FALLING APART

Declining Job-Based Health Coverage for Working Families in California and the United States

UC BERKELEY LABOR CENTER

WORKING PARTNERSHIPS USA

ARINDRAJIT DUBE, PH.D. AND KEN JACOBS
UC Berkeley Center for Labor Research and Education

SARAH MULLER, BOB BROWNSTEIN and **PHAEDRA ELLIS-LAMKINS**
Working Partnerships USA

THE CALIFORNIA ENDOWMENT

The California Endowment and the Blue Shield Foundation of California funded the research and development of this policy brief.

1 INTRODUCTION AND MAIN FINDINGS

In the second half of the twentieth century the American system of health care delivery emerged as a dual system of private, employer-sponsored health care for most people, supplemented by public health care for the poor and elderly. Today, rising health insurance premiums are leading to a marked shift in the nature of health care coverage for the American worker.

This study analyzes health insurance trends for non-elderly adults (19-65 years of age)[1] in the United States and California from 2000 to 2004, and estimates the impact of premium price increases on health insurance coverage over this period. Finally, it simulates future coverage rates for California between the years 2005 to 2010.

The data on health insurance coverage in this brief comes from the March Supplement to the Current Population Survey for 2000 to 2004. This data was augmented with premium price information from the Employer Health Benefit Surveys (2000 to 2004) conducted by the Kaiser Family Foundation and Health Research and Educational Trust.

The report finds that over the last five years there were important shifts for all non-elderly persons from employer-based coverage to uninsurance and increased enrollment in public programs. However, the outcomes have been different for adults than for children, mainly because children have been the main beneficiaries of new public health programs and increased public coverage. Meanwhile, the majority of adults who have lost employer-based health coverage have become uninsured.

Considering adults in California, and taking into account projected population growth, the

[1] For the purposes of this report, "adult" refers to this age group, 19-65 years of age, and excludes elderly adults.

report forecasts that 80,000 fewer of them will have employer-based health coverage by 2010, 1.16 million less than would be the case were coverage rates to remain stable. Meanwhile, 1.23 million more will be uninsured, 400,000 will be enrolled in a public program and 310,000 will purchase private coverage.

Along the same lines, but considering adults and children together, the study predicts that 170,000 fewer Californians will have employer-based health coverage in 2010, 1.9 million less than would be the case if the coverage rate were to remain stable. In 2010, there will be 1.5 million more uninsured Californians than in 2004 and 880,000 more will be enrolled in a public program. For Californians in the bottom half of the income scale, only 29% will have job-based coverage, 36% will be uninsured, and 28% will have public coverage.

For every 10% rise in heath premiums, 1.3 million fewer Americans are covered by employer-sponsored health insurance, producing an increase in uninsurance among adults and a rise in public coverage among children. Our simulations predict that by 2010 only a bare majority of individuals under 65 years of age in California will be insured through an employer if premiums continue to rise near current levels.

2 HEALTH COVERAGE TRENDS BETWEEN 2000 AND 2004

The number of adults who are uninsured grew between 2000 and 2004.

In this period, overall health coverage declined for American adults from 81% to 78%, meaning that the number of uninsured adults grew by seven million to reach a total of 39.5 million by 2004. For adults in California, access to health coverage declined from 76% to 75% and the total number of uninsured adults grew by 500,000 to reach a total of 5.6 million by 2004.

The drop in health coverage for adults was fueled by a decline in employer-sponsored insurance.

Almost all of the change in health insurance in this period for adults occurred in the area of employer-sponsored insurance. Over the last four years employer-sponsored health insurance fell from 68% to 64% for adults in the United States and from 61% to 58% in California (Table 2). This reflects a long term decline, as private sector job-based insurance declined by 9 percentage points between 1979 and 2004. Public program enrollment among adults grew just over one percentage point from 6.1% to 7.2% nationwide and just over half a percentage point in California from 8.0% to 8.6%.

Low- and middle-income adults experienced the sharpest decline in health insurance coverage.

The report uses family income in relation to the Federal Poverty Level (FPL) to break down the coverage trends (Table 1). For instance, a family at 250% FPL is earning an income that is two-and-a-half times the poverty level. The median American family has an income that places it at 300% of the FPL.

TABLE 1 FEDERAL PROPERTY LEVEL INCOME (2005)

Number of Adults	Number of Children	Family income at 100% of FPL	Family income at 300% of FPL
1	0	$9,827	$29,481
1	1	$13,020	$39,060
1	2	$15,219	$45,657
2	2	$19,157	$57,471
2	3	$22,543	$67,629

SOURCE: CENSUS BUREAU

The sharpest drop in health insurance in this period occurred for the half of the adult population that is considered low- and middle-income (Table 2). For American adults as a whole, health care coverage declined for those at 100%-200% FPL (low income) and those at 200%-400% FPL (approximately the middle 30% of the population by family income). For California adults, the drop was especially sharp in the middle segment, at 200%-400% FPL. By contrast, adults with family incomes above 400% FPL experienced a drop in coverage of less than one percentage point in both the United States and California. For the very lowest income segment (below the federal poverty level, or less than 100% FPL) the drop was also small–and in California, coverage even grew for this segment of adults–due to increased enrollment in public programs along with the fact that many of these adults did not have coverage in the first place in 2000.

Health coverage rates among workers by wage levels also reveal the disproportionate drop in health care coverage for low- and middle-income adults. Among full-time, year-round workers earning $9 to $11 an hour (in 2004 dollars), coverage fell 13.5 percentage points in California and 6.1 percentage points nationwide (Table 3), compared to an overall drop for all full-time wage earners of only 1.9 percentage points.

Health coverage declined across categories of gender, race, ethnicity, and education

In the country as a whole, job-based coverage for adults fell three percentage points for Latinos, African Americans and white adults and two percentage points for Asian adults (Table 4). Both Latinos and African Americans, however, continue to maintain dramatically lower rates of employer-based

TABLE 2 INSURANCE COVERAGE FOR ADULTS

	UNITED STATES			CALIFORNIA		
FPL	2000	2004	Change 2000-2004	2000	2004	Change 2000-2004
Overall Health Coverage						
Less than 100%	57.5%	56.1%	-1.4%	49.4%	53.6%	4.2%
100%-200%	66.6%	61.7%	-4.9%	60.4%	57.7%	-2.7%
200%-300%	80.8%	76.8%	-4.0%	76.0%	69.0%	-7.0%
300%-400%	89.3%	85.3%	-4.0%	86.3%	81.8%	-4.5%
400% and Above	93.4%	92.7%	-0.7%	92.3%	91.9%	-0.4%
TOTAL	**80.9%**	**78.2%**	**-2.8%**	**75.6%**	**74.6%**	**-1.0%**
Employer-Based Coverage						
Less than 100%	25.3%	23.6%	-1.7%	18.7%	21.2%	2.4%
100%-200%	46.4%	40.8%	-5.6%	39.4%	32.9%	-6.6%
200%-300%	70.1%	65.4%	-4.7%	63.9%	56.9%	-7.0%
300%-400%	81.8%	77.4%	-4.4%	76.3%	72.8%	-3.5%
400% and Above	87.7%	86.3%	-1.4%	85.7%	83.1%	-2.6%
TOTAL	**67.7%**	**64.0%**	**-3.7%**	**60.8%**	**58.1%**	**-2.7%**
Public Coverage						
Less than 100%	22.7%	24.1%	1.4%	23.3%	24.1%	0.8%
100%-200%	9.9%	11.5%	1.6%	14.5%	15.5%	1.0%
200%-300%	3.0%	4.3%	1.3%	3.0%	5.5%	2.5%
300%-400%	1.6%	1.9%	0.3%	2.8%	2.4%	-0.4%
400% and Above	0.7%	0.9%	0.2%	0.8%	1.0%	0.2%
TOTAL	**6.1%**	**7.2%**	**1.1%**	**8.0%**	**8.6%**	**0.6%**

SOURCE: MARCH CPS 2000-2004

health coverage–50% for African Americans and 41% for Latinos, compared to 69% for whites and 63% for Asians. In California, job-based coverage dropped most sharply among African Americans (eight percentage points), compared to a two-point drop for both Asians and whites. There was no change in employer-based coverage for Latinos, although they remain the group with the lowest rate of employer-sponsored coverage at 42%.

TABLE 3 EMPLOYEE-BASED COVERAGE FOR YEAR-ROUND, FULL-TIME WORKERS

	UNITED STATES			CALIFORNIA		
Real Wages (2004 dollars)	2000	2004	Change 2000-2004	2000	2004	Change 2000-2004
Below $9/hr	38.2%	34.5%	-3.6%	30.6%	27.9%	-2.7%
$9-$11/hr	63.8%	57.7%	-6.1%	59.4%	45.9%	-13.5%
$11-$13/hr	70.7%	66.5%	-4.2%	66.2%	63.5%	-2.7%
$13-$15/hr	74.8%	72.2%	-2.5%	75.0%	68.5%	-6.5%
$15-$19/hr	79.4%	76.2%	-3.2%	76.7%	77.0%	0.3%
$19-$23/hr	83.8%	79.2%	-4.6%	81.5%	75.5%	-6.0%
$23 and Above	85.6%	82.9%	-2.7%	84.9%	82.7%	-2.2%
TOTAL	**69.5%**	**67.0%**	**-2.5%**	**65.9%**	**64.0%**	**-1.9%**

SOURCE: MARCH CPS 2000-2004

TABLE 4 INSURANCE COVERAGE FOR ADULTS BY RACE, ETHNICITY AND EDUCATION LEVEL

	UNITED STATES			CALIFORNIA		
FPL	2000	2004	Change 2000-2004	2000	2004	Change 2000-2004
Overall Health Coverage						
Male	79.6%	76.3%	-3.2%	74.2%	72.6%	-1.6%
Female	82.0%	79.8%	-2.3%	76.9%	76.4%	-0.5%
White	85.5%	83.3%	-2.2%	84.3%	84.2%	-0.1%
African American	74.3%	73.0%	-1.3%	79.1%	74.5%	-4.6%
Latino	60.1%	56.4%	-3.7%	59.3%	57.9%	-1.4%
Asian	75.7%	74.8%	-0.9%	75.3%	76.9%	1.6%
No College	77.6%	74.2%	-3.4%	71.4%	70.0%	-1.5%
College	90.7%	88.9%	-1.9%	87.9%	85.8%	-2.1%
TOTAL	**80.8%**	**78.1%**	**-2.8%**	**75.6%**	**74.5%**	**-1.1%**
Employer-Based Coverage						
Male	68.0%	63.7%	-4.3%	61.8%	57.9%	-3.8%
Female	67.0%	64.1%	-2.9%	59.6%	58.1%	-1.5%
White	72.8%	69.5%	-3.3%	69.0%	66.8%	-2.3%
African American	56.8%	54.1%	-2.6%	60.0%	51.4%	-8.6%
Latino	46.3%	43.3%	-3.0%	44.8%	44.2%	-0.6%
Asian	63.7%	62.3%	-1.5%	62.6%	60.2%	-2.4%
No College	62.5%	58.2%	-4.3%	54.9%	51.2%	-3.6%
College	82.6%	79.7%	-2.9%	77.8%	74.9%	-2.9%
TOTAL	**67.5%**	**63.9%**	**-3.6%**	**60.6%**	**58.0%**	**-2.6%**

SOURCE: MARCH CPS 2000-2004

3 HEALTH CARE PREMIUMS

Health care premiums rose sharply between 2000 and 2004.

Nationwide, the annual cost of job-based family coverage grew from $6,567 in 2000 to $9,831 in 2004, a 50% jump with an average annual growth rate of 11%. In California, premiums averaged a 13% annual growth rate and increased from $5,890 in 2000 to $8,422 in 2003. Similarly, individual job-based coverage grew from $2,267 to $3,862 in the U.S. and from $2,267 to $3,048 in California (Table 5).

Employers raised employee contributions toward health care premiums at an even faster rate.

By 2004, employers had not only increased workers' health insurance premium contributions, but had also shifted a greater percentage of total health expenditures onto their employees. Between 2000 and 2004, the national average annual worker contribution rose from $1,670 to $3,156 for a family coverage plan and from $259 to $576 for an individual plan. Meanwhile, workers' share of premium payments climbed from 25% to 32% for family coverage and from 10% to 15% for individual coverage. In California, between 2000 and 2003, an employee's expected annual contribution climbed from $1,477 to $2,552 for a family plan, and from $271 to $454 for an individual plan. As a consequence, workers' share of premium payments in the state rose from 25% to 30% for family coverage and from 12% to 15% for individual coverage (Table 5).

TABLE 5 AVERAGE ANNUAL PREMIUM AND AVERAGE WORKER CONTRIBUTIONS

Year	Average Annual Family Premium	Average Worker Contribution	Workers' Share of Premium Costs	Average Annual Individual Premium	Average Worker Contribution	Workers' Share of Premium Costs
United States						
2000	$6,567	$1,670	25%	$2,557	$259	10%
2001	$6,603	$2,022	30%	$2,710	$288	11%
2002	$7,695	$2,308	30%	$3,213	$439	13%
2003	$8,760	$2,621	30%	$3,418	$364	11%
2004	$9,831	$3,156	32%	$3,862	$576	15%
California						
2000	$5,890	$1,477	25%	$2,267	$271	12%
2001	$6,273	$1,536	25%	$2,348	$306	13%
2002	$7,361	$1,923	26%	$2,796	$376	13%
2003	$8,422	$2,552	30%	$3,048	$454	15%

SOURCE: KFF/HRET EMPLOYER HEALTH BENEFITS SURVEY 2000-2004

4 THE EFFECT OF INCREASING PREMIUMS ON COVERAGE RATES IN THE U.S

To study the relationship between rising premiums and health insurance we created a statistical model to test the effect of health care premium costs on employer-based coverage. We used data on premium prices over the past five years along with household data to estimate how different types of coverage respond to increases in premium prices for a variety of family types, controlling for job and demographic characteristics and state-level public program eligibility. The analysis focused specifically on how growth in health premiums affects job-based coverage, the uninsurance rate, private coverage, and enrollment in a public program among working adults and dependent adults with a working spouse.[2]

Rising premium costs translate into a loss of job-based coverage for working adults, higher rates of public coverage and a higher uninsurance rate.

Based on the experience of the past five years, employer-based coverage for working adults falls by 0.70 percentage points for every 10% rise in health care premiums. Based on the 2004 U.S. population, this drop translates into 910,000 fewer adults insured by employer-based plans for every 10% rise. Of those who lose employer coverage, three-fourths, or 654,000 people, become uninsured and one out of five, or 164,000, move onto public coverage (Chart 1 and Table 6). Employer-based coverage for adult dependents decreases at a steeper rate (0.80 percentage points) and a similar proportion become uninsured or enroll in a public program (chart not included).

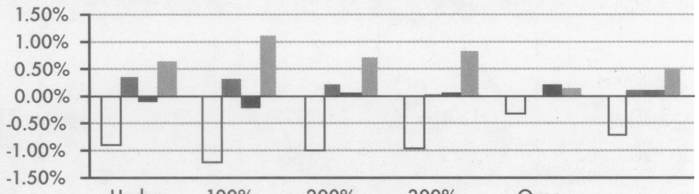
Low- and middle-income adults experience the greatest reduction in job-based health coverage

Working adults with family incomes below 400% of FPL experience the greatest decline in job-based coverage and the most dramatic shift to uninsurance. Employer-based coverage for adults in this income range declines two to four times as fast as for adults with incomes over 400% of FPL, while between 60% and 90% of these low- and middle-income adults then become uninsured (Chart 1). By contrast, only 41% of higher-income adults who lose employer-based coverage become uninsured.

TABLE 6 NATIONAL RESPONSE TO A 10% INCREASE IN PREMIUM COSTS ON HEALTH COVERAGE

	Change in Coverage
Adults	
Employer-Based Coverage	-910,000
Public Coverage	164,000
Uninsured	654,000
Private Coverage	92,000
All Non-Elderly (Adults and Children)	
Employer-Based Coverage	-1,352,000
Public Coverage	380,000
Uninsured	817,000
Private Coverage	155,000

CHART 1 COVERAGE RESPONSE TO A 10% INCREASE IN PREMIUMS: WORKING ADULTS



	Under 100%	100% - 200%	200% - 300%	300% - 400%	Over 400%	All
Job-Based	-0.89%	-1.23%	-1.01%	-0.95%	-0.34%	-0.70%
Public	0.37%	0.33%	0.23%	0.04%	0.00%	0.11%
Private	-0.11%	-0.20%	0.07%	0.08%	0.20%	0.09%
Uninsured	0.63%	1.09%	0.71%	0.83%	0.14%	0.50%

SOURCE TABLE 6 AND CHART 1: MARCH CPS, AND KFF/HRET EMPLOYER HEALTH BENEFITS SURVEY

[2] Details of the methodology are presented in a Technical Appendix available online at http://laborcenter.berkeley.edu/healthcare/trends or at www.wpusa.org

5 PREDICTED EFFECTS OF INCREASING PREMIUMS ON COVERAGE RATES IN CALIFORNIA 2005-2010

Predicted Effects of Increasing Premiums on Coverage Rates in California 2005-2010

To estimate the impact of higher health care premiums on California adults over the next six years, we adjusted the statistical model to the state's demographics and public coverage eligibility levels. Using 2004 data on premium costs and demographic characteristics, we simulated the effect of a 10% annual premium increase on employer-based coverage, private coverage, public coverage and the uninsurance rate of the state's adult population. To put it in context, the average growth in premium prices during the most recent period was 11% nationally and 13% in California.

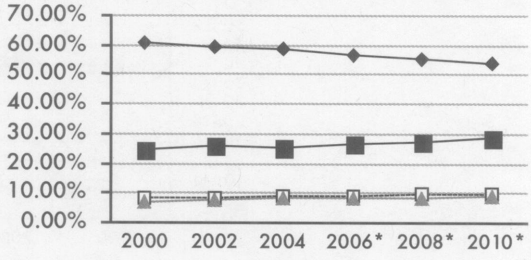
Nearly half of California's adults will not have employer-sponsored health coverage by 2010.

If premium rates continue to rise 10% annually, job-based coverage for adults (either own-employer or dependent coverage) in California will fall to 53% over the next six years (Chart 2). The predicted decline in job-based coverage will generate a three-percentage point increase in the uninsurance rate to 28%. There will be minimal change in public coverage enrollment or take-up in a private plan. This estimation indicates that virtually all of the reduction in employer coverage for adults will lead to an increase in uninsurance, as these adults will not enroll in another form of insurance.

Employer-sponsored health coverage will drop most sharply for low- and middle-income adults.

Between 2004 and 2010, adults in all income categories will experience a drop in employer-sponsored health insurance; however, the brunt of the decline will be borne by those in the low- and middle-income categories (Chart 3). For California adults with incomes in the range of 100-200% FPL, coverage will decline by 6.2 percentage points; for those in the 200-300% range, the decline in coverage will be 8.2 points; and for those still at middle income but above median at 300-400% FPL, the decline will be 7.8 points. These declines will be in contrast to the 1.2 percentage point drop experienced by the very lowest income segment and a 3.6 percentage point decline for those above 400% FPL, who represent the top 39% of the income distribution.

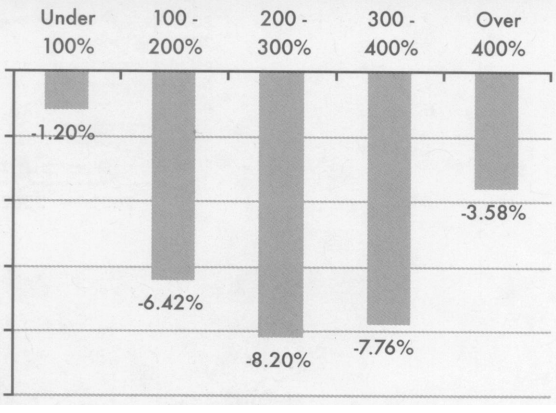
CHART 2 PAST AND PREDICTED COVERAGE TRENDS FOR ADULTS IN CALIFORNIA



	2000	2002	2004	2006*	2008*	2010*
JOB-BASED	60.8 %	58.9 %	58.1 %	56.6 %	55.0 %	53.4 %
PUBLIC	8.0 %	8.1 %	8.6 %	8.9 %	9.2 %	9.6 %
PRIVATE	6.8 %	7.3 %	7.9 %	8.1 %	8.3 %	8.5 %
UNINSURED	24.4 %	25.7 %	25.4 %	26.4 %	27.4 %	28.5 %

SOURCE: MARCH CPS, AND KFF/HRET EMPLOYER HEALTH BENEFITS SURVEY

CHART 3 PREDICTED CHANGE IN EMPLOYMENT-BASED COVERAGE RATES FOR ADULTS IN CALIFORNIA BY INCOME CATEGORY: 2004 TO 2010



SOURCE: MARCH CPS, AND KFF/HRET EMPLOYER HEALTH BENEFITS SURVEY

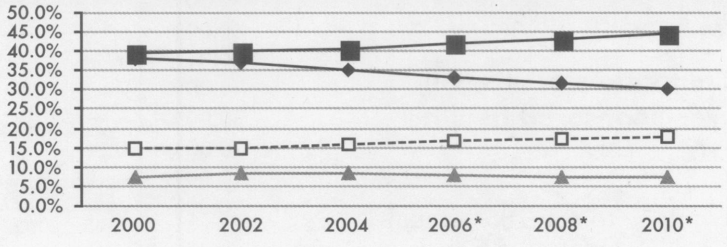
The simulation predicts that by 2010, employer-based health coverage for adults with family incomes below 300% of FPL in California will fall to 30%–from 35% in 2004–while uninsurance will climb from 41% to 44% and enrollment in public programs will reach 18% (Chart 4).

Between 2004 and 2010, employer-based coverage for adults with incomes greater than 300% of FPL is predicted to drop five percentage points from 81% to 76%. For this group, private coverage will increase by two percentage points, and uninsurance by two percentage points, reaching 10% and 13%, respectively (Chart 5).

Looking at the entire non-elderly population (adults and children) with incomes below 300% of FPL, more will be uninsured than have coverage through an employer by 2010, if current trends continue (Chart 6). Only 29% of individuals with incomes under 300% of FPL will have job-based coverage, 36% will be uninsured and 28% will have coverage through a public program. This outcome will reflect a significant shift of coverage from the private to the public sector.

Private coverage for both adults and all non-elderly in this income group will remain unchanged, indicating that the decline of employer-based coverage for the bottom half

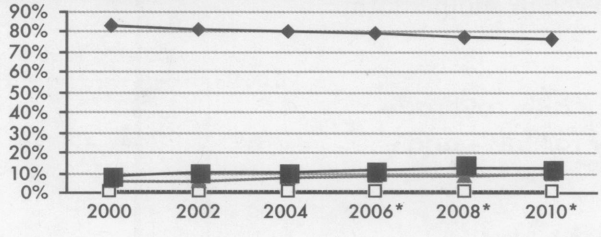
CHART 4 PAST AND PREDICTED COVERAGE TRENDS FOR ADULT CALIFORNIANS BELOW 300% OF FPL IN CALIFORNIA



	2000	2002	2004	2006*	2008*	2010*
JOB-BASED	38.3%	37.0%	34.9%	33.3%	31.7%	30.0%
PUBLIC	14.7%	14.6%	16.1%	16.7%	17.3%	17.9%
PRIVATE	7.5%	8.4%	8.2%	7.9%	7.6%	7.3%
UNINSURED	39.5%	40.0%	40.8%	42.0%	43.2%	44.4%

SOURCE: MARCH CPS, AND KFF/HRET EMPLOYER HEALTH BENEFITS SURVEY

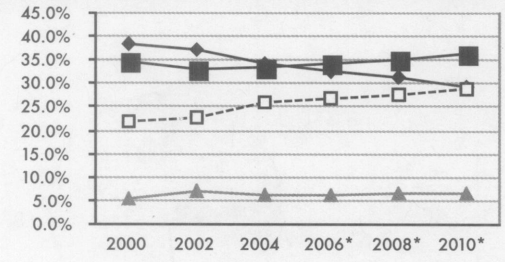
CHART 5 PAST AND PREDICTED COVERAGE TRENDS FOR ADULT CALIFORNIANS ABOVE 300% OF FPL



	2000	2002	2004	2006*	2008*	2010*
JOB-BASED	83.6%	81.7%	80.9%	79.4%	77.9%	76.4%
PUBLIC	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
PRIVATE	6.1%	6.2%	7.6%	8.2%	8.9%	9.5%
UNINSURED	9.1%	10.7%	10.3%	11.1%	12.0%	12.8%

SOURCE: MARCH CPS, AND KFF/HRET EMPLOYER HEALTH BENEFITS SURVEY

CHART 6 PAST AND PREDICTED COVERAGE TRENDS FOR ALL NON-ELDERLY CALIFORNIANS (ADULTS AND CHILDREN) BELOW 300% OF FPL



	2000	2002	2004	2006*	2008*	2010*
JOB-BASED	38.2%	37.0%	34.5%	32.7%	31.5%	29.1%
PUBLIC	21.8%	22.7%	26.0%	26.9%	27.5%	28.7%
PRIVATE	5.2%	7.2%	6.3%	6.4%	6.5%	6.6%
UNINSURED	34.7%	33.2%	33.3%	34.3%	35.0%	36.3%

SOURCE: MARCH CPS, AND KFF/HRET EMPLOYER HEALTH BENEFITS SURVEY

of the population will result in either greater take-up in a public programs or an increase in uninsurance.

California will have 1.2 million more uninsured adults in 2010 than in 2004, and 1.5 million more uninsured overall.

The adult population in California is projected to grow from 22.77 million in 2004 to 24.62 million in 2010. If we account for population growth and the rise in premiums, 80,000 fewer adults will have employer-based health coverage by 2010, 1.16 million fewer than would be the case were coverage rates to remain stable. Meanwhile 1.23 million more will be uninsured, 400,000 will be enrolled in a public program and 310,000 will purchase private coverage (Charts 7 and 8).

In the next six years, the entire non-elderly population (adults and children) in California is expected to grow from 32.2 million to 34.8 million people. Taking into account population growth and the projected increase in premiums, 170,000 fewer individuals will be insured through an employer-based plan by 2010, 1.9 million less than would be the case were coverage rates to remain stable. Additionally, 880,000 more individuals will be enrolled in a public program, 410,000 more will be insured through a private plan and 1.5 million more will be uninsured (Charts 9 and 10).

CHART 7 HEALTH COVERAGE FOR ADULT CALIFORNIANS, 2004

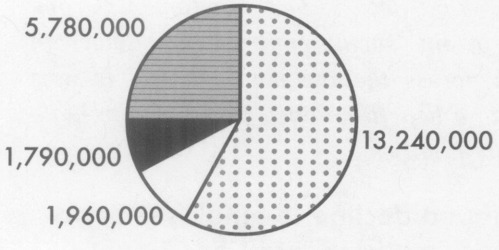
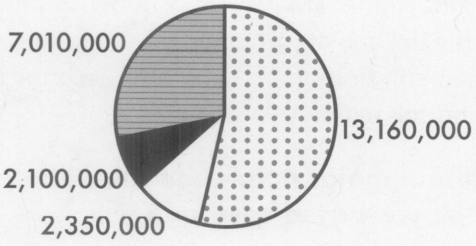


CHART 8 PREDICTED HEALTH COVERAGE FOR ADULT CALIFORNIANS, 2010



SOURCE: MARCH CPS, AND KFF/HRET EMPLOYER HEALTH BENEFITS SURVEY, AND POPULATION ESTIMATES FROM CALIFORNIA DEPARTMENT OF FINANCE

CHART 9 HEALTH COVERAGE FOR ALL NON-ELDERLY CALIFORNIANS (ADULTS AND CHILDREN), 2004

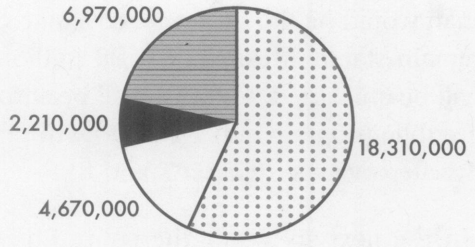
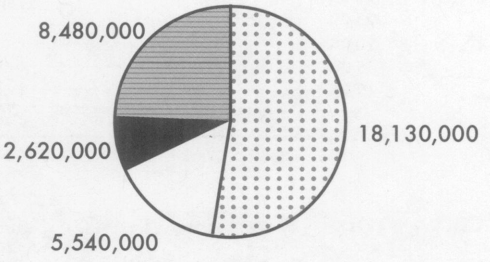


CHART 10 PREDICTED HEALTH COVERAGE FOR ALL NON-ELDERLY CALIFORNIANS (ADULTS AND CHILDREN), 2010



SOURCE: MARCH CPS, AND KFF/HRET EMPLOYER HEALTH BENEFITS SURVEY, AND POPULATION ESTIMATES FROM CALIFORNIA DEPARTMENT OF FINANCE

6 POLICY IMPLICATIONS

Employer-based health coverage has eroded significantly since the year 2000. Without immediate action, job-based coverage will continue to deteriorate, presenting significant policy implications for working families, legislators and health advocates. Low- and middle-income adults are disproportionately affected by the decline of job-based coverage, and proposed solutions must take into account their economic realities.

Without major policy changes, employer-based coverage will continue to erode.

Our report predicts that if health care premiums continue to increase at double-digit rates, only a bare majority of adults will have employer-based coverage by 2010, and more than one quarter will be uninsured. Adults in the bottom and middle of the income spectrum will experience the most severe impact of a continued rise in premiums. In less than six years, for those Californians (adults and children) whose incomes are below the median, more individuals will be uninsured (36%) than have job-based or public coverage (29% each). Meanwhile, adults above 300% of FPL will experience a four-percentage point drop to 77%. *What used to be a fundamental component of the social contract for American workers across the income spectrum is now becoming a benefit enjoyed primarily by higher-income families.*

A continued decline in employer-sponsored insurance will shift additional health care costs from employers to the public sector, and increase the numbers of uninsured.

As employer-based coverage becomes increasingly unavailable for employees, many workers are either enrolling in a public plan or becoming uninsured and relying on safety nets such as public emergency rooms, rather

than purchasing private coverage. These trends indicate that increased premiums will further shift the cost of health insurance from the private to the public sector. Health costs that used to be incurred by the employer are now becoming a financial strain on local, state and federal governments. *Unless immediate steps are taken to stem the decline in job-based coverage, significant new revenues will be needed to cover the increased demand for public health programs.*

Proposed cutbacks to Medicaid will jeopardize coverage for low-income adults.

In response to the shift in health costs from the private to the public sector, state and federal governments are implementing changes to Medicaid in order to curb expenditures. In the last four years, 49 states have instituted enrollment caps, new eligibility restrictions or cuts in services to reduce costs.[3] In April of 2005, Congress agreed to non-binding budget language for 2006 that, if implemented, would reduce Medicaid expenditures by $10 billion over the next five years starting in 2007. In addition, the Bush administration has proposed to transform Medicaid into a block grant program that would limit the federal government's risk in absorbing increased costs. This policy would move all future increases in the financial burden onto the states. *Any cuts to public programs will threaten access to coverage for millions of low-income adults.*

Private insurance options are mismatched to those losing coverage.

Our results demonstrate that when adults lose employer-based coverage, private coverage is not a viable option except for some higher-income individuals. Low- and middle-income adults instead opt for a public program (if eligible) or become uninsured and seek care through the local safety net. The inability of low-to-middle-income families to purchase private health insurance plans indicates that attempts to address the health coverage crisis caused by the drop in employer-based coverage for this group must not require significant out-of-pocket expenses. *Policies that rely on private insurance, such as individual mandates or health savings accounts, are mismatched to the economic realities of those losing insurance today.*

7 CONCLUSIONS

Rising health care premiums are contributing to the steady erosion of employer-based coverage in California and the United States. Unless immediate measures are taken to control costs and stem the fall in employer-sponsored health insurance, significant new state funding will be needed to absorb the growing numbers of people who are dependent on the public sector for health care. Policy solutions must address the breakdown of our health care system and provide solutions that are affordable to low- and middle-income adults. Without serious action, America will experience a dramatic increase in the number of uninsured persons by the end of the decade.

[3] State Fiscal Conditions and Medicaid, Kaiser Commission on Medicaid and the Uninsured April 2004

Working Partnerships USA
2102 Almaden Road Suite 107
San Jose, CA 95125
www.wpusa.org

UC Berkeley Center for Labor Research and Education
Institute of Industrial Relations
2521 Channing Way #5555
Berkeley, CA 94720
http://laborcenter.berkeley.edu/

WORKING PARTNERSHIPS USA:

Working Partnerships USA (WPUSA), a nonprofit organization, was formed in 1995 as a collaboration among community-based organizations to develop public policy responses to the negative impacts of the Silicon Valley's economy on working families.

UC BERKELEY CENTER FOR LABOR RESEARCH AND EDUCATION:

The Center for Labor Research and Education is a public service project of the UC Berkeley Institute of Industrial Relations that links academic resources with working people. Since 1964, the Labor Center has produced research, trainings and curricula that deepen understanding of employment conditions and develop diverse new generations of leaders.

ACKNOWLEDGEMENTS:

Special thanks to Sarah Lawton and Louise Auerhahn for their editing and Candace Howes and Heather Boushey for their helpful reviews of the research on which this brief is based.

A detailed description of the methodology used in this study is available from the authors.

Printed with vegetable oil-based inks on processed chlorine-free paper 100% post-consumer waste content