

A VOTE OF CONFIDENCE: ATTITUDES TOWARD EMPLOYER-SPONSORED HEALTH INSURANCE

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ISSUE BRIEF

As the number of uninsured Americans continues to climb, proposals have been advanced to provide tax credits to enable the purchase of individual health insurance.¹ Some proposals also call for tax credits to replace existing employer-sponsored health insurance, arguing that families would benefit from increased flexibility in selecting health plans.²

When asked, however, American workers indicate that they value having employers as their health plan sponsors and do not prefer to be on their own in purchasing health plans. Moreover, they would favor reforms to expand employer-sponsored coverage or to provide similar benefits to currently uninsured working adults. New findings from *The Commonwealth Fund 1999 National Survey of Workers' Health Insurance* indicate that the majority of both those currently with employer coverage and the uninsured see the advantage of group coverage—through employers or government-sponsored plans—and prefer such coverage to direct purchase of private health insurance.

Most people with employer coverage think employers generally do a good job of selecting quality health insurance plans, although low-wage, part-time, and minority workers, as well as those who work for small businesses,

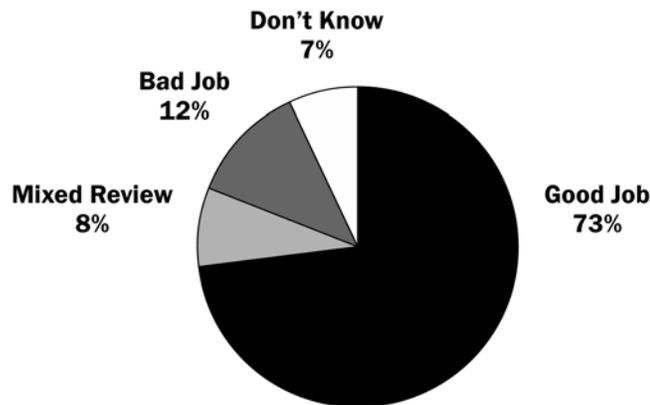
are less satisfied. Among all adults, public initiatives to help low-wage workers pay for insurance offered through employers is the most preferred option for expanding health coverage.

Vote of Confidence for Employers as Plan Sponsors

Working-age adults (ages 18–64) were asked whether employers generally do a “good job” or a “bad job” of selecting quality health insurance plans to offer their workers. The survey found that 65 percent of all those surveyed thought that employers do a good job, while only 15 percent felt they perform poorly and 8 percent gave employers a mixed review. Approval ratings were higher among those who have experience with employer-sponsored coverage. Seventy-three percent of adults with employer-sponsored coverage said employers do a good job, while only 42 percent of the uninsured agreed.

Opinions varied somewhat by income. Low-income workers were less likely than those with higher incomes to think employers do a good job. Only 52 percent of respondents with incomes of less than \$20,000 felt that employers picked quality plans, compared with 72 percent of those with incomes of \$60,000 or more. The lower ratings given by low-income workers probably

A Majority of Insured Workers Thinks Employers Do a Good Job Selecting Quality Health Plans*



* Based on adults covered by employer-sponsored insurance (own employer's or other).
 Source: *The Commonwealth Fund 1999 National Survey of Workers' Health Insurance.*

reflect the fact that low-wage workers are the least likely to benefit from employer coverage.³ Frustration with lack of access, ineligibility for coverage, or lack of experience with the employer-based system could all be reasons behind their weaker support for employers as health insurance intermediaries. Among those *with* employer coverage, ratings of how well employers chose plans varied little by income.

Opinions also varied by work hours. Only 51 percent of respondents in families with a part-time worker and 53 percent of those in families without a currently employed worker think that employers do a good job selecting quality plans. In contrast, 68 percent of adults in families with at least one full-time worker approved of their employer's performance. As with low-wage workers, part-time workers typically face restricted access to employer-sponsored coverage.

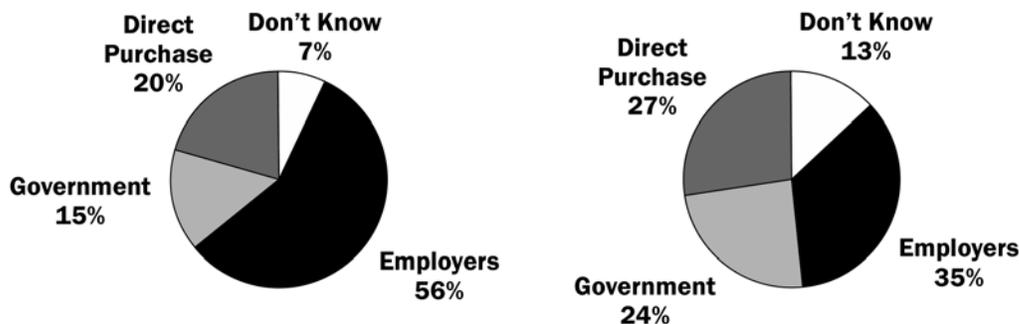
Opinions on the Best Source of Health Insurance for the Future

The survey asked all adults whether they thought it would be best for employers to continue as the main source of health insurance coverage for workers, for the government to become the main source, or for workers to select and buy their own insurance directly from insurance companies. Half chose employers, while one of four opted for direct purchase and one of five favored government to provide insurance.

Notably, employers were the preferred source of coverage regardless of gender, race/ethnicity, income, age, or working status. The generally low levels of support for direct purchase indicate, moreover, that people would rather have group-sponsored coverage—whether through an employer or the government—than try to arrange coverage on their own.

Adults who had employer coverage when surveyed were strong proponents of employers retaining their dominant role

Views of the Best Source of Health Insurance in the Future



ADULTS WITH EMPLOYER-SPONSORED COVERAGE

UNINSURED ADULTS

Question: In your view, which would be best—for EMPLOYERS to continue to be the main source of health insurance coverage for workers, for the GOVERNMENT to become the main source of coverage, or for WORKERS to select and buy their own health insurance directly from insurance companies?

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

as sponsors, with 56 percent preferring employers over other sources. Although support among the uninsured was not as strong, they still preferred employers to other sources, indicating a desire for inclusion in group coverage. Those who currently have public coverage—most likely Medicaid—were the most uncertain about what would be the best source of coverage. Roughly equal proportions backed each choice, and a fairly high percentage of respondents (15%) said they “don’t know.”

The adults most likely to benefit from employer coverage were the biggest supporters of this option. A majority of adults in families with a full-time worker (53%) would like to see employers continue as the main source of health insurance. Only 42 percent of adults in families with a part-time worker and 35 percent in families with no worker chose employers as the best source. According to the survey, part-time workers were less likely to have employer-sponsored coverage than full-time workers (63% vs. 81%) and were more likely not to be offered health

plans by their own employer (23% vs. 9%).

Notably, firm size also influenced the level of enthusiasm for employer-sponsored coverage. While 48 percent of adults working in private firms with fewer than 25 employees chose employers as the best source for the future, 62 percent of those working in private firms with 500 or more employees did so. The high level of support among workers employed by large employers probably reflects the enhanced benefits and choice of plans most typically available through these employers. Adults working for large private firms were more likely than their counterparts in small firms to have employer-sponsored health coverage (91% vs. 67%) and more likely to be covered by their own employer (80% vs. 43%). Rarely did they not have the opportunity to participate: just 1 percent of workers in large firms were not offered or were ineligible, compared with 33 percent in small firms.

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Best Source of Health Insurance

Question: In your view, which would be best—for EMPLOYERS to continue to be the main source of health insurance coverage for workers, for the GOVERNMENT to become the main source of coverage, or for WORKERS to select and buy their own health insurance directly from insurance companies?

	BEST SOURCE OF HEALTH INSURANCE			
	Employers	Government	Direct Purchase	Don't Know
All Adults	49%	18%	23%	9%
Current Insurance Source				
Employer	56	15	20	7
Public	29	22	31	15
Uninsured	35	24	27	13
Family Work Status				
At least one full-time worker	53	17	22	7
Only part-time worker	42	19	29	10
No worker	35	22	25	17
Employer Type and Size*				
Public employer	58	16	20	5
Private employer	54	17	21	7
Private Firm Size:				
Fewer than 25 employees	48	18	25	7
25–99	54	16	26	5
100–499	52	19	24	5
500 or more	62	15	15	7
Income				
Less than \$20,000	40	21	26	12
\$20,000–\$34,999	46	19	24	10
\$35,000–\$59,999	53	19	21	6
\$60,000 or more	58	15	22	5
Race/Ethnicity				
White	52	16	22	9
Black	44	20	28	8
Hispanic	41	22	25	10

* Excludes the self-employed.

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

Workers in large organizations were also four times as likely as those employed by small ones to have had a choice of two or more plans (64% vs. 14%).

Furthermore, of those whose employer offers insurance, employees of large firms were twice as likely to report that their employer pays some or most of the premium for at least one of the plans offered.

Similar to worker support in large private firms, support among public employees for a continuing employer role appears to reflect personal experiences. Fifty-eight percent of public sector employees thought that employers should continue to provide health insurance in the future. Compared with small

private firms, public sector employees were much more likely to have a choice of plans (64% vs. 14%) and to be covered through their own employer (73% vs. 43%). In addition, nearly all public employees were offered health coverage.

Support for employers as sponsors appears directly related to income, with support increasing steadily as family income rises. Among those earning less than \$20,000 a year, only 40 percent thought employers should continue as the primary source, as opposed to 58 percent of those with incomes of \$60,000 or more.

The link to income likely reflects barriers to employer coverage as well as

**Employer-Sponsored Health Plans and Premium Support
by Firm Type and Size**
Base: Employed Adults Ages 18–64, Excluding the Self-Employed

	All Employees	Public	PRIVATE FIRMS: NUMBER OF EMPLOYEES				
			All Private	Less than 25	25–99	100–499	500 or More
Percent insured by employer-sponsored plan							
Total (own employer's or other):	80%	87%	78%	67%	70%	78%	91%
Own employer's plan	64	73	62	43	51	67	80
Health plans offered by employer							
Two or more	47	64	42	14	32	45	64
Only one	35	26	38	43	49	42	30
No plan offered	11	5	13	33	12	6	1
Employer payment of health plan premium costs							
Employer will pay all for at least some plans	25	34	23	25	25	25	21
Employer will pay some	45	45	45	22	40	53	52
Employer offers plan, but will not pay costs	6	7	6	5	8	6	6
No plan offered	11	5	13	33	12	6	1

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

affordability concerns. Excluding the self-employed, 42 percent of adult workers earning less than \$20,000 were either not offered or not eligible for health insurance through their job.⁴ Affordability is also an issue. Among those who were eligible but declined employer coverage, low- and moderate-income workers were most likely to say that they did not participate because it was too expensive. In contrast, higher-income workers were more likely to decline their own employer coverage to participate in another family member's plan. Among those participating in employer plans, low-income employees were most likely to say that paying premium shares was difficult.⁵

Differences also exist in the degree of support for employer-sponsored coverage by race/ethnicity. The survey found that while 52 percent of whites thought it would be best for employers to continue as the main source of health insurance, only 44 percent of blacks and 41 percent of Hispanics did. Again, these responses are likely the result of the lower rates of employer-sponsored coverage found among minority Americans: 62 percent of blacks and 47 percent of Hispanics have employer health plans, compared with 75 percent of whites. Hispanics, despite their work efforts, are particularly at risk for barriers to participating in employer plans—even when controlling for such variables as poverty, education, age, and citizenship status.⁶ Hispanic employees appear to be particularly disadvantaged in their access to employer plans. Of adult workers who were not self-employed, Hispanics were twice as likely as whites or blacks to report that their employer does not offer coverage (23% Hispanic vs. 10% white and black employees).

Support for Expanding Coverage to Low-Income Workers

Since a majority of Americans are insured through their employers, it is perhaps not surprising that the most popular way to expand coverage to others would be through the workplace. Eighty-five percent of surveyed adults favored the government assisting low-income workers and their families afford health insurance by helping them pay for insurance offered by their employer. Support for this choice outranked that for setting up new government programs for workers (79%) and expanding existing government programs to offer free coverage (67%).

When asked about ways that the government might pay for this expanded coverage, 65 percent of adults favored requiring businesses that employ minimum-wage workers to pay 75 cents per worker per hour into a special fund for coverage. Experience with the employer-based system did not seem to be a major factor in determining support for this proposal, as two-thirds of both those with employer-sponsored coverage and the uninsured supported it.

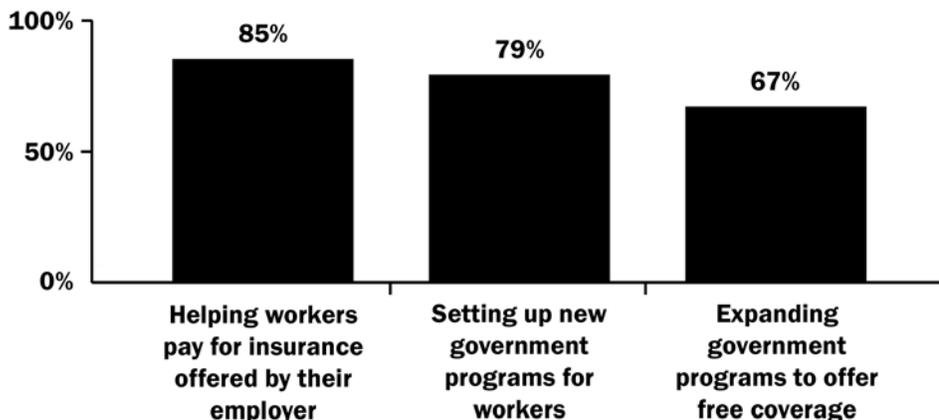
Among the alternative financing options, having employers pay into a fund or assessing insurance companies emerged as the leading choices. These two sources of financing had the support, with some variation, of one-half to two-thirds of all adults, irrespective of work status, income, gender, race/ethnicity, or age.

Summary

Since the end of World War II, employer-sponsored and -financed health insurance has been the dominant form of health

Support for Proposals to Expand Health Insurance Coverage

Percent of adults in favor of having the government help low-income workers and their families afford health insurance by...



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

coverage in the United States. By 1998, 155 million Americans, representing two-thirds of the population under age 65, had job-based insurance—more than twice as many as are covered by government programs, the next largest source.⁷ While employer-based coverage is not working well for all Americans, the

majority of working-age adults think that employers do a good job choosing quality plans, and half or more would like to see employers continue as the main source of insurance down the road. The survey findings point to the importance of protecting this foundation when formulating policies to reach the

Support for Ways the Government Might Finance Expanded Health Insurance

Percent of adults in favor of:	Total
Requiring businesses that employ minimum-wage workers to pay \$0.75 per worker per hour into a special fund	65%
Requiring health insurance companies to pay additional taxes	58
Raising payroll taxes paid by employers	39
Raising income taxes	21

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

uninsured and other working families who lack access to affordable coverage.

Workers' opinions are important as the nation weighs alternatives for assisting the increasing numbers of uninsured Americans. The positive experience of the majority of workers with employer-sponsored health insurance—especially through larger employers—speaks strongly to the value of group sponsorship. The challenge for the 21st century is to build on that which is working well, halt further erosion in coverage, and extend coverage to the working uninsured. The key is to develop mechanisms to insure those workers for whom job-based group coverage is less feasible—including the self-employed, independent contractors, and those with intermittent or unstable employment.

NOTES

- ¹ Dick Arney and Pete Stark, "Medical Coverage for All: The Ultimate Congressional Odd-Couple Weighs In," *The Washington Post*, June 18, 1999, pp. A41.
- ² Nancy W. Dickey and Peter McMenamin, "Putting Power Into Patient Choice," *The New England Journal of Medicine* 341 (October 21, 1999):1305-1308.
- ³ 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.
- ⁴ Ibid.

- ⁵ Lisa Duchon, Cathy Schoen, Elisabeth Simantov, Karen Davis, and Christina An, *Listening to Workers' Voices: Findings from The Commonwealth Fund 1999 National Survey of Workers' Health Insurance*, January 2000.
- ⁶ Allyson G. Hall, Karen Scott Collins, and Sherry Glied, *Employer-Sponsored Health Insurance: Implications for Minority Workers*, The Commonwealth Fund, February 1999.
- ⁷ Paul Fronstin, *Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 1999 Current Population Survey*, EBRI Issue Brief, forthcoming.

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 over-samples 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.



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