

## **Case 10**

Since World War II employers have provided health care insurance as a means of attracting and retaining qualified workers. Through the 1960s, employers provided health care insurance for 80+% of US workers (and their dependents).

This benefit is now diminishing. Costs to employers of providing comprehensive health benefits have risen 57% in five years. The average annual cost of insuring a family in 2002 was \$9,068, with \$6,656 paid by employers. Today, as businesses attempt to reduce costs and as health insurance premiums grow annually by double digits (13.9% from 2002-2003), only 66% of employees have employer-sponsored insurance.

Initially only smaller businesses dropped coverage, but even large businesses have begun to reduce insurance coverage, either by increasing employees' share of costs or by dropping this benefit entirely. Some companies now offer only catastrophic insurance policies that apply to life-threatening situations (with deductibles of \$1,000-2,000—difficult for low wage workers to meet) or limited coverage insurance (with no out of pocket costs, but an annual cap of \$1,000—useless for any serious illness, as the average hospital stay in 2001 cost \$13,685). Companies that continue to offer health insurance now frequently require workers to make significant contributions to premiums (\$201/month in 2002), as well as to pay larger deductibles when care is received.

As premium costs and deductibles surge upward, insurance policies exceed the means of many low-wage—and increasingly, mid-wage—workers. Thus, many workers who are offered insurance opt out of the benefit. Partly as a result of foregoing insurance coverage, 32% of the uninsured now work for companies that employ 500 workers or more. In fact, 80% of all uninsured are working or are dependents of workers.

Many uninsured workers have no alternative but to rely on publicly-funded insurance programs (e.g., Medicaid). Although 50-70% of Medicaid funding comes from the federal government, growing deficits in state budgets have led to dwindling Medicaid funding. The Lewin Group reported in September 2003 that 47 of 50 states face budget deficits, that 19 states plan to decrease Medicaid benefits, and that 25 states intend to reduce Medicaid eligibility. As a result, the assumption that Medicaid will cover uninsured employees is often unfounded. (Half of Medicaid recipients are children; 75% of those children have at least one working parent.)

In an attempt to address the growing numbers of uninsured, several states are considering “play or pay” legislation in which employers who do not provide (adequate) insurance for their employees would be required to contribute to a fund to insure state residents.