Sharp decline in employer-sponsored health coverage in US

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13 April 2013

The percentage of Americans covered by employer-sponsored health plans has fallen sharply since 2000, dropping to below 60 percent in 2011, according to a new study. The decline—an average of 10.1 percent nationwide—is mainly attributable to persistent unemployment and the soaring cost of premiums for health coverage charged by the private insurers. Low-income workers saw the biggest drop, often unable to afford their portion of the premium even if their employers offered coverage.

The study released Thursday by the Robert Wood Johnson Foundation (RWJF) saw declines in employer coverage across all states for which data was available. The most dramatic drop-off was for workers 18 and younger. Only 56 percent of these young workers were covered by employer-sponsored health insurance (ESI), down from 76 percent in 2000. For workers age 26 to retirement, coverage fell from 78 percent in 2000 to 65 percent in 2011.

While the RWJF study found that the decline in workers covered by health plans on the job was a nationwide phenomenon, the Midwest and South saw the greatest declines. Michigan—ravaged by the loss of auto jobs and wage cuts—saw the largest drop in coverage: 15.2 percent. Sharp declines in ESI were seen in states across the industrial Midwest: Illinois, a 12.6 percent decline; Indiana, 14.8 percent; Ohio, 13.7 percent.

The South, with some of the nation's highest levels of social inequality and poverty, saw similar declines in employer-sponsored coverage: Georgia, 13.1 percent; Mississippi, 12.3 percent; North Carolina, 13.3 percent; South Carolina, 14.9 percent. In Louisiana, households with incomes below 200 percent of the Federal Poverty Guideline (FPG) saw a 17.1 percent drop in ESI.

Stagnating wages and the growth of income inequality are correlated with declining numbers of workers covered by health plans through their employers. Only 29.2 percent of those with household income below 200 percent of the FPG—$44,700 annually for a family of four in 2011—had employer-sponsored coverage, down from 39.3 percent in 2000. By contrast, coverage for those with incomes at or above 400 percent FPG was down only 2.8 percent in 2011, to 88 percent.

The staggering increase in the cost of coverage over the last decade has led to a situation where a sizeable number of workers cannot afford to pay for their portion of insurance costs, even when coverage is offered by their employers. The study found that the average total annual premium for single coverage at workplaces that offered it more than doubled, from $2,490 in 2000 to $5,081 in 2011.

The average employee premium contribution grew in this period from 17.5 percent to 20.8 percent. This means that the portion of the annual premium that the average worker has to pay more than doubled, rising from $435 in 2000 to $1,056 in 2011. Although the percentage of employees eligible for coverage through their employer held relatively steady during this period, the employee take-up rate of this insurance fell from 81.8 percent in 2000 to 76.3 percent in 2011. This decline is due almost exclusively to the inability of growing numbers of workers to pay for it.

Rates charged by private insurers for family coverage soared by 125 percent, with the average total annual premium at companies offering such coverage rising from $6,415 in 2000 to $14,447 in 2011. The employee share of the annual premium rose during this time from $1,526 to $3,842.

It should be noted that beginning in 2014 under the Obama administration-sponsored Affordable Care Act, the affordability of employer-sponsored coverage will be based solely on the cost of “self-only coverage.” This means that if a worker cannot afford the employee portion of family coverage he or she will not be eligible for subsidies to purchase family insurance coverage on the government exchanges, and may face a financial penalty for not having it.

Conditions in which increasing numbers of workers are priced out of the insurance market, or will have to settle for substandard plans and coverage, will not be remedied by the ACA when it goes into full force in 2014. By Congressional Budget Office estimates, 20 million people could lose their employer-sponsored coverage under the health care overhaul.

The CBO also projects that in 2016, two years into the full implementation of the ACA, about one in nine Americans— 30 million people—will be uninsured and 6 million of them will pay a fine for not complying with the “individual mandate” to obtain coverage.

The Robert Wood Johnson Foundation data on employer-sponsored health insurance confirms what the vast majority of Americans already experience in their everyday lives: If your employer sponsors health coverage, the cost of that coverage is skyrocketing and the share you are required to cover is growing. If you live in a low-income household (i.e., less than 200 percent of the Federal Poverty Guideline), you have only a one in three chance of being offered employer-sponsored health insurance in the first place.

In advance of the Affordable Care Act, health insurance companies have been raising rates, in some cases seeking and receiving double-digit increases in premiums from state regulators. Under the new health care law, there will be little oversight on what the private insurers can charge for premiums, either through employer-sponsored plans or on the health care exchanges.