

# **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***

June 2<sup>nd</sup>, 2005

---

## 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

- The primary source for data on health coverage is the March Current Population Survey (CPS), 2000 to 2004.
  - 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%.
-

---

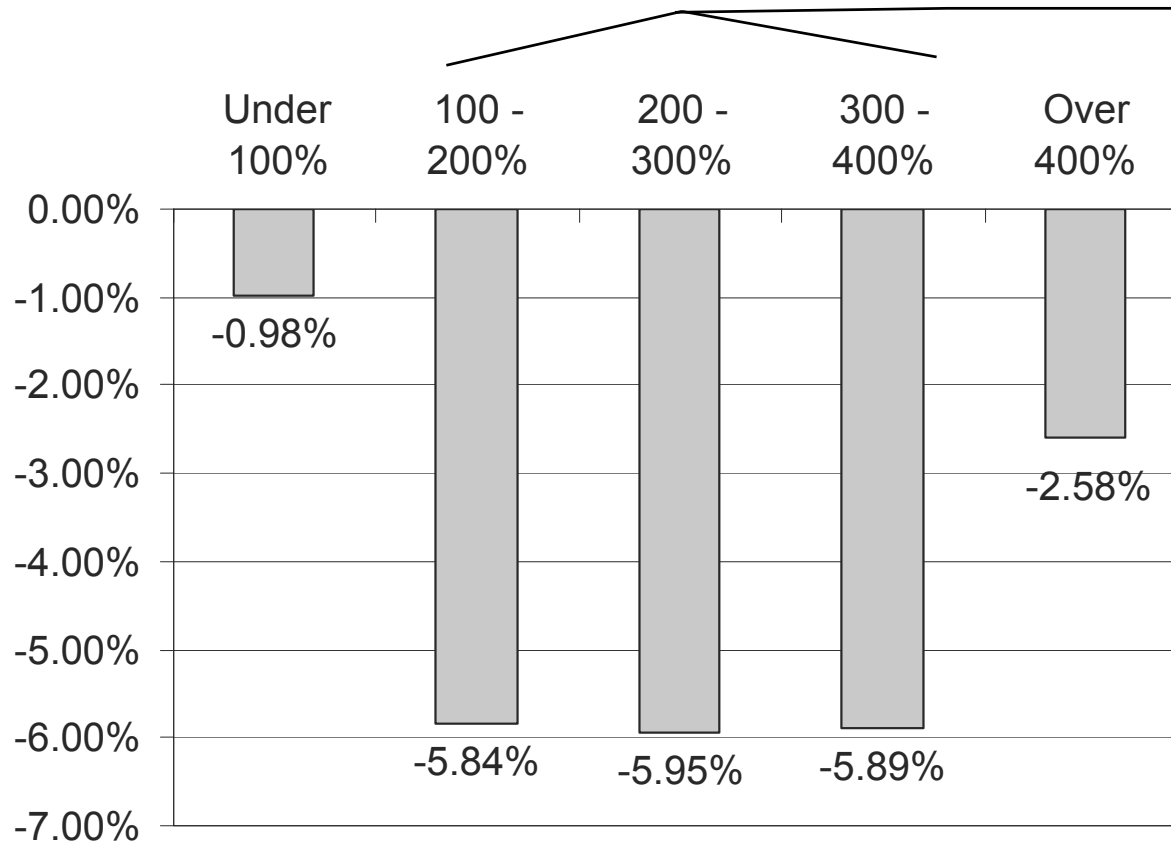
# Estimated Change in Coverage from a 10% Increase in Health Care Premiums

- 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



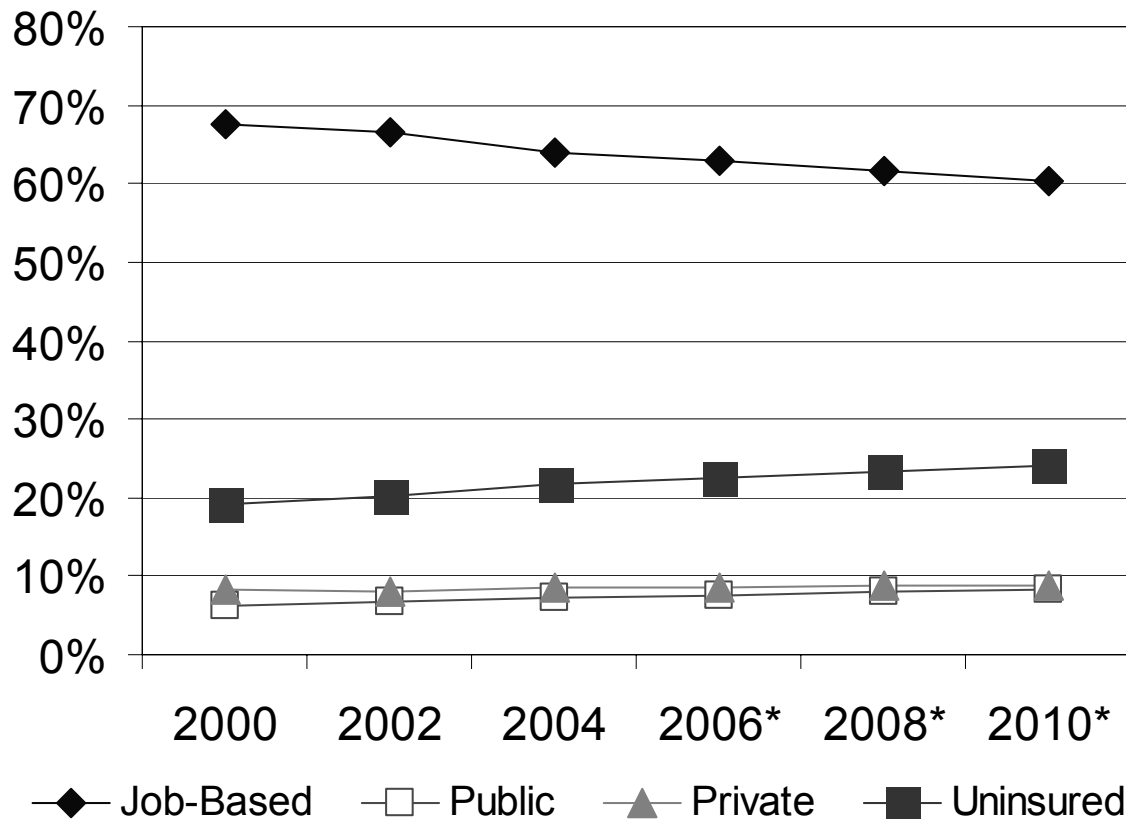
Federal Poverty Level income for a family of three:

100% of FPL:  
\$15,000

400% of FPL:  
\$59,000

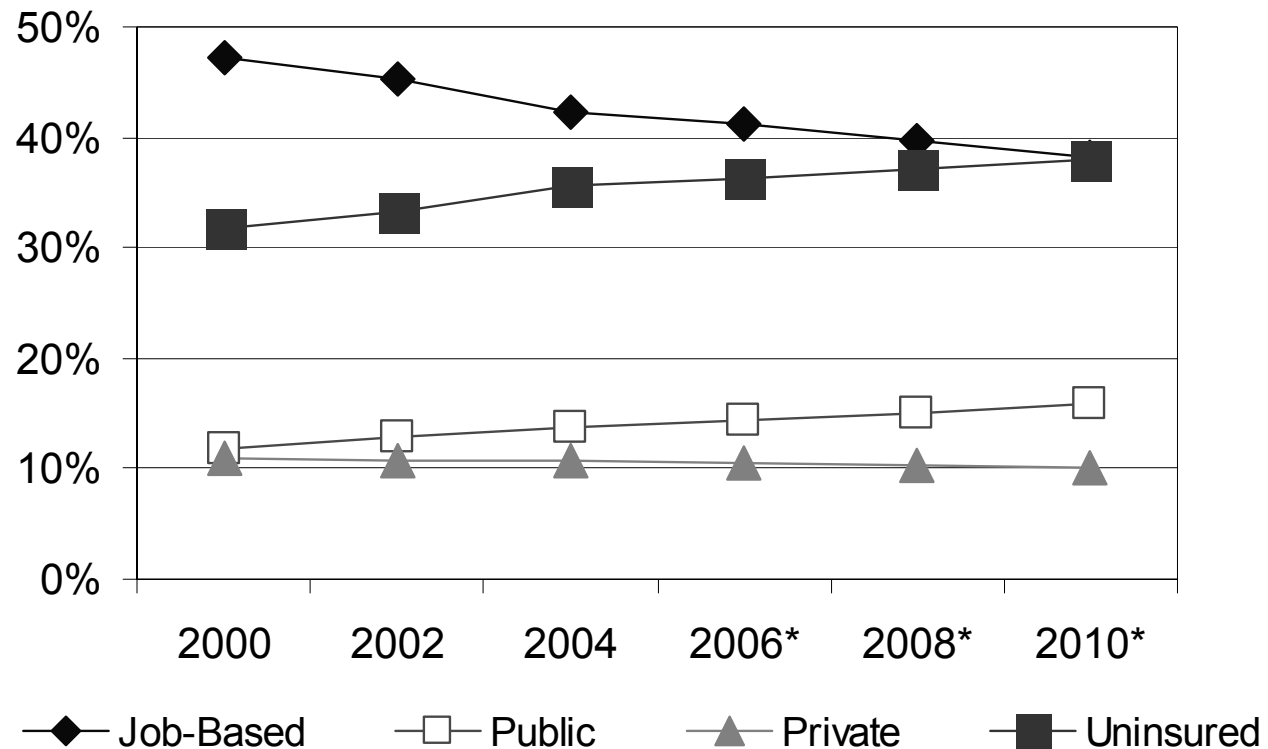
# Future Projections for US Adults Assuming 10% Annual Premium Price Inflation: 2004-2010

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.
-