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Job-Based Insurance Declines for Moderate- and Low-Income Workers

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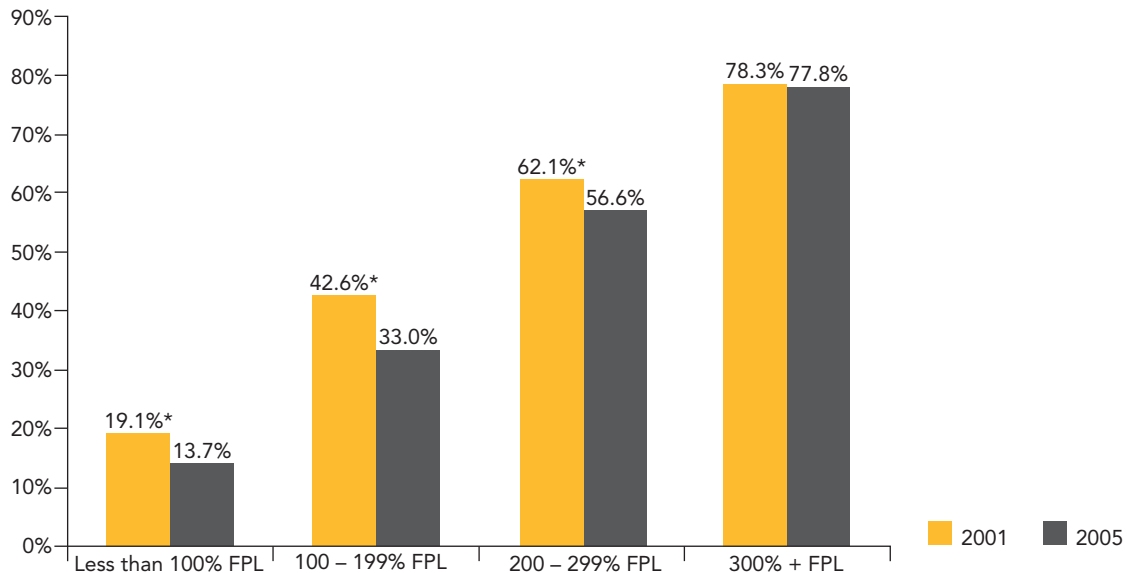
Between 2001 and 2005, employment-based insurance coverage fell dramatically among the 6.5 million workers with moderate- or low-incomes, more than a third of all nonelderly workers in the state. The decline occurred despite the strong economy and tight labor market in the last few years.

This policy brief, based on analyses of data from the 2001 and 2005 California Health Interview Surveys (CHIS), examines changes in employment-based insurance of working Californians, ages 19-64.

Job-based insurance fell more than five percentage points—from 19.1% in 2001 to 13.7% in 2005—among the 1.7 million workers below the federal poverty level (Exhibit 1). And it plunged more than nine

Exhibit 1

Employment-Based Insurance Coverage All Year by Family Income Relative to Federal Poverty Level, Workers Ages 19-64, California, 2001 and 2005



Note: Family income is the total family income as a percentage of the federal poverty level. In 2005, the federal poverty level was \$9,973 for one person, \$12,755 for a two-person family, and \$15,577 for a three-person family. In 2001, the federal poverty level was \$9,044 for one person, \$11,599 for a two-person family, and \$14,129 for a three-person family.

* Change between 2001 and 2005 is statistically significant at $p < 0.1$.

FPL = Federal Poverty Level

Source: 2001 and 2005 California Health Interview Surveys

percentage points among the 2.8 million low-income workers just above that level—from 42.6% in 2001 to 33% in 2005. The two million moderate-income workers (200-299% of the poverty level) also experienced a drop in job-based insurance, from 62.1% to 56.6%. Even among workers with family incomes at least 300% of the poverty level, there was a slight decline in job-based insurance, although it was not statistically significant.

Medi-Cal Coverage Rose

The decline in job-based coverage for low- and moderate-income workers was partially offset by increased enrollment in Medi-Cal, and slight increases in privately purchased insurance and other coverage sources (Exhibit 2). The working poor have come increasingly to rely on public programs, like Medi-Cal, for their coverage—but only if they meet Medi-Cal's stringent eligibility requirements.

Increases in these other sources of coverage, however, were not enough to offset the plunge in job-based insurance for some low-income workers. Nearly half of workers with

household incomes 100-199% of the poverty level were uninsured in 2005, six percentage points higher than in 2001 (Exhibit 2). The uninsured rate of other workers remained statistically unchanged, but large proportions of workers below 300% of the federal poverty level were uninsured. More than half of workers whose family income was below the poverty level were uninsured all or part year in 2005 (55.6%), as were nearly three in ten moderate-income workers (200-299% of the poverty level).

Access Barriers to Affordable Job-Based Insurance

Among employees overall, three-fourths had access to their own employment-based insurance coverage in 2005 (Exhibit 3). Workers have access to their own job-based insurance if they work for an employer that offers health benefits and they are eligible for those benefits. Among employees overall, 84% of those who were eligible for health benefits accepted their employer's health benefits.

Exhibit 2

Health Insurance Status During Last 12 Months by Family Income, Workers Ages 19-64, California, 2001 and 2005

	Uninsured All or Part Year		Employment-Based All Year		Privately Purchased All Year		Medi-Cal All Year		Other All Year		Total Population in 2005
	2001	2005	2001	2005	2001	2005	2001	2005	2001	2005	
Less than 100% FPL	54.9	55.6	19.1*	13.7	2.2	2.7	20.7*	24.0	3.0	3.9	100% 1,686,000
100-199% FPL	42.2*	48.2	42.6*	33.0	3.8	3.7	8.3*	11.7	3.1	3.5	100% 2,769,000
200-299% FPL	26.4	28.7	62.1*	56.6	5.1	5.8	2.9	3.5	3.5*	5.4	100% 2,036,000
300% + FPL	11.3	11.3	78.3	77.8	6.6	6.7	1.0*	1.2	3.0	3.2	100% 10,527,000
All Workers	23.5	23.8	63.4*	61.6	5.5	5.7	4.6*	5.4	3.1*	3.6	100% 17,018,000

Note: Family income is the total family income as a percentage of the federal poverty level. In 2005, the federal poverty level was \$9,973 for one person, \$12,755 for a two-person family, and \$15,577 for a three-person family. In 2001, the federal poverty level was \$9,044 for one person, \$11,599 for a two-person family, and \$14,129 for a three-person family.

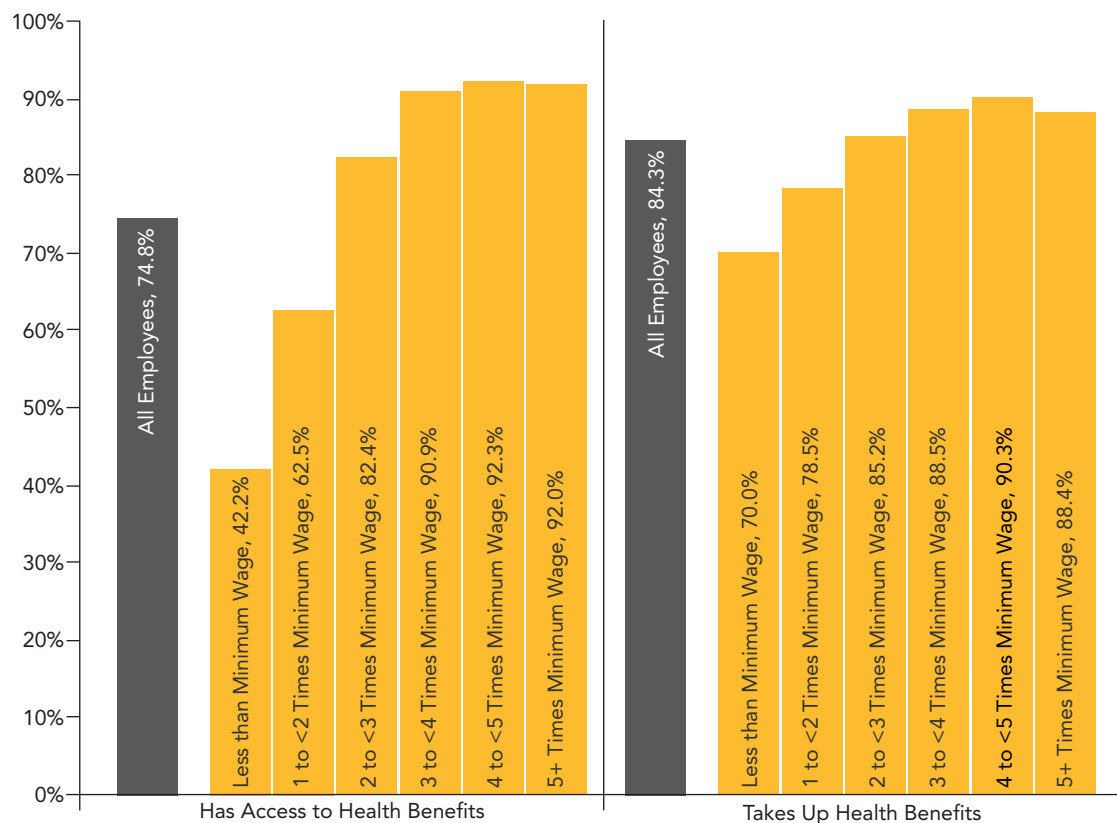
* Change between 2001 and 2005 is statistically significant at $p < 0.1$.

FPL = Federal Poverty Level

Source: 2001 and 2005 California Health Interview Surveys

Access to and Take-Up of Employment-Based Coverage, Employees Ages 19-64, California, 2005

Exhibit 3



Access rate = The proportion of employees who work for an employer that offers health insurance and the employee is eligible for those benefits.

Source: 2005 California Health Interview Survey

Take-up rate = Total number of employees who *accepted* insurance divided by total number of employees with *access* to their employer's plan.

Many employees work for small firms, which are less likely than larger firms to offer coverage. An increasing number of small firms have been making the difficult decision not to offer coverage in the face of high and rapidly rising costs of health insurance coverage.¹

Many other employees, however, work for an employer that offers coverage but they are not eligible, mostly due to working less than full-time or not having passed the employer's waiting period. Larger employers have increased waiting periods and taken other steps to reduce the number of workers who are eligible for benefits. This pattern was

exemplified by the Southern California supermarkets' policies adopted in 2004 that ended years of generous union-negotiated health benefits, and required most newly hired employees to work at least 12 months before becoming eligible for even reduced health insurance coverage.

Far fewer lower-wage employees have access to their own job-based insurance. Among the 2.3 million employees earning less than the minimum wage (\$6.75 per hour in 2005), only 42.2% had access to health benefits through their employer in 2005 (Exhibit 3). Among those who had access, only 70% took up their employer's health plan.

The 3.8 million employees between the minimum wage and twice that amount also have limited access to employment-based coverage. In 2005, 62.5% had access to health benefits through their employer, and eight in ten of those had enrolled in their employer's health plan (Exhibit 3).

Among the 2.9 million employees earning from two to three times the minimum wage, 82% had access to health insurance through their job (Exhibit 3), still well below those with earnings above that level. About 85% of those in this wage group took up health benefits when they had access, on par with those above that level.

Employees Without Access to Job-Based Insurance

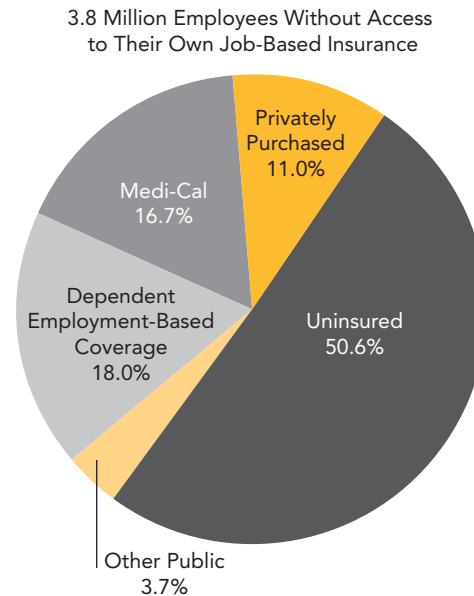
Having access to job-based insurance is the most important determinant of whether employees are insured or uninsured. Half of all employees without access to their own job-based insurance—1.9 million in all—were uninsured when they were interviewed in 2005 (Exhibit 4).

About 11% of workers without access to job-based insurance bought coverage through the private (nongroup) health insurance market and therefore pay for it themselves. However, most of those who do get coverage add to the costs of stakeholders who are not their employers. One in six (18%) were covered as dependents of their spouse. From the vantage point of the private firm or government agency that is paying for the benefits, this represents a shifting of costs from the worker's own employer to the spouse's employer.

Another 16.7% received Medi-Cal coverage and 3.7% were covered by other public programs. Employers who do not provide access to job-based insurance are, in effect, shifting the costs for these programs to taxpayers.

Current Health Insurance Coverage Among Employees Who Do Not Have Access to Own Job-Based Insurance, Ages 19-64, California, 2005

Exhibit 4



Source: 2005 California Health Interview Survey

Among the 2.4 million uninsured employees in California, 80% had no access to job-based insurance (data not shown). Only 20% of these uninsured employees turned down health benefits that were available to them.

The costs of health care received by uninsured workers are paid by the workers themselves, but when they cannot afford to pay the full cost—which is typically the case for expensive hospital care—their costs are shifted to others. The New America Foundation estimates that this cost shift adds about 10% to the premiums of private health insurance plans, or about \$1,186 a year for the average family plan and \$455 a year for the average single worker coverage.²

Conclusion

It is apparent that the employment-based coverage arrangements that have been the foundation of U.S. health insurance are eroding rapidly. The current arrangements leave many moderate- and low-income workers completely uninsured. The numbers are not small: in 2005, about 2.9 million California workers with family incomes less than 300% of the federal poverty level (about \$30,000 a year for a single adult and about \$47,000 for a family of three) were uninsured. It also leaves about 1.2 million workers above that income level uninsured all or part of the year.

The large number of uninsured moderate- and low-income workers is the most poignant face of California's health insurance problem. The vast majority of these uninsured workers simply do not have access to affordable health insurance. Most work for an employer that does not offer health benefits at all, or they are not eligible for their employer's plan. Others are self-employed.

This problem is the result of two related conditions: a voluntary health insurance system, and a health care system that has shown itself to be unable to control the growth in health care costs. The voluntary nature of job-based insurance means that employers decide whether to offer health benefits at all and, if so, what requirements workers must meet in order to be eligible, and how much workers will need to pay to participate in that coverage. Employees, in turn, can decide whether to accept their employer's offer of health benefits if they are eligible. And, of course, the self-employed can decide whether to seek health insurance. If they do, they face enormous uncertainties about whether insurers will sell them coverage, what they will have to pay, and whether their policy might be cancelled if they use covered services. The decisions of employers, employees and the self-employed are heavily influenced by the affordability of

health insurance, which is largely a function of the benefits covered and the costs of covered health care services.

Health care costs have been growing for decades at two to four times the growth in the Consumer Price Index and considerably faster than the economy. The rising costs of health care drive up the price of health insurance which, in turn, extracts an increasing share of what all workers earn, including those who have employment-based insurance coverage. Each year, more employers pass on to their workers at least part of these cost increases, or they may drop coverage altogether. And each year, more workers—mainly moderate- and low-income workers—make the difficult decision to decline coverage because of cost, and become uninsured.

When the uninsured do get care, they pay more, but much of the cost of their hospital care ends up being shifted to others—to taxpayers, to employers and to others who are paying private health insurance premiums.

Ending this cycle will require bold reforms: policies that extend affordable coverage to all adults as well as children, and policies that begin to get control of health care and health insurance costs. Affordable coverage means that premiums and out-of-pocket costs, such as deductibles and copays, together eat up no more than a small percentage of family income. It thus means that both “average” Californians and those with higher than average expenses in any given year are protected by comprehensive coverage. All workers and employers who are providing their workers with health insurance would benefit if California enacts such health care reforms.



The UCLA Center for Health Policy Research is affiliated with the UCLA School of Public Health and the UCLA School of Public Affairs.

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Data Source

Based on data from the 2001 and 2005 California Health Interview Surveys, this policy brief compares health insurance coverage during the 12 months preceding the CHIS interview for nonelderly working adults between 2001 and 2005. CHIS 2005 provides the most recent information available on health insurance coverage of Californians, both statewide and at the county level. For more information on the California Health Interview Survey, please visit www.chis.ucla.edu.

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Notes

- 1 California HealthCare Foundation and Center for Studying Health System Change, *California Employer Health Benefits Survey 2006*, Oakland, CA: California HealthCare Foundation, November 2006.
- 2 Nichols LM and Harbage P, *Estimating the 'Hidden Tax' on Insured Californians Due to the Care Needed and Received by the Uninsured*, Washington, DC: New America Foundation, May 21, 2007.

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