.5 to 2 percent, based on a 2016 update of mortality data.

Life expectancy for the US population was 78.8 in 2015, a decrease of 0.1 year from 2014, according to the CDC, with the age-adjusted death rate increasing 1.2 percent over the year. Since the introduction in 1965 of Medicare and Medicaid—the government insurance programs for the elderly, poor and disabled—US life expectancy has steadily increased.

Death rates for Americans over age 50 have improved by 1 percent on average each year since 1950, according the SOA. In 1970, a 65-year-old American could expect to live another 15.2 years, on average, until just past 80 years.

From 2000 to 2009, the death rates for Americans over age 50 decreased, with annual improvements of 1.5 to 2 percent. By 2010, a 65-year-old could expect to live to 84. But these increases have slowed in recent years, with life expectancy at 65 rising only about four months between 2010 and 2015.

The slowing in death rate improvements since 2010, and the actual lowering of life expectancy in 2015, have followed the global financial crash of 2007-2008. Despite the Obama administration’s declaration that the Great Recession ended mid-2009, millions of US workers and their families continue to suffer under the weight of unemployment, underemployment, and stagnant or falling wages.

Seven years after the Affordable Care Act was signed into law, a staggering 28 million Americans remain uninsured. Those who are insured have seen their premiums, deductibles and other out-of-pocket costs skyrocket. Families are saddled with billions of dollars in medical debt.

The lack of access to affordable health care is resulting in an unprecedented health crisis in the US. A 2015 study showed that mortality was rising for middle-aged white Americans, with deaths from suicides, drug overdoses and alcohol, collectively referred to as " deaths of despair." Both women and men have been affected by this phenomenon.

CDC data shows that more than 500,000 Americans have died of drug overdoses in the period between 2000 and 2015, now approaching an average of 60,000 a year.

The 10 leading causes of death in 2015 were heart disease, cancer, chronic lower respiratory diseases, unintentional injuries, stroke, Alzheimer's disease, diabetes, influenza and pneumonia, kidney disease, and suicide, according the CDC. Despite scientific advances in medical treatment and the development of new drugs to treat these diseases and conditions, they still accounted for 74.3 of all US deaths in 2015.

Moreover, from 2014 to 2015, age-adjusted death rates increased 0.9 percent for heart disease, 2.7 percent for chronic lower respiratory diseases, 6.7 percent for unintentional injuries, 3 percent for stroke, 15.7 percent for Alzheimer's disease, 1.9 percent for diabetes, 1.5 percent for kidney disease, and 2.3 percent for suicide. Only cancer saw a reduction, of 1.7 percent.

It is on the backs of workers dying earlier from these diseases, alongside "deaths of despair," that US corporations now stand to save billions, increasing their bottom lines by not paying out pensions and retirement benefits.

This is by design. Obamacare was the first significant effort to reduce the trend of increasing life expectancy by shifting the costs of medical care from the corporations and government to the working class. The ACA was drafted in close consultation with the insurance industry, requiring those without insurance to purchase coverage from private insurers under the threat of tax penalty.

The ACA set into motion the rationing of health care for ordinary Americans, making vitally needed treatments and medicines increasingly inaccessible for millions. This has now borne fruit in the first reduction in US life expectancy in more than half a century.

Following the Republicans' failure to "repeal and replace" Obamacare, the Democrats have responded by offering to work with the Republicans to "repair" the ACA. But they do not mean reducing the number of uninsured or further expanding Medicaid.

Instead they have offered a five-point plan to shore up the insurance companies by setting up a "stability fund" for companies to insure high-risk enrollees, and guaranteeing they receive $8 billion in government cost-sharing payments to the insurance firms that the Trump administration has threatened to cut off.

Such measures, along with savings from unpaid retirement benefits, will further bloat corporate profits along with those of the private insurance companies and health care industry as a whole.