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## FACT SHEET: The Future of Employer-Based Coverage in California

The way that most Californians get health coverage is becoming endangered.

**\* EMPLOYERS ARE THE PILLAR OF OUR HEALTH CARE SYSTEM: Most Californians—over 18 million—get health coverage through their employer, or that of a family member.** Of the rest of the state's 36 million residents, over 10 million get coverage from the public insurance programs like Medi-Cal, Medicare, and Healthy Families. This leaves over 6 million are uninsured. (Only one million purchase health coverage as individuals, either because it is unaffordable or unavailable.) Employer-based coverage is the main pillar of our health care system.

**YET THE UNINSURED ARE EMPLOYED:** Yet the foundation of our health care system—employers voluntarily providing health coverage to their workers and their families—is threatening to unravel. **Already over 80% of the uninsured are workers and their families—those who work but are not offered health coverage by their employer.** (*California Health Interview Survey, UCLA Center for Health Policy Research*) Recent studies show that employers are starting to scale back coverage, or even drop health benefits entirely. As more employers follow suit, we may reach a tipping point when the system collapses.

**\* MORE JOBS NO LONGER PROVIDE HEALTH BENEFITS:** Nationally, the percentage of all workers receiving health coverage from their employer in 2004 is 61%, down significantly from the recent peak of 65% in 2001. As a consequence, **there are at least 5 million fewer jobs providing health insurance in 2004 than 2001.** (*Annual Employer Health Benefits Survey released by the Kaiser Family Foundation and Health Research and Educational Trust, September 2004*)

**FEWER CALIFORNIA EMPLOYERS PROVIDE COVERAGE.** California has one of the worst rates of employers offering coverage of all 50 states. One analysis has 62.9% of the nonelderly population in employer-based coverage, but only 57.3% in California (and 49.6% in Los Angeles). When employer-based coverage is down, the percentage of uninsured people goes up: 17.6% of the nation, 20.3% of California, 26.9% of those in Los Angeles. (*2004 March Current Population Survey, analyses by UCLA Center for Health Policy Research*)

**LARGE EMPLOYERS ARE INCREASINGLY NOT PROVIDING HEALTH COVERAGE:** Despite the perception that the uninsured are either unemployed or work in small businesses, 26% are workers, or are the dependents of a worker, in a large firm. "From 1987 to 2001, the proportion of uninsured workers who were employed by firms of 500 or more employees grew from 25 to 32 percent." **The increase of uninsurance rose over twice as much in large firms (57%) than in small ones (25%).** (*Glied, Lambrew, Little. "The Growing Share of Uninsured Workers Employed by Large Firms." The Commonwealth Fund. October 2003.*)

\* EMPLOYERS ARE SHIFTING COSTS TO THEIR WORKERS: “Employers across the nation and in California have begun the shift a greater share of health care expenses to employees. **In the past year, 57% of employers nationally and 44% of California employers increased employee cost-sharing.** In addition, 17% of California and U.S. firms reduced the range of benefits covered in their health plans.” For the future, two-thirds are likely to increase employees’ share of cost at the point of service. **Most employers also expect to increase premium contributions for dependents as well as employee-only coverage.**” Even 9% report plans to drop some or all coverage for employees and dependents. These plans are as prevalent, if not more so, in large firms as well as small firms. (*“Insurance Markets: Health Benefit Costs: Employers Share the Pain.” The California HealthCare Foundation. July 2003.*)

HEALTH COSTS GO UP FOR EMPLOYERS, BUT MUCH MORE FOR WORKERS: “Employees in California are contributing significantly more for coverage, particularly for family coverage. **Compared to 2002 levels, worker contributions grew nearly 35%** for family coverage and by about 22% for single coverage. Workers’ average share of the premium costs for family coverage in 2003 grew to 30%” While the cost of health care in general rose more than the rate of inflation, the worker contribution rose even more. **“Over the past three years, total premiums for family coverage increased by almost 42%. Worker contributions for family coverage increased by nearly 70%** (from \$1,450 in 2000, to \$2,452 in 2003) over the same period.” Finally, for the future, **“half of all large firms (51%) reported that they are very likely to increase the amount employees pay for insurance in 2004.”** (*“California Employer Health Benefits Survey.” Kaiser Family Foundation/Health Research and Education Trust. March 2004.*)

\* WORKERS ARE STARTING TO FIND ON-THE-JOB COVERAGE UNAFFORDABLE: The vast majority of workers that are offered coverage take it up, but because of the shift of costs from employers to employees, more workers are going uninsured, finding the coverage too expensive. “More workers in recent years have decided not to participate in employer-sponsored health plans because of cost concerns as premiums and copayments increase.” In 2002, 88 percent of all people eligible for insurance at work, including their spouses and children, purchased it, down from 90 percent in 1999. Declines were steepest for low-income workers and their children. **In 2002, 66.8 percent of low-income workers eligible for their employer’s insurance purchased it, down from 72.6 percent in 1999.** Only 58.6 percent of their children were covered. (*Linda Blumberg & John Holahan, Urban Institute, July 2004*)

THE CYCLE CONTINUES: As employers scale back coverage or drop it altogether, competing employers are pressured to follow suit, leaving even more people underinsured or uninsured.

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