

## **Employer Sponsored Insurance Faces Uncertain Future**

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“Skeptics say we can’t afford to cover everyone; the truth is that we can’t afford not to. Our large uninsured population and fast-rising health costs are huge impediments to our economic competitiveness.”

Tom Daschle, Health and Human Services Secretary-Designate, former US Senator, and author of *Critical: What We Can Do About the Health-Care Crisis*.

Several trends are catapulting health care reform to the top of President-Elect Obama’s domestic policy agenda. These include persistently high numbers of uninsured Americans, in both good economic times and bad, and the need to reign in entitlement spending, such as Medicare, Medicaid and Social Security, in the face of ever-widening state and federal budget deficits.

Another ominous trend has been the slow, but steady erosion of employer-sponsored health insurance – a trend compounded by the deepening economic recession – and a growing recognition that the nation’s health and fraying health care system are inexorably linked to the health of the economy.

The nation’s unemployment rate jumped to 7.2 percent in December, the highest level in 16 years, as businesses shed 524,000 jobs, capping one of the worst years in modern history for American workers. And, adding insult to injury, the New York Times recently concluded that “as jobless numbers reach levels not seen in 25 years, another crisis is unfolding for millions of people who lost their health insurance with their jobs, joining the ranks of the uninsured.”

Presently, 6 out of 10 nonelderly Americans – about 159 million in all – get their health insurance through their job or a family member’s job. Conversely, 37 million people from working families are uninsured because not all businesses offer health benefits, some workers don’t qualify for coverage, and many employees simply cannot afford their share of health insurance premiums.

According to the Kaiser Commission on Medicaid and the Uninsured, over the past decade there were declines in both the percentage of employees offered ESI and the percentage of those offered coverage who chose to enroll. These trends are particularly pronounced among workers in low-income families and employees of small businesses.

For example, based on data from the Census Bureau, there are approximately 8,500 businesses with 1 to 9 employees (72% of all establishments) in Washoe County. These businesses employ

31,000 workers or about 15 percent of the local workforce. Similarly, there are 1,600 businesses with 10 to 19 employees (13.7% of establishments) that employ about 23,000 workers or 12% of the county's workforce.

Combining this information with data from the federal government's Medical Expenditures Panel Survey, I determined that only 30 percent of small businesses with 1 to 9 employees offer health insurance to their workers and only 51 percent of those with 10 to 19 employees offer health insurance.

With each increase in establishment size, the percent of businesses offering insurance increases – 77% of businesses with 20 to 99 employees offer insurance, as do 93% of businesses with 100 to 999 employees, and 100% of the businesses with more than 1000 employees. However, less than three of five businesses (57.4 percent of all establishments) in Washoe County offer health insurance to their employees.

While the percentage of large employers offering coverage has remained stable over the past decade at 98 to 99 percent, it is abundantly clear that the percentage has dropped among small employers. Worse, average health insurance premiums have increased faster than the overall inflation rate or workers' earnings for every year (except 1996) over the past twenty years.

In their recent state by state analysis of the costs associated with not fixing what ails our health care system, *The Cost of Doing Nothing*, Sarah Axen and Elizabeth Carpenter of the New American Foundation contend that the "moral case for health care reform is well documented. The uninsured often forgo necessary care because of cost and sink into financial ruin because of health care bills."

They stress, however, that reform of our nation's health care system is more than just a moral imperative, reform is also an economic necessity since "our economy loses hundreds of billions of dollars every year because of the diminished health and shorter life span of the uninsured." They add that "rising health care costs undermine the ability of U.S. firms to compete internationally, threaten the stability of American jobs, and place increasing strain on local, state, and federal budgets."

Whether or not reforms build on our current employment-based health insurance or replace that system all together, there is growing recognition that we must reform our health system not in spite of the current economic crisis, but rather because of the impact health care and poor population health have on the American economy.

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