

LISTENING TO WORKERS: CHALLENGES FOR
EMPLOYER-SPONSORED COVERAGE IN THE 21ST CENTURY

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LISTENING TO WORKERS: CHALLENGES FOR EMPLOYER-SPONSORED COVERAGE IN THE 21ST CENTURY

More than 150 million Americans, or two of three individuals under age 65, receive health insurance through employers, making such coverage key to entrance into the U.S. health care system.¹ Based on findings from *The Commonwealth Fund 1999 National Survey of Workers' Health Insurance*, most adults with employer-sponsored coverage think their employers do a good job of selecting quality plans and would like to see employers continue as a source of coverage in the future. Yet despite tight labor markets, this foundation fails to cover a sizable portion of the workforce: 44 million Americans were uninsured in 1998, the vast majority of whom work or are dependents of workers. The survey finds that sharp disparities in the availability of job-based coverage leave one-third of middle- and low-income workers uninsured, even when they work full time.

The current system is clearly not working well for all American workers and their families. In addition to inequities in access to insurance, men and women's stories reveal uneven quality of care and widespread difficulties in getting and paying for needed health care. Beyond those currently uninsured, millions more may be at risk for losing their coverage because of difficulties paying their share of premiums—especially if premiums rise markedly. Moreover, as frequent changes in plans become the norm rather than the exception, insurance coverage is increasingly insecure and unstable.

To gain a better understanding of who is and is not well served by the current employer-based system, *The Commonwealth Fund 1999 National Survey of Workers' Health Insurance* interviewed 5,002 adults ages 18 to 64 in the first half of 1999.² In addition to personal experiences, the survey explores perceptions of employers' performance as health plan sponsors as well as opinions of possible options to expand or improve coverage for workers and their families.

Representing 167 million men and women, the survey paints a complex picture of the state of the nation's health insurance foundation. Public confidence in employers as plan sponsors contrasts starkly with uneven experiences with quality of coverage and access to health care. Survey responses portray a system that is at once frayed or unraveling at the edges and yet, at the same time, is valued by those fortunate to be securely insured.

¹ Paul Fronstin, *Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 1999 Current Population Survey*, EBRI Issue Brief, forthcoming.

² Princeton Survey Research Associates conducted the interviews by telephone from January to May 1999. Responses were weighted to known demographics of the working-age adult population.

Recognition of current flaws and gaps appears widespread. Overall, a consensus emerged for finding ways to mend or complement job-based coverage for those currently uninsured. In asking about options for reform, the survey found nearly unanimous support for policies that could open doors to employer-based coverage and strong support for new public initiatives to insure low-wage working adults and their families.

EMPLOYER-SPONSORED INSURANCE: A VOTE OF CONFIDENCE

Given the dominance of employer-based insurance in the U.S. health care system, the finding that half of working-age adults favor continuing this system is not surprising. When asked to choose among employers, the government, or direct purchase of insurance as a source of coverage, the majority (56%) of respondents with job-based coverage chose employers and only weakly supported government-based or direct purchase. Even among the uninsured, employer-based coverage emerged as the leading choice among the three options: more than one-third (35%) of the uninsured preferred employers as a source of coverage, outranking both public program sponsorship and direct purchase.

The survey found only limited support for individuals directly purchasing insurance on their own. A significant majority—67 percent—wanted some form of group coverage, either through employers or the government. Less than one-quarter (23%) of adults thought that workers buying coverage directly would be preferable to employer- or public-sponsored plans.

Exhibit 1
Half of Working-Age Adults Think Employers Should Continue to Be a Main Source of Coverage

Which would be best: For employers to continue to be the main source of health coverage for workers, for the government to become a main source of coverage, or for workers to buy insurance directly from insurance companies?

Source Viewed as "Best"	Current Insurance Source			
	All Adults	Employer-Based	Public	Uninsured
Employers	49%	56%	29%	35%
Government	18	15	22	24
Direct Purchase	23	20	31	27

Source: The Commonwealth Fund 1999 National Survey of Workers' Health Insurance.

Probably owing to the fact that government health insurance for individuals under age 65 is largely confined to Medicaid, less than one-fifth (18%) thought the government should become the main source of coverage. Support for public program sponsorship was highest among uninsured adults (24%).

Support for continued employer-based insurance likely reflects views of how well employers perform as plan sponsors. More than seven of 10 (73%) adults with job-based coverage thought employers generally do a "good job" when choosing plans. Only 12 percent believed employers do a "bad job," and 8 percent gave employers mixed reviews. Opinions on employers' performance varied little by income, race, or ethnicity. Those more confident in employers' ability to choose quality plans were more likely to want employers to continue as plan sponsors in the future.

Health insurance is a highly valued job benefit. Nearly three-quarters (73%) of men and women said the option of having employers offer insurance was a “very” important factor in their decision to take or keep a job. Yet despite the value men and women place on health benefits, millions of low- and middle-income working men and women are finding that coverage is either unavailable or unaffordable.

JOB-BASED HEALTH PLANS OFTEN UNAVAILABLE

More than 20 million adults working for an employer—about one of five employees, not including the self-employed—lacked access to employer-sponsored coverage through their jobs, based on reports of plans offered and eligibility rules. Most of those without access work for an employer that did not offer a health plan. Eligibility rules, however, also bar coverage. Nearly one of 10 (8%) employed adults said that their employer offered a plan to some employees but that they were not eligible to participate. The most frequent reasons given for ineligibility included not working enough hours (half of those ineligible) and being in a waiting period for coverage (one-fourth of those ineligible).

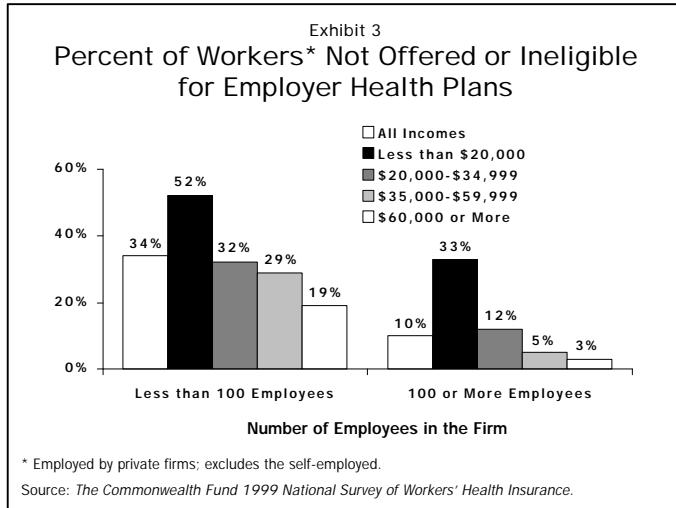
Income is a major factor in access to employer coverage. A striking two of five (42%) employees with an annual income of less than \$20,000, and one of five with an income from \$20,000 to \$34,999, were ineligible to participate or worked for an employer that did not offer health insurance. Even when working full time, more than a third of low-income (36%) and nearly a third of Hispanic workers (29%) reported that coverage was unavailable through their jobs.

Exhibit 2					
Availability of Health Insurance from Own Employer					
(Employed Adults Ages 18–64)					
Offers and Eligibility	Total	ANNUAL INCOME			
		Less than \$20,000	\$20,000–\$34,999	\$35,000–\$59,999	\$60,000 or More
No plan offered or not eligible	19%	42%	19%	14%	9%
Employer does not offer	11	25	13	7	3
Offered, but adult not eligible	8	17	7	7	6
Adult eligible to participate	79	54	80	84	91
Eligible, but declined	14	15	11	15	15
Reason declined:					
Too expensive	19	39	29	14	10
Benefits not good enough	7	9	9	4	3
Had other family plan	39	18	19	52	54
Other	22	26	31	19	16

Note: Excludes the self-employed.

Source: *The Commonwealth Fund 1999 National Survey of Workers' Health Insurance.*

Firm size also matters. Employees working for small, private firms were three times as likely to lack access to employer-sponsored coverage as those working for firms with 100 or more employees (34% vs. 10%, respectively). Nevertheless, low-wage workers—whether working for large or small firms—remained at high risk: half of low-wage workers in firms with fewer than 100 employees, and a third of those in firms with 100 or more, were either not offered coverage or were ineligible to participate.



PREMIUM COSTS OFTEN PROHIBITIVE

Employers have traditionally paid a significant share of the premiums for the health plans they sponsor. In the past, fully paid premiums were the norm for single employees.³ However, by 1999, only 25 percent of adults surveyed who had job-based coverage said their employers paid the premiums in full.

Weekly, biweekly, or monthly employee premium shares can be substantial over the course of a year. One-third of adults with job-based coverage estimated paying more than \$1,000 per year, and 22 percent estimated paying more than \$1,500. These shares can prove unaffordable for lower-income employees. About one of seven (14%) employees who were eligible to participate in their job-based plan declined. Among lower-wage employees who declined, nearly half said costs and/or inadequate benefits were the reasons for not participating. Only a minority of low-wage employees had alternative coverage options. In contrast, higher-income employees who declined coverage were more likely to do so to participate in another family member's plan.

³ In 1980, 74 percent of full-time workers in firms with 100 or more employees had fully paid coverage for themselves, and 54 percent had fully paid family plans. U.S. Department of Labor, *Survey of Medium and Large Private Employers*, 1980.

Exhibit 4
 Premiums for Employer-Sponsored Plans, by Income
 (Adults Ages 18–64 in Employer Health Plans)

Premium Affordability	Total	ANNUAL INCOME			
		Less than \$20,000	\$20,000–\$34,999	\$35,000–\$59,999	\$60,000 or More
Annual Premium Costs					
Employer pays full premium	25%	24%	27%	27%	22%
Employee shares premium	72	73	70	71	76
Annual cost to employee					
\$1–\$499	13	17	15	15	10
\$500–\$999	17	24	16	17	16
\$1,000–\$1,499	12	9	13	11	15
\$1,500 or more	22	16	21	22	25
Don't know	11	11	9	8	12
Has difficulty paying premium costs	16	30	24	15	8

Note: Excludes the self-employed.

Source: *The Commonwealth Fund 1999 National Survey of Workers' Health Insurance*.

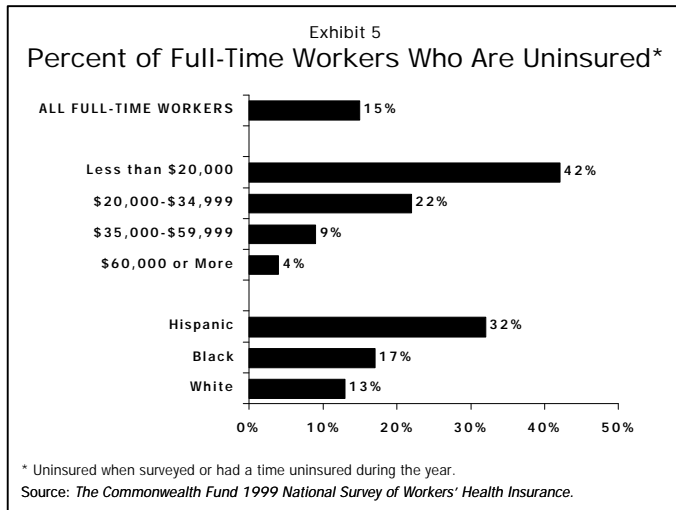
For low- and middle-income employees, the decision to enroll and pay their share of premiums can stretch already tight budgets. Nearly one-third of adults with less than \$20,000 in annual family income and one-quarter of those with incomes from \$20,000 to \$34,999 said they were having difficulty paying their share of premium costs. Should premium shares increase markedly or incomes fail to keep up with premium costs, these adults could well be at high risk for dropping coverage and joining the ranks of the uninsured.

WORKING BUT UNINSURED

Lack of access to employer-based coverage puts adults at direct risk of being uninsured. Nearly one of five (19%) working-age men and women were uninsured when surveyed or had been recently uninsured. Those least likely to have access to employer plans were most likely to be uninsured. One-third (32%) of adults with incomes below \$35,000 were uninsured.⁴

⁴ John Budetti, Lisa Duchon, Cathy Schoen, and Janet Shikles, *Can't Afford to Get Sick: Findings from The Commonwealth Fund 1999 National Survey of Workers' Health Insurance*, The Commonwealth Fund, September 1999.

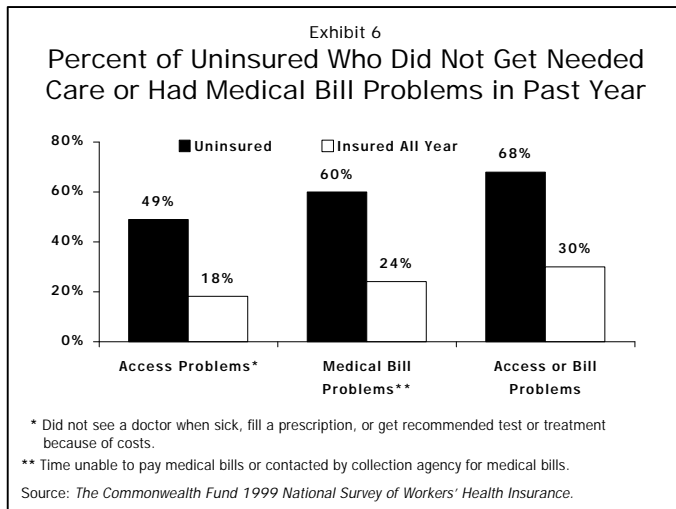
Low-wage adults remained at high risk of being uninsured even when working full time. More than two of five full-time workers with annual incomes below \$20,000 were uninsured, as were nearly one-quarter of full-time workers with incomes from \$20,000 to \$34,999.



Due to lack of access to employer plans, Hispanic workers were also at high risk. One-third were uninsured, despite working full time.

Reflecting reduced access to employer plans, one-fourth (24%) of adults working on a part-time or self-employed basis were uninsured—a rate 50 percent higher than among full-time workers. Typically, uninsured workers had no opportunity to participate in a plan offered by their employers: only 12 percent of those working but uninsured said they were eligible but did not participate in their employer plan.

The survey finds that uninsured adults often go without needed health care or face unaffordable medical bills. Two of three uninsured adults went without necessary care in the past year because of costs or could not pay their medical bills. Half of the uninsured said they had a time during the year when they did not go to the doctor when sick, did not follow up on recommended medical tests or treatment, or did not fill a prescription. When the uninsured receive care, they often struggle financially. A majority (53%) of uninsured adults said they experienced a time when they could not pay their medical bills; one-third (32%) had been contacted by a collection agency for medical bills in the past year. Altogether, three of five uninsured adults faced medical bill problems.



DISPARITIES IN INSURANCE QUALITY

The quality of job-based coverage appears to vary widely, with disparities typically linked to income. Based on ratings of insurance and care experiences, benefits, and financial

protection, reports from insured adults suggest that many of those with employer-sponsored coverage may have insurance inadequate to meet their health care needs.

One-fifth of adults insured with job-based health plans rate their insurance as only “fair or poor.” Among low-wage adults, negative ratings reached 30 percent. Job-based coverage also varies in the extent to which it includes preventive care or prescription drug benefits. The lower their income, the less likely adults insured through employers were to report having either of these benefits.

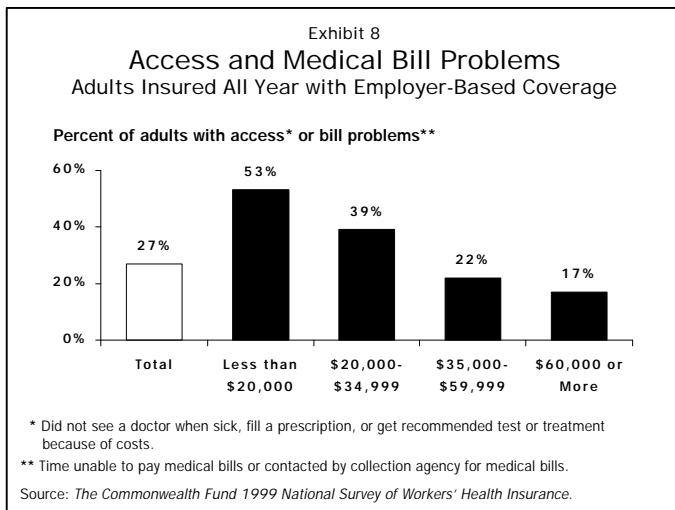
Exhibit 7
Insurance Ratings, Benefits, and Quality of Care
Adults with Employer-Sponsored Health Insurance

	Total	Less than \$20,000	\$20,000-\$34,999	\$35,000-\$59,999	\$60,000 or More
Insurance rating:					
Excellent	30%	24%	27%	31%	35%
Good	47	41	45	50	49
Fair/Poor	20	30	27	19	13
Benefits include:					
Preventive care	73	59	66	76	80
Prescription drugs	85	75	81	87	88
Satisfaction with quality of care:					
Very satisfied	44	32	40	45	48
Somewhat satisfied	40	44	40	40	39
Very/Somewhat dissatisfied	13	16	16	12	10

Source: The Commonwealth Fund 1999 National Survey of Workers' Health Insurance.

Respondents were more positive about the quality of health care received than they were about their insurance policies. Even so, those with lower incomes were again less likely to report being “very satisfied” with their care: only one-third of low-income adults, compared with nearly half of high-income adults, rated care as a strong positive.

A central goal of insurance is to provide people with financial access to care when needed, without fear of generating unaffordable medical bills. Still, one-fourth of adults with job-based health insurance (27%) reported a period in the past year when they went without care because of costs or were unable to pay their medical bills, despite being insured all year. Furthermore, 15 percent of adults were contacted by collection agencies as a result of unpaid medical bills during the year.

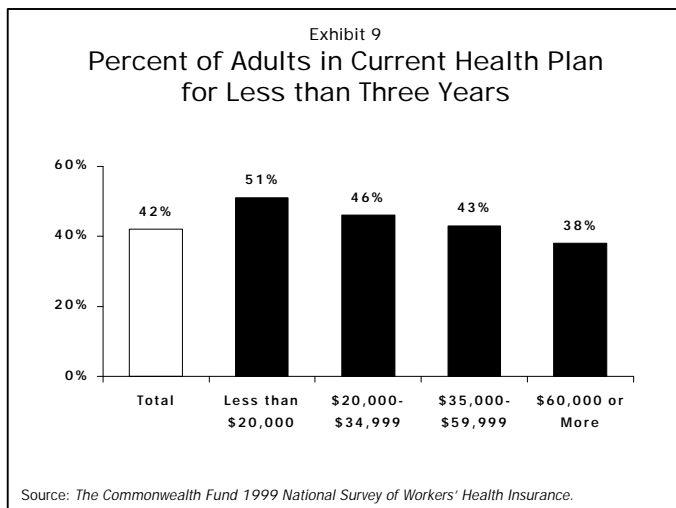


Lower income is also associated with a greater likelihood of inadequate insurance coverage, which can lead to negative health care experiences. More than one-half (53%) of low-income adults and more than one-third of modest-income adults reported either an access or medical bill problem in the past year, despite having insurance all year. Even one of four (22%) continuously insured adults with incomes from \$35,000 to \$59,999, and one-sixth (17%) with incomes of \$60,000 or more, had problems with access or bills.

INSECURE COVERAGE

Even when employer-based health insurance is available, employees' ability to remain in a particular health plan often depends on them keeping the same job or their employers continuing to sponsor the plan. In an era of managed care and an economy characterized by frequent changes in jobs, job-based coverage often results in insecure or unstable coverage.

More than two of five (42%) insured adults said they had changed their health plan in less than three years. Most switched out of necessity rather than choice. The majority (58%) said they had to change plans because their job changed (38%) or their employer changed plans (20%). Only 15 percent of insured adults said they switched plans because they preferred a different one. Another 15 percent said a change in their eligibility triggered the switch in coverage.⁵



Survey findings indicate that unstable coverage may be undermining continuity of care and access. Insured adults who had been in their current health plan for less than two years were almost twice as likely as those in plans for longer periods to report problems getting needed care (26% vs. 15%) or paying medical bills (35% vs. 21%).

SUPPORT FOR REFORMS TO EXPAND HEALTH INSURANCE FOR LOW-WAGE WORKING FAMILIES

With one million more Americans becoming uninsured each year, public attention has once again turned to a search for reforms that could mend gaps in the current employer-based system or build new bases for coverage. The survey finds widespread support among working-age adults for public initiatives that would insure low-wage workers and their families.

Strong support exists for efforts that would build on the current employment-sponsored system or create a new public insurance program earmarked for low-wage workers. Nearly nine of 10 (85%) adults would favor an option that would help low-income workers pay their share of employer plan premium costs. Almost as many—79 percent—would support establishing a new public program aimed at insuring workers and

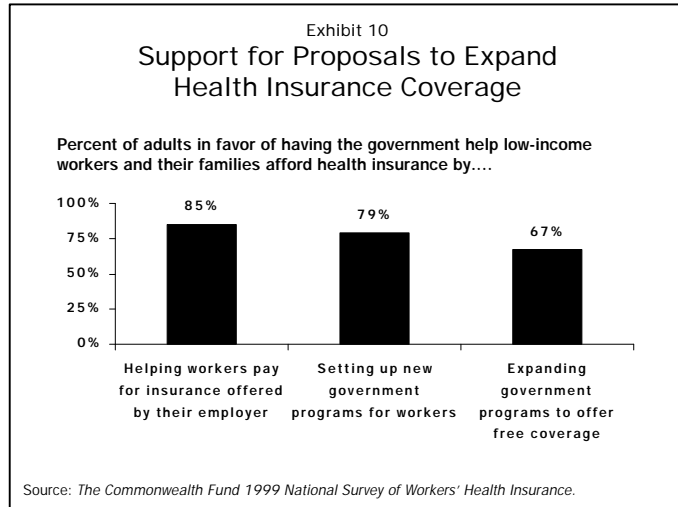
⁵ Eligibility reasons for changing health plans included graduation from school, divorce or marriage, reduced or increased hours of work, and change in job status.

their families. Two-thirds (67%) of adults would support expansion of current government programs to provide free coverage for low-wage, uninsured workers.

Respondents also endorsed asking employers to help pay for coverage expansions. When asked about ways to finance expansions, two-thirds (65%) would support a requirement that businesses

employing minimum-wage workers pay an additional 75 cents per worker per hour into a special fund to pay for insurance. A majority (58%) would support requiring insurance companies to pay additional taxes to fund wider coverage. In contrast, only a minority of adults favored raising employer payroll taxes (39%) or individual income taxes (21%) to pay for expansions.

Given the support that exists for insuring those left out of the current system, strategies that succeed in addressing gaps and inequities without unraveling the current employer-based foundation are likely to appeal to the broadest array of working Americans. Survey findings clearly indicate that working men and women’s visions of the future include a continuing role for employers as plan sponsors. The challenge for policymakers is to respond creatively through reforms that would reach the millions who lack access to affordable coverage.



Methodology

The Commonwealth Fund 1999 National Survey of Workers' Health Insurance, conducted by Princeton Survey Research Associates from January through May 1999, consisted of 20- to 25-minute telephone interviews with a random, national sample of 5,002 adults ages 18 to 64, with oversamples of adults in telephone areas with a high proportion of lower-income residents. The analysis weights responses to reflect national demographic characteristics. Some numbers may not add to 100 percent due to rounding.

The report divides the sample into four income groups: less than \$20,000 (21%); \$20,000–\$34,999 (21%); \$35,000–\$59,999 (26%); and \$60,000 or more (22%). Ten percent of respondents did not report sufficient detail for income classification. The “uninsured” includes adults without insurance when surveyed plus those who had been uninsured at some time during the year. The latter accounts for less than 5 percent of the sample.

The survey has an overall margin of error of +/- 2 percent.