Falling Apart
How Adults are Faring in the Crisis of Job-Based Health Insurance in the United States

UC Berkeley Center for Labor Research and Education & Working Partnerships USA

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Major Findings

- Employer-based coverage is in serious decline and low- and middle-income adults are the most vulnerable.
- Nationally, 900,000 fewer adults have such coverage every time health care premiums increase by 10%.
- The study predicts that by 2010, there will be 6.2 million more uninsured adults in the United States, barring policy measures to combat this crisis.
Data Sources


- This data is supplemented by information on premium prices from the Employer Health Benefits Survey (2000-2004) conducted by the Kaiser Family Foundation (KFF) and the Health Research and Education Trust (HRET).
Rising Uninsurance … and Falling Job-Based Coverage for Adults between 2000 and 2004

- The drop in health coverage was fueled by a decline in employer-sponsored insurance.
  - Job-based coverage dropped from 68% to 64% in the U.S.
- Low- and middle-income adults—with family incomes between 100% and 400% of the Federal Poverty Level—experienced the sharpest decline in job-based health coverage.
  - Job-based coverage declined for this population by 4.9 percent points, as opposed to 1.4 percent points for higher-income adults. Uninsurance among lower- and middle-income adults rose by 4.3 percentage points.
  - Job-based coverage dropped from 64.8% to 57.7% for workers earning between $9 and $11/hour – a 6.1 percentage point drop.
Double-Digit Premium Cost Inflation … and Worker Contributions Are Rising Even Faster

- There were sharp premium increases between 2000 and 2004.
  - 11% annual growth rate
    - Average cost of family coverage in 2004: $9,800

- There were even sharper increases in worker contributions.
  - Workers’ share of premium costs rose from 25% to 32% for family plans over this period; share of individual plans rose from 10% to 15%.
Estimated Change in Coverage from a 10% Increase in Health Care Premiums

- Other things equal, for every 10% increase in health care premiums:
  - 900,000 fewer adults nationally have employer-based coverage.
  - 650,000 more become uninsured.
  - Job-based coverage for adults between 100% and 400% of FPL falls by more than 3 times as much as for adults with higher incomes.
Projected Coverage for US Adults Assuming 10% Annual Premium Price Inflation: 2004-2010

- If premiums continue to increase 10% each year between 2004 and 2010:
  - Job-based coverage will drop from 64% to 60%
  - 6.2 million more adults will be uninsured.
  - 2.9 million more will be enrolled in a public program if eligibility levels remain the same.
The Projected Decline in Job-Based Coverage is Concentrated Among Low- and Middle-Income Adults

Federal Poverty Level income for a family of three:

- 100% of FPL: $15,000
- 400% of FPL: $59,000

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Projected Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 100%</td>
<td>-0.98%</td>
</tr>
<tr>
<td>100% - 200%</td>
<td>-5.84%</td>
</tr>
<tr>
<td>200% - 300%</td>
<td>-5.95%</td>
</tr>
<tr>
<td>300% - 400%</td>
<td>-5.89%</td>
</tr>
<tr>
<td>Over 400%</td>
<td>-2.58%</td>
</tr>
</tbody>
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For non-elderly adults, job-based coverage will fall from 64% to 60% by 2010, while the rate of uninsurance will rise from 22% to 24%.
Future Projections for US Adults Under 300% FPL Assuming 10% Annual Premium Price Inflation: 2004-2010

By 2010, for adults in the bottom half of the income scale, the same proportion will have job-based coverage as will be uninsured (38%), while 16% will be enrolled in a public program.
Policy Implications

- Without major policy changes, employer-based coverage will continue to erode.
- For low- and middle-income adults, job-based coverage is increasingly unavailable.
- A continued decline in job-based coverage will shift additional health care costs from employers to the public sector.
- Private or consumer-driven health programs are an unrealistic option for those losing coverage.