Employer-Sponsored Coverage

Sherry Glied, Ph.D.
Department of Health Policy and Management
Columbia University
ESI

• Private Insurance in the USA = ESI
• Among the privately insured under 65 in the United States, over 90% hold coverage through a family member’s employment
• More common than retirement, life, disability benefits
Policy Challenges to ESI
Let's scrap employer-based health care

General Motors just unloaded billions of dollars in health-care obligations. Commentator Robert Reich thinks G.M. is a fine example for the rest of the country.

A Quick, Partially Biblical History of Employer- Based Health Insurance

By Ezra Klein | bio

Nathan Newman accuses me of making a mantra of “Little is more anti-worker than forcing them to depend on their employer for medical care.” Well, gotta admit, it’s catchier than “Om.” But he’s for the employer mandate in a serious way, which I find so baffling: I need to keep reciting my mantra just to stay calm. So, herewith, a quick history of the foresight, vision, and planning that resulted in the glorious invention known as employer-based health care:

- In the beginning, there was a tax quirk, and the tax quirk was with employers, and the employers provided health care:...
ESI Coverage of Full Time Workers (Own and Dependent)

Tabulations of the CPS
Is the System Near Collapse?

• Participation and offer are stable (except smallest firms) since mid-1990s
• ESI coverage for full-time workers down by 6 percentage points over 20 years
  – While inflation-adjusted health care costs rose 32%
• Child, part-time, and non-worker (spouse) coverage are MORE stable over this period
Why?

“The Accidental System”

• Wage and price controls during and after World War II

• Favorable tax treatment of health insurance codified in mid-1950s
World War II

- Price controls in Australia, Canada, France, Germany, Italy, New Zealand, United Kingdom, much of continental Europe …
Favorable tax treatment for ESI (at least some of the time)

- Austria
- Belgium
- Canada
- Denmark
- France
- Germany
- Greece
- Italy
- United Kingdom (until 1997)

Tapay and Colombo, OECD
International Timeline of Universal Health Care

Germany 1883
Switzerland 1911
New Zealand 1938
Belgium 1945
France 1945
United Kingdom 1946
Sweden 1947
Greece 1961
Japan 1961
Canada 1966
Denmark 1973
Australia 1974
Italy 1978
Portugal 1979
Spain 1986
South Africa 1996

http://www.hchp.info/RStoneHealthcareForAll.ppt#292,45,Slide 45
Too much and too little

• Pre-1945
  – Employers and BC/BS

• Impact of tax treatment in the U.S.
  – Limited to firms <25
Robust Employer Role

- Economies of scale
  - Size
  - Turnover
  - Sales costs
- Naturally occurring pools
  - Adverse selection
  - Long-term coverage (pooling today and tomorrow)
- Loading savings 40 vs. 10
Benefits?

• About 60% of ESI is virtually unregulated
  – Self-insured plans
• Willingness to negotiate aggressively with providers
• Variation in strategies
  – Flexibility
• Responsiveness to demand
  – Tight networks
Where it Works

• Firms with 50+ employees
• Full-time, full-year employees
• Traditional families
• $$s
  – About ½ of all Americans under 65
Where it Doesn’t Work

- Part-time, contract, contingent workers
- Workers with short spells of employment
- Small firms
- Firms with high turnover
- Non-traditional arrangements
- INCOME!
Exhibit 5: Percentage of Premium Paid by Covered Workers, 1999-2007*

*Tests found no statistical differences from estimate for previous year shown at p<.05.
Exhibit 4: Average Monthly Worker Premium Contribution, 1999-2007

* Estimate is statistically different from the previous year shown at p<.05.

Exhibit 15: Average Family Premium Contribution by Firm Size As Percent of Income at 200% FPL, 2001-2007

Note: 200% FPL was $35,300 for a family of four in 2001. It is $41,300 for a family of four in 2007.

Wages and Total Compensation as Share of National Income

- Total Compensation
- Wages
Conclusions

• ESI is not near collapse
• There is no private alternative
• ESI serves important functions in current system
  – Many universal HI systems retain a place for ESI (including Canada, France, UK)
• But ESI cannot address those who cannot afford coverage
Appendix slides
Employer Sponsored Coverage of Dependents <18

%