

## WHAT ACCOUNTS FOR CALIFORNIA'S LOW EMPLOYMENT-BASED COVERAGE?

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### The Problem

Over 3.8 million working adults in California have no health insurance. Lack of employment-based coverage is a significant driver of uninsurance. Despite the economic boom, California's employment-based coverage rate (58%) is lower than that of the nation as a whole (67%).\*

In this Policy Alert, we examine three important factors that affect job-based coverage in both California and the United States as a whole: 1) "Offer Rate"—the percentage of employees whose employer offers coverage; 2) "Eligibility Rate"—among those with an employer that offers coverage, the percentage who are eligible to enroll; and 3) "Take-Up Rate"—among those eligible to enroll in an employer plan, the percentage who do so.

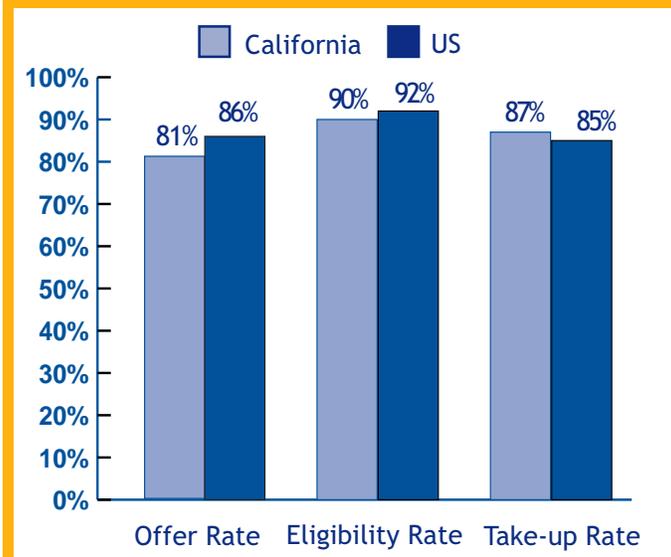
### Policy Options

California lags behind several states in providing coverage for its workers. California policymakers are considering expanding eligibility for Medi-Cal and Healthy Families to more parents of eligible children, but few efforts are being made to craft policies that target uninsured workers who are not linked to eligible children. California could:

- ❖ **Expand Medi-Cal coverage to low-income working adults with children.**
- ❖ **Open the Medi-Cal program to adults without children.**
- ❖ **Extend eligibility for these programs to all low-income workers, regardless of immigrant and citizenship status—given California's increasingly immigrant labor force.**
- ❖ **Create incentives, such as state subsidies to employer-employee contributions, especially for firms that join PacAdvantage or another purchas-**

**ing pool for small employers (2-50 employees) to cover uninsured workers.**

**EXHIBIT 1: OFFER, ELIGIBILITY, AND TAKE-UP RATES OF JOB-BASED COVERAGE, WORKING ADULTS AGES 19-64, CALIFORNIA AND US, 1998**



Source: February 1999 Current Population Survey.

### The Evidence

Exhibit 1 compares the offer, eligibility, and take-up rates for working adults in California and the United States as a whole. Overall, California workers are less likely to work for an employer who offers health benefits (81% vs. 86%). Among those whose employers offer health benefits, California workers are nearly as likely to be eligible (90% vs. 92%). And among those who are eligible, California workers are slightly more likely to accept, or take-up, the offer (87% vs. 85%).

#### California

The most important factor in explaining job-based coverage is the offer rate. Latinos, noncitizens, and workers with less education are much less likely to be offered health benefits (see Exhibit 2). These groups'

\* Source: March 1999 Current Population Survey

**EXHIBIT 2: OFFER RATES OF JOB-BASED COVERAGE BY SELECTED MEASURES, WORKING ADULTS AGES 19-64, CALIFORNIA AND US, 1998**

	CA	US
<b>Age</b>		
19-24	69%	75%
25-44	81%	86%
45-64	85%	88%
<b>Race/Ethnic Group*</b>		
Non-Latino White	87%	88%
Latino	66%	71%
AAPI	83%	83%
African American	88%	87%
<b>Education</b>		
Less than high school graduate	52%	66%
High school graduate	82%	85%
College graduate or higher	92%	93%
<b>Citizenship Status</b>		
US-born	86%	87%
Naturalized citizen	84%	83%
Noncitizen	57%	64%
<b>Hours Worked Per Week</b>		
0-20	65%	64%
21-34	66%	71%
35-39	72%	84%
40+	84%	89%
<b>Hourly Wage</b>		
Less than or equal to \$9.50	58%	72%
\$9.51 - \$14.25	86%	90%
\$14.26 +	92%	93%
<b>Union Membership</b>		
Yes	92%	91%
No	59%	68%
<b>Occupation</b>		
Management, Technical, Sales	88%	90%
Service	64%	72%
Production, Craft, Repair Services	72%	82%
Farming, Forestry, Fishing	45%	54%
<b>Employment Classification</b>		
Hourly Employee	75%	82%
Non-hourly Employee	85%	89%

Source: February 1999 Current Population Survey  
 \*AAPI = Asian Americans and Pacific Islander. The American Indian/Alaska Native sample was too small to produce reliable estimates. Data source did not survey respondents on firm size.

lower offer rates almost completely explain their lower job-based insurance rates.

Among employees whose employer offers health benefits, there are few differences in the proportions that are eligible. Nevertheless, for certain groups, the lack of eligibility for insurance is partly responsible for lower coverage rates. Those who are 19-24 years old, work part-time, earn less than \$9.50 an hour, are not in a union, and work in the service sector are much less likely to be eligible for employer-based coverage (data not shown).

Finally, even when eligible for employer coverage, some groups are less likely to take it up (i.e., enroll in it), in part due to high premiums. This is especially true among those who work fewer hours per week, earn less, and are not members of unions. However, differences in take-up of health benefits are very small compared to differences in the rate at which employers offer health benefits.

*Comparing California and the U.S.*

California workers are less likely than workers in the U.S. overall to work for an employer that offers health benefits. In addition, as Exhibit 2 demonstrates, different population groups differ in their offer rates:

- ❖ Whereas among most ethnic groups offer rates are similar, those for Latinos are noticeably lower in California than in the U.S. as a whole. A similar pattern exists among non-citizens.

**Conclusion**

Several factors contribute to the lack of job-based health insurance coverage both in California and nationally. Policymakers should focus their efforts on making affordable coverage accessible to the most vulnerable groups.

**Health Insurance Policy Program**

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