

One in ten US employers to cut health insurance by 2014

Kate Randall
26 August 2011

A new study shows that nearly one of every 10 large and mid-sized companies plans to stop offering health insurance to their employees by 2014. The survey of 368 companies by Towers Watson, a human resources consulting firm, shows that as many as 9 percent plan to drop their employer-sponsored health insurance coverage in this timeframe.

In 2014 the Obama-sponsored Patient Protection and Affordable Care Act (PPACA) will mandate individuals and families to obtain insurance or pay a penalty. Those unable to obtain insurance from their employer or through government programs will be forced to purchase private coverage from private insurers on an “exchange.”

A study by the McKinsey Company in June showed that an even larger number, 30 percent, were likely to drop coverage for their workers after many of the provisions of the health care bill take effect in 2014. (See “More US employers to drop coverage under Obama health care overhaul”)

The new study is the latest demonstration that the health care overhaul will result in a deterioration of health care provision for the majority of Americans, rather than the vast improvement touted by the Obama administration. The aim of the legislation is to cut costs for corporations and the government, while boosting the profits of the private insurers, pharmaceuticals and other health care giants.

The Towers Watson survey indicates that a substantial number of employers feel they will be better off paying the fines stipulated under the Affordable Care Act than continuing to provide the coverage. The

penalties for businesses are minimal. If companies with more than 50 employees stop offering health coverage they will be fined a \$2,000 per employee tax penalty.

By contrast, individuals and families who do not obtain health insurance face fines that could eventually rise to as much as 2 percent of income for all except the very poor. Through the exchange “marketplace,” private insurers will offer cut-rate plans and can raise premium costs with little meaningful government oversight.

The Towers Watson survey also shows that the overwhelming majority of companies plan to make other changes to their employer-sponsored coverage that will negatively impact workers’ health care coverage. While employer health care costs are expected to rise at a lower rate in 2012 (5.9 percent) compared to 2011 (7.6 percent), 88 percent of companies plan to take steps to cut health care outlays, as well as shift more costs onto their workforces.

In particular, they aim to cut costs in advance of a provision of the PPACA that takes effect beginning in 2018 that will impose a 40 percent tax on “Cadillac” plans with annual costs exceeding \$10,200 for individuals or \$27,500 for a family. At Verizon, where 45,000 workers struck earlier this month, management is demanding that employees contribute \$1,200 to \$3,000 per year to their health care costs. (See “Obama’s health care ‘reform’ and the Verizon strike”)

Nearly 30 percent of employers surveyed said they were unsure whether they would continue to offer health care coverage through 2014, or offer wage increases to make up for the lost coverage if they drop

it. The outlook for retirees is even bleaker, with 54 percent of companies saying they plan to discontinue health care benefits they presently offer for retirees both older and younger than age 65.

Currently, very few companies that offer health care to their workers cover all of the costs. The Towers Watson study found that two thirds of employers plan to increase their employees' share-of-premium contributions for individual coverage in 2012. Roughly three-quarters of businesses plan on increasing employees' share of costs for workers with dependent coverage.

Businesses are also looking for ways to cut costs by rewarding employees based on positive "biometric outcomes," while penalizing others. For example, employees can earn bonuses by screening negative for tobacco use, maintaining a "healthy weight," and keeping their blood pressure and cholesterol at normal levels. Such programs are already in place at a growing number of companies. While only 8 percent of employers surveyed currently utilize such methods, 57 percent are considering implementing them.

The survey showed that one in three employers do not currently offer health care coverage to their part-time workers. As the health care legislation will not require companies to offer coverage to their part-time employees, it can be expected that companies will shift more employees to part-time work, and that less of the latter workforce will be covered by employer-sponsored health plans. This shift will disproportionately affect workers in retail and hospitality, sectors of the workforce already earning the lowest wages, with few or no benefits.



To contact the WSWs and the
Socialist Equality Party visit:

wsws.org/contact