US companies shift bigger share of health care costs onto workers

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Amid a weakening economy and growing joblessness, employers shifted more health care costs onto workers in 2010, according to a study released Thursday. The findings follow a previous report that showed big companies plan to shift even more of the burden of health care costs onto their workforces in 2011.

The study by the Kaiser Family Foundation and the Health Research & Education Trust (HRET) found that premiums paid by employees for employer-sponsored family coverage rose an average of 13.7 percent this year, while the company-paid portion fell—by 0.9 percent.

The survey found that total premiums for employer-sponsored coverage—the combined amount paid by employer and employee—rose an average of 3 percent for family coverage and 5 percent for single coverage.

The burden for this somewhat modest rise, however, fell disproportionately upon workers. In 2010, of the average $224 premium increase for single coverage, employees were responsible for footing more than half the rise.

In order to maintain health care insurance, workers are paying an average of 30 percent of the premium for family coverage and 19 percent of the premium for individual coverage. These are the highest percentages recorded in the 12 years the two organizations have been conducting their surveys. By comparison, the 2009 percentages paid by workers were an average of 27 percent for family coverage and 17 percent for single coverage.

From 2000 to 2010, the combined premium for the average employer-sponsored family health care plan has more than doubled, rising from $6,438 to $13,770. But while employers—who rail against rising health care costs—increased their share of the contribution by 114 percent, workers were mandated to increase their contribution by 147 percent.

From 2005 to 2010, while overall premiums have risen by 27 percent, workers' premium payments have shot up a staggering 47 percent. According to the survey's figures, wages during these five years have increased by 18 percent.

While the study showed that 69 percent of firms reported offering some form of health benefits, even at those companies offering coverage, significant sections of their employees are not covered. While some workers are able to access coverage through a spouse, others are either excluded from coverage or choose not to enroll for economic reasons.

Many companies subject employees to waiting periods before they qualify. Others deny coverage to employees because they don't meet minimum work-hour requirements, e.g., workers at many companies are ineligible for health care coverage if they work less than 30 hours, and employers deliberately keep a portion of workers below this level.

The result of all these factors is that among the 69 percent of companies that offer health care coverage to their employees, an average of only 79 percent are eligible for benefits. Of those eligible, 80 percent enroll, resulting in only 63 percent of workers in companies that offer health benefits actually being covered by their employer.

A significant portion of workers also choose not to enroll in their employer's health care plan because they cannot afford the burgeoning costs. Indeed, "health care coverage" is itself a misnomer under conditions where the plans that are offered are so economically burdensome that workers choose—or are forced by their financial situation—not to enroll.

Those workers with coverage for themselves or their families also face additional costs when they access health care services. In particular, most coverage is subject to a deductible—an amount that must be paid by the employee before coverage kicks in. Although some routine care and other services are exempt, this means that workers must cover most medical costs completely out of pocket until this figure is met.

A recent study on the "Economic Crisis and Medical Care Usage" showed that 26.5 percent of Americans have reported reducing their use of routine medical care as a result of the economic crisis. The majority of these people are covered by some form of health insurance, but find that the costs for services that are not covered are just too much.

From 2006 to 2010, the percentage of employees with single coverage who are subject to a $1,000 deductible has risen from 10 percent to 27 percent. For those working in a small firm (defined by the study as 3-199 workers) those with a $1,000 deductible have almost tripled, rising in four years from 16 percent to 46 percent.

Employers are increasingly turning to these high deductible plans to foist more of the health care costs onto their workforces. The deductible for family coverage is often $2,000 or more. Certain spending is also often excluded from counting towards the deductible, such as physician office visit co-payments or money spent on prescription drugs.

Employers are also targeting retiree health benefits. Only 28 percent of large firms (200 workers or more) currently offer retiree health benefits, down from 34 percent in 2005. Only 3 percent of small firms offer any retiree benefits, leaving retired workers to be covered by the federal Medicare program, whose services are themselves under attack.

In one of the most telling statistics, the Kaiser/HRET study found that 30 percent of employers offering health benefits reported that they had reduced benefits or increased employee cost sharing this year due to the economic downturn. These shifts in costs included raising the employee's share of premium costs, increasing deductibles and co-pays, and trimming services covered.

A study conducted by the National Business Group on Health and published last month showed that this trend will undoubtedly continue. The report, based on a survey of 72 companies including Wal-Mart and General Electric, showed that 63 percent of these firms plan to shift more of the premium costs to employees next year.

The report showed that companies expected their health care costs to rise by 9 percent in 2011, about 2 percent higher than the 7 percent average rise in 2010. While big corporations have pointed to the provisions of the Obama-backed health care bill passed earlier this year as a driver of health care spending, it is notable that those firms surveyed indicated that only 1 percent of the 9 percent increase expected in 2011 would result from changes related to the bill.

The legislation in fact aims to cut health care spending for ordinary Americans—targeting in particular the Medicare program for the elderly—while leaving in place the private delivery of health care. As these studies show, employers plan to shift any increases in costs as a result of the profit-driven motives of the giant health care industry and pharmaceuticals onto the backs of their workforces.