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Employer-sponsored health insurance falls short

Public sector should (and sometimes does) step in

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Introduction

The United States built its health care system around employer-sponsored health insurance. This approach leaves out many Ohioans and many Americans. In 2016, Ohio employers covered only 5.8 of 11.4 million Ohioans.¹

The public sector covers many people who do not get employer-based coverage. According to the Centers for Medicare and Medicaid Services, Medicare covers 1.8 million Ohioans aged 65 or older, many of whom are retired from work, and 360,000 people in Ohio with disabilities. Medicaid provides health coverage to 1.2 million children and over 1.1 million low-income adults between the ages of 18 and 64. Another 200,000 Ohioans gained direct access to coverage through the publicly-subsidized health insurance marketplace.²

Thanks to the Affordable Care Act and the 2014 Medicaid Expansion, the number of uninsured Ohioans declined by almost half, from 1.26 million in 2013 to 640,000 in 2016 (from 11.0 percent to 5.6 percent of the population).³ But 640,000 uninsured Ohioans is too many. More than six in 10 uninsured adults in Ohio worked in 2016, and four in 10 worked full time.⁴ Roughly 15 percent of the uninsured in Ohio are children under 18 (most of whom are eligible for Medicaid, but not enrolled).⁵

More can and should be done to ensure equal access to health care in the richest nation in the world. The public sector can, should, and already does compensate for deficiencies in our employer-based system of health care coverage.

Employer health care by size of firm, industry

There are approximately 250,000 private-sector establishments in Ohio, employing close to 5 million workers. Of these workers, only an estimated 3.2 million are eligible for health benefits from their employers, leaving 1.7 million private-sector workers without employment-based health insurance options. Even fewer of these workers are actually enrolled in their employer's health care program. Table 1 provides detailed information on Ohio employer health care offerings in 2016—by size, and industry sector. Here are the major takeaways:

1. **While 87 percent of employees worked for establishments that offered health insurance in 2016, only 65 percent were eligible** for their employer's health care program. Only 45 percent were actually enrolled.
2. **Small businesses are less likely to offer health benefits** than large employers, making them less competitive for attracting a talented workforce. Fewer than a third of small businesses with less than 10 employees offer health coverage. The bulk of Ohioans, 68.2 percent, work for large businesses with 100 or more employees, the vast majority of which do offer health insurance.

¹ 2016 American Community Survey, Private Health Insurance by Type <https://bit.ly/2gghEV3>.

² Centers for Medicare and Medicaid Services, Early 2018 Effectuated Enrollment Snapshot at <https://go.cms.gov/2zeTHng>.

³ 2016 American Community Survey, Selected Characteristics of the Health Insurance Population

⁴ Id.

⁵ The Kaiser Family Foundation, Key Issues in Children's Health Coverage (2017).

3. **The industry sector encompassing retail, food service and hotel accommodation employers is the least likely to provide health benefits.** Only an estimated 741,000 (43 percent) of that sector’s 1.7 million workers are eligible for employer health coverage. This leaves the majority of workers in this sector, nearly 1 million, without access to employer-based health insurance.
4. **Part-time workers in Ohio are unlikely to be eligible for health benefits from employers.** Of 1.15 million part-time workers in Ohio, fewer than 14 percent are eligible for health coverage through their employer (160,000).

Table 1								
More than 1.7 million Ohio workers are not offered or are ineligible for health insurance from their employer.								
	Number of Ohio employers	Percent offering health benefits	Number of employees in Ohio	Share of employees in firms that offer health care	Employees eligible for employer health benefits		Employees enrolled in employer health benefits	
					%	#	%	#
Ohio Employers	247,419	54.8%	4,874,058	87.0%	64.8%	3,159,121	44.8%	2,183,822
<i>full-time workers</i>	n/a	n/a	3,721,636	91.7%	80.5%	2,996,386	56.9%	2,115,899
<i>part-time workers</i>	n/a	n/a	1,152,421	71.8%	13.9%	159,696	5.6%	64,540
Employers by size								
Less than 10	137,713	30.4%	542,273	38.0%	28.3%	153,724	22.0%	119,311
10 to 24	24,296	61.6%	323,174	65.5%	55.3%	178,869	39.6%	128,066
25-99	22,300	74.2%	685,094	84.6%	59.0%	403,974	39.9%	273,566
100-999	18,911	96.9%	1,011,784	92.2%	67.0%	678,193	46.6%	471,097
1,000 or more	44,197	99.4%	2,311,732	99.9%	75.3%	1,741,303	51.4%	1,189,351
Less than 50	176,533	38.2%	1,240,670	57.3%	43.7%	542,420	31.4%	389,575
50 or more	70,886	96.4%	3,633,387	97.2%	72.0%	2,616,954	49.4%	1,794,079
Employers by Industry Sector								
Agriculture, construction, fishing, forestry	25,378	40.9%	304,270	82.1%	55.9%	170,118	41.0%	124,653
Mining, oil & gas, manufacturing	13,516	75.5%	685,324	97.9%	89.3%	611,890	72.4%	496,490
Retail, food service, hotel, admin. services	107,285	44.1%	1,709,635	80.1%	43.3%	740,855	25.4%	434,105
IT, professional services, health care, social services	51,885	54.2%	1,134,167	82.2%	63.8%	723,453	47.9%	543,522
All other (utilities, transport, real estate)	49,354	80.2%	1,040,661	97.9%	87.7%	912,851	56.1%	583,776
<i>Source: Medical Expenditure Panel Survey, Insurance/Employer Component: Table II. Private-sector data by firm size (Ohio 2016); and, Table V. Private-sector data by industry groupings (Ohio 2016).</i>								

Employer health care by proportion of low-wage workers

Many of the 1.7 million Ohio workers not eligible for employer health benefits are employed by low-wage employers who primarily hire part-time workers. Nearly two-thirds of low-wage employers—firms where more than half of the employees made less than or equal to \$11.50 per hour in 2016 (the 25th percentile for hourly wages that year)—did not offer health benefits to their employees.

Low-wage employers offered health benefits to less than one third of their 1.2 million employees, and only 15.2 percent of these workers are actually enrolled (roughly 178,000). These employers pay low wages, limit worker hours and usually provide minimal benefits, leaving too many workers without health benefits or the ability to pay for health insurance themselves.

Low-wage employers give most workers only part-time hours and no health benefits. A majority of part-time workers, more than 600,000, work for low-wage employers. Low-wage workplaces offered health coverage to a paltry 4 percent of their part-time workers and enrolled only 1.2 percent.

Employees at low-wage firms are less likely to take up coverage. Fewer than half of employees eligible for health benefits from their low-wage employers enroll in coverage compared to three-quarters of eligible employees in higher-wage establishments, likely because they cannot afford the employee contribution.

Table 2

Low-wage employers offer most workers few hours and no health benefits.

	Number of Ohio employers	Percent offering health benefits	Number of employees in Ohio	Share of employees in firms that offer health care	Employees eligible for employer health benefits		Employees enrolled in employer health benefits	
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Ohio Employers	247,419	54.8%	4,874,058	87.0%	64.8%	3,159,121	44.8%	2,183,822
<i>full-time workers</i>	n/a	n/a	3,721,636	91.7%	80.5%	2,996,386	56.9%	2,115,899
<i>part-time workers</i>	n/a	n/a	1,152,421	71.8%	13.9%	159,696	5.6%	64,540
Employers by proportion of workers who are low-wage and/or part-time								
Low-wage employers	75,936	36.9%	1,172,205	76.4%	32.3%	378,824	15.2%	178,217
<i>full-time workers</i>	n/a	n/a	571,316	81.1%	62.1%	354,916	29.9%	170,971
<i>part-time workers</i>	n/a	n/a	600,889	71.9%	4.0%	23,762	1.2%	7,345
Higher-wage employers	171,483	62.8%	3,701,852	90.4%	75.1%	2,780,920	54.1%	2,004,538
<i>full-time workers</i>	n/a	n/a	3,150,320	93.6%	83.9%	2,642,035	61.8%	1,946,142
<i>part-time workers</i>	n/a	n/a	551,532	71.7%	24.7%	136,430	10.5%	57,735

Source: Medical Expenditure Panel Survey, Insurance/Employer Component: Table II. Private-sector data by firm size (Ohio 2016); Table V. Private-sector data by industry groupings (Ohio 2016); Table VII. Private-sector data by proportion of employees who are full-time or low-wage (Ohio 2016); and MEPS Insurance Component Glossary of health insurance terms defines “Low-wage employer” as an employer that pays half or more of its employees at or below the 25th percentile for all hourly wages in the United States (based on data from the Bureau of Labor Statistics). In 2016, the relevant wage was \$11.50 per hour, at https://meps.ahrq.gov/survey_comp/ic_ques_glossary.pdf.

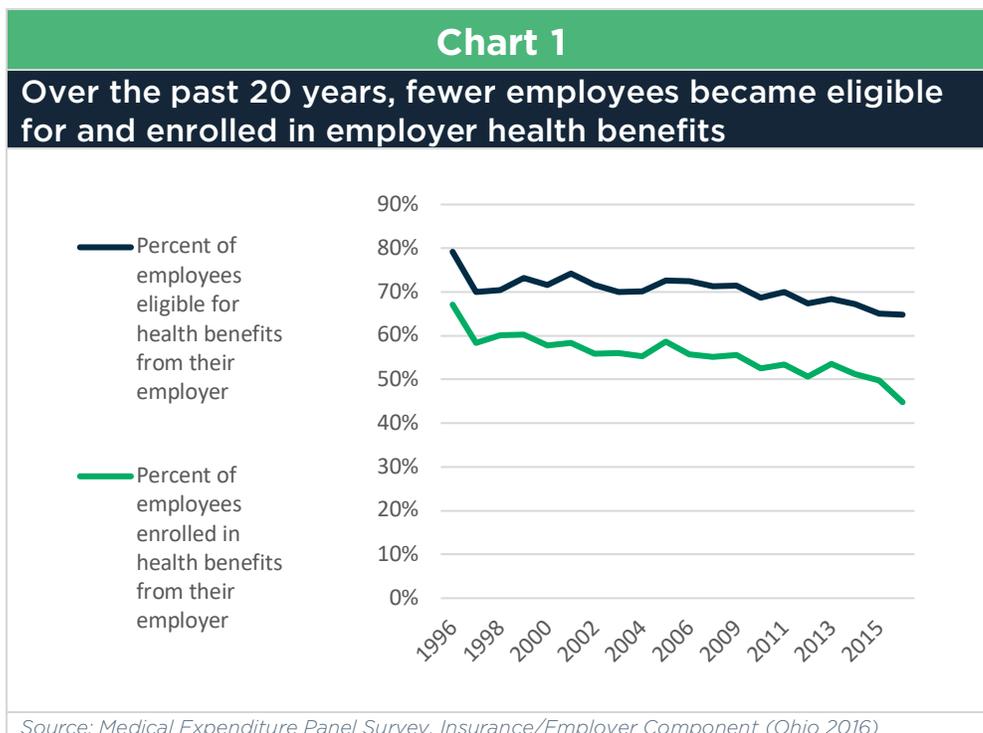
Trends in Ohio employer health coverage

Reduced eligibility: Over the past 20 years, as costs to provide health care to employees rose, employers limited the number of employees deemed eligible for their health coverage by cutting hours, making workers temporary, imposing waiting periods, and other strategies.⁶ While the proportion of Ohio firms that offer health benefits to their employees declined by 8 percent between 1996 and 2016, the number of employees who were considered eligible for their employer’s health offerings declined faster, by 18 percent over the same period (the years for which we have comparable data).

Growth in the part-time workforce: As a share of the workforce, the number of part-time workers grew from 16 percent in 1996 to 24 percent in 2016, now representing roughly a quarter of the workforce. In 1997, 20 percent of part-time workers were eligible for health insurance from their employer, compared to only 14 percent in 2016.

Low-wage employers hired more part-time workers while reducing their eligibility for health benefits: While the number of part-time workers in low-wage establishments grew 26 percent since the turn of the century, their eligibility for health benefits declined from 19.5 percent in 2000 to 4 percent in 2016.

Declining enrollment: Actual enrollment by employees in their employer’s health insurance program declined even further, with 33 percent fewer Ohio workers enrolled in 2016 than 1996. As suggested in Table 3 on the following page, this is likely due to employers requiring their employees to pay a larger share of the costs.



⁶ The Kaiser Family Foundation & Health Research & Educational Trust, Employer Health Benefits 2017 Annual Survey

Employee cost-sharing burden in low-wage firms (2016)

When low-wage employers do offer health insurance, the required employee contribution for family coverage is a major impediment to enrollment. As shown in Table 2, only 15.2 percent of employees working for low-wage employers are enrolled in health coverage from their employers. Roughly two-thirds are not eligible for it or their employers don't offer it at all. Of the other third of workers who are eligible, only half enrolled in their employer's health care program.

2016 employee cost-sharing burden is high:⁷ Low enrollment in employer-based health care programs is likely due in large part to the size of the employee contribution required. Low-wage employers require a 27 percent contribution on average from the employee for single coverage and 28 percent for family coverage.

The required employee contribution toward the average premium for family coverage amounts to almost \$6,000 for the year (or roughly \$500 per month), as shown in Table 3. For a low-wage worker earning \$11.50 an hour and working full time, year-round (40 hours, 52 weeks), the employee contribution for family coverage amounts to 25 percent of earnings before taxes. For the majority of workers at low-wage firms who are part-time, the share of income would be even higher. Single coverage for the low-wage worker amounts to 6 percent of pre-tax income. This helps explain why workers who do enroll in their employer's health insurance coverage usually opt for single coverage only (64.9 percent).

Greater cost-sharing burden for family coverage than single coverage: Not only is the cost of family coverage significantly higher than that of single coverage, employees also pay a higher share of the family coverage.

Table 3				
Where employer health insurance was available, the average employee contribution toward family coverage was nearly \$6,000 in 2016				
Type of Coverage	Cost of Coverage and Employee Contribution	Total	Low-wage employers	Higher-wage employers
Single Coverage	Average total single premium	\$6,291	\$5,691	\$6,361
	Average total employee contribution	\$1,351	\$1,544	\$1,328
	Percent of total premiums contributed by employees	21.5%	27.1%	20.9%
Family Coverage	Average total family premium	\$17,523	\$20,632	\$17,319
	Average total employee contribution	\$3,969	\$5,771	\$3,851
	Percent of total premiums contributed by employees	22.7%	28.0%	22.2%

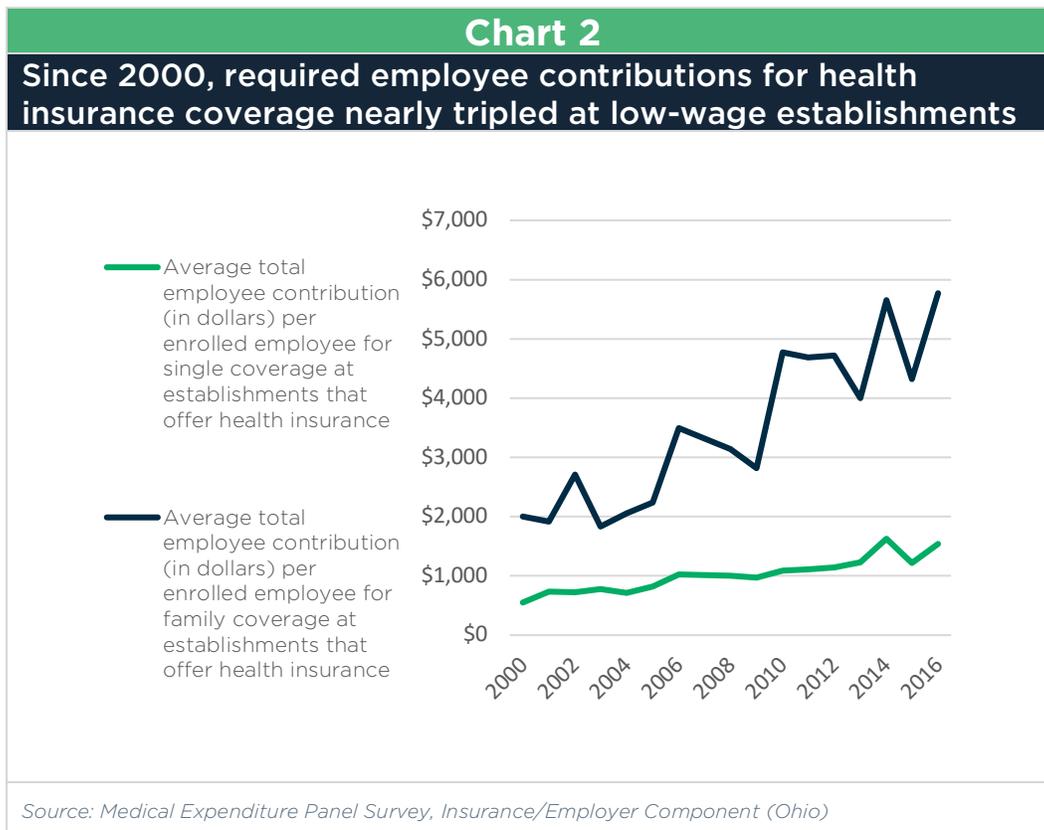
Source: Medical Expenditure Panel Survey, Insurance/Employer Component Table VII. (Ohio 2016). "Low-wage employer" is defined as employer that pays half or more of its employees at or below the 25th percentile for all hourly wages in the United States (based on data from the Bureau of Labor Statistics). In 2016, the relevant wage was \$11.50 per hour. See MEPS Insurance Component Glossary of health insurance terms. https://meps.ahrq.gov/survey_comp/ic_ques_glossary.pdf

⁷ Medical Expenditure Panel Survey, Insurance/Employer Component (Ohio).

Trends in required contributions at low-wage firms⁸

Increasing premiums: Between 2000 and 2016, average premium costs for health coverage in Ohio doubled for single coverage and tripled for family coverage at low-wage establishments, while required cost-sharing for those premiums nearly tripled for these employees.

Larger employee cost-sharing burden: The average employee contribution in Ohio for single coverage increased 2.8 times from \$550 in 2000 to \$1,544 in 2016. The employee contribution for family coverage increased 2.9 times from \$2,005 in 2000 to \$5,771 in 2016.



Note:⁹ While outside the scope of this report, it is important to note that the quality of plans offered by employers has also declined. Over the past five years, enrollment in high deductible plans with a savings option increased 9 percent, while enrollment in Preferred Provider Organizations declined 8 percent. The share of workers with an average annual deductible of more than \$1,000 increased from 24 percent in 2012 to 51 percent in 2017. The share of workers with an out-of-pocket maximum more than \$3,000 increased from 31 percent in 2009 to 57 percent in 2017.

⁸ Medical Expenditure Panel Survey, Insurance/Employer Component (Ohio).

⁹ The Kaiser Family Foundation & Health Research & Educational Trust, Employer Health Benefits 2017 Annual Survey

Conclusion

The United States and Ohio built our health care system around employer-sponsored health insurance. This system was never perfect. Over the past few decades, however, Ohio employers offered fewer employees health benefits and they increased the cost-sharing burden for employees deemed eligible.

Given the downward trends in employer-based health care, and the persistent holes that remain in coverage and access to health care, we must recognize the flaws in our employer-based health care system and the positive role the public sector can, should and does play in moving us toward equal access to health care.

Creating new barriers for people to access public health care programs will only serve to reduce coverage. This is true of work requirements and any other obstacles that make it harder to enroll in Medicaid. Low-wage employers maintain a large part-time workforce, at least in part to avoid offering them health benefits. Even working full time for low-wage employers does not ensure health coverage. Four in 10 uninsured adults in Ohio work full time.

More can and should be done to ensure universal access to health care in the richest nation in the world. Unless we are prepared to require employers to offer health benefits to all workers and their families, public health care programs will have to make up the difference.

Acknowledgements

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