

Fewer U.S. Workers Have Health Coverage

Health insurance coverage for American workers is not only getting more expensive, it's getting rarer. The percentage of businesses offering health insurance to their workers has declined steadily over the last five years, according to the 2005 Annual Employer Health Benefits Survey released by the Kaiser Family Foundation and Health Research and Educational Trust.

The survey found that three in five firms (60%) offered coverage to workers in 2005, down significantly from 69% in 2000 and 66% in 2003. The drop stems almost entirely from fewer small businesses offering health benefits, as nearly all businesses (98%) with 200 or more workers offer such benefits. It is low-wage workers who are being hurt the most by the steady drip, drip, drip of coverage draining out of the employer based health insurance system, Kaiser Family Foundation President and CEO Drew E. Altman, Ph.D., said. Premiums increased an average of 9.2% in 2005, down from the 11.2% average found in 2004. The 2005 increase ended four consecutive years of double-digit increases, but the rate of growth is still more than three times the growth in workers' earnings (2.7%) and two-and-a-half times the rate of inflation (3.5%). Since 2000, premiums have gone up 73%. The annual premiums for family coverage reached \$10,880 in 2005, eclipsing the gross earnings for a full-time minimum-wage worker (\$10,712). The average worker paid \$2,713 toward premiums for family coverage in 2005 or 26% of the total health premium. While workers' share of their premium has been relatively stable over the past few years, they are now paying on average \$1,094 more in premiums for family coverage than they did in 2000. While premium increases slowed this year, they continue to rise much faster than inflation and other economic indicators. As a result, workers and businesses alike are finding it harder to afford health coverage, said Health Research and Educational Trust President Mary A. Pittman, Dr. P.H. High-deductible health plans The survey found that 20% of employers who offer health insurance now provide a high-deductible health plan option. Jumbo firms — those with 5,000 or more workers — are significantly more likely than smaller firms to offer a high-deductible plan option, with 33% offering one in 2005. The survey defines high-deductible health plans as those with at least a \$1,000 deductible for single coverage or at least a \$2,000 deductible for family coverage. Among employers who offer a high-deductible plan, relatively few (19.5%, or 3.9% of all offering employers) also make a contribution to a health reimbursement arrangement (HRA), offer a plan that would permit an enrollee to establish a health savings account (HSA), or do both. HRAs and HSAs are tax-favored accounts that employees can use to pay for medical expenses. Such arrangements are often described as consumer-driven because patients pay for a greater share of their health care directly, rather than through insurers, and therefore may have a financial incentive to reduce their health-care spending. Despite the growing availability of high-deductible plans, relatively few workers are enrolled in consumer-driven arrangements. The survey estimates that this year about 2.3% of non-federal covered workers, or 1.6 million people, are enrolled in high-deductible health plans with an HRA, and about 1.2%, or 810,000 people, are enrolled in plans that are eligible for use with an HSA. Consumer-driven plans are proving attractive to some, but with just a couple million people now enrolled, it's too early to know whether they'll have a meaningful effect on the health system, said Gary Claxton, a Kaiser Family Foundation vice president and co-author of the study. The jury is still out on whether employees feel that these arrangements work for them, particularly when they get sick, and on whether employers feel that they have a real impact on costs. The survey also provides a detailed look at the features of high-deductible health plans, including premiums, deductibles, use of spending accounts, and employer and worker contributions. Such plans can cost less than other forms of employer-sponsored health coverage, but also leave workers exposed to greater potential out-of-pocket costs. Premium increases have slowed somewhat, but there's little confidence out there that we have an answer to health care cost growth, said Jon Gabel, co-author of the study. In the mid-1990s, premium hikes dropped to less than 1%, and we're still far away from that right now. Other highlights from the 2005 survey include: • Reasons for not offering coverage. Firms that do not offer health benefits to their workers — the overwhelming majority of whom are small firms — were most likely to cite cost as a key factor, with nearly three in four (73%) saying high premiums were very important to their decision. In comparison, just over half (52%) said their firm's small size and one in three (33%) said the fact that their workers had access to other coverage were very important to their decision. • Type of insurance. In 2005, PPO plans were more common than ever, with 61% of all employees with health coverage enrolling in a PPO (up from 55% in 2004). Enrollment in HMOs, which generally cost less than PPOs, fell to 21% in 2005 from 25% in 2004. Conventional, or indemnity, benefit plans have all but disappeared, covering just 3% of covered workers. • Future plans. Looking toward the future, more than 40% of large firms (200 or more workers) offering health benefits say they are very likely to ask employees to pay more in premiums next year, while just 15% of smaller firms say they plan to do so. Across all firms offering coverage, relatively few say that they are very likely in the next year to raise deductibles (8%), raise office visit cost-sharing (7%) or raise prescription drug copayments (7%). About 1% of firms say they are very likely to drop health coverage entirely in the near future. • Utilization and disease management. About eight in 10 covered workers (81%) are in a health plan that uses case management for high-cost claims. Most covered workers also must get prior certification for inpatient services (75%) and outpatient surgery (55%). More than half (56%) of covered workers are enrolled in a plan with at least one disease management program. Among workers in these plans, virtually all (99%) are in a plan that provides management for diabetes. Large majorities are also in plans that provide management for asthma (86%), hypertension (82%), and high cholesterol (66%). • Confidence in cost-containment strategies. Few employers have a lot of confidence in strategies to contain rising health-care costs. For example, 16% of employers say consumer-driven health plans are very effective at controlling costs, while another 45% say they are somewhat effective. Nearly as many view higher employer cost-sharing as very (12%) or somewhat (46%) effective, and view disease management as very (14%) or somewhat (38%) effective. Fewer see tighter managed-care networks as very (7%) or somewhat (37%) effective. The 2005 Employer Health Benefits Survey was conducted between January and May of 2005 and included 2,995 randomly selected, non-federal public and private firms with three or more employees. Referred

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