Employer-Based Coverage Becoming the Exception

BY JOEL B. FINKELSTEIN
Contributing Writer

WASHINGTON — Companies both large and small are finding it increasingly difficult to afford the health insurance coverage they have traditionally provided to their workers, experts warned at a conference sponsored by AcademyHealth.

Employer-based insurance remains the dominant source of coverage in the American health care system. However, the proportion of companies that provide health benefits dropped from 70% in 2000 to 60% in 2005. Small businesses, those with only a handful of employees, have been especially hard hit by rising premiums, said Todd McCracken, president of the National Small Business Association.

"We have reached a point in the past couple of years where for the first time in memory, most of these companies now do not provide health benefits to their employees," he said.

'We're not going to stand on the sidelines of a political debate, we're going to engage the debate in our mutual interest and figure out a solution for everyone.'

Of the small companies that can still offer health coverage, few can give their workers a choice of health plans, and they are often not happy with the plans they can offer. In any given year, 60% of small companies are shopping around for another health plan, but only 24% make a switch, according to data from the Kaiser Family Foundation.

"Small businesses are constantly in the marketplace looking for a better deal, sure that there's something out there for them that can bring prices in line, when in fact, they don't find much or they find choices that are even worse," he said.

When they come up empty, most companies have few options other than shifting more of the cost of premiums to their workers or reducing benefits, a trend that will continue over the next 5 years, according to projections by the Bureau of Labor Statistics.

"The share that employees will be asked to bear simply outstrips any realistic ability they may have to pay," Mr. McCracken said.

Large companies pass rising health insurance premiums on to their employees, said Mary Kay Henry, of the health systems division of the Service Employees International Union.

The union represents 700,000 workers worldwide. About half of them have no health coverage and the other half are being asked to share more of the cost of their health insurance. Over the past few years, SEIU has increasingly found itself in difficult negotiations with employers over health benefits at both the level of collective bargaining and that of individual workers. "Beyond the bargaining problem, we also had a crisis happening for individual workers, which was [that] they were, by virtue of no coverage, having to face not getting the medical care they needed in order to live," she said.

The uninsured end up with a greater level of need for care, which is often uncompensated. That cost is passed on to those who can pay, which in turn raises insurance premiums. The result is that more employers drop coverage because of high premiums and the cycle starts all over again.

What the solution will look like is not clear, but there does seem to be a movement for everyone to come to the table, the experts said.

"We're not going to stand on the sidelines of a political debate, we're going to engage the debate in our mutual interest and figure out a solution for everyone in this country," said Ms. Henry. ■

Fact Sheet on Prescription Help

The National Council on Patient Information and Education is distributing a fact sheet to advise consumers who lack health insurance or prescription drug coverage about prescription assistance programs and prescription savings/discount programs that can help them to obtain the medications they need. For more information, read the fact sheet at www.talkaboutrx.org/documents/paps.pdf. ■