



ECONOMIC POLICY INSTITUTE

RESEARCH AND IDEAS FOR SHARED PROSPERITY

JULY 30, 2009

EMPLOYERS AND HEALTH REFORM SUMMARY

As the largest source of health insurance for non-elderly Americans, U.S. employers have an extremely large stake in health reform. In 2007, employers provided insurance coverage to 62.9% of Americans under the age of 65. Further, the \$532 billion employers contributed to health insurance premiums for their workers accounts for roughly a quarter of total national health spending.

The Economic Policy Institute has long been a leader in research on employer-sponsored insurance (ESI), making us well-placed to track current reform efforts that build on this system while addressing its failings. Two new pieces of research examine some of these failings and provide important context for assessing health reform packages currently under debate.

Together, these Issue Briefs survey today's ESI landscape, shed light on disparities in health spending and coverage by industry, and provide a useful primer on how workers and firms will respond to health reforms like those currently on the table in bills introduced in the Senate and House – so-called “play or pay” reform plans.

The first Issue Brief (#259) looks at the phenomenon of “deadbeat industries” that provide health insurance to comparatively few of their workers and their workers' dependents. While it has been relatively straightforward to document when workers in a given industry *receive* ESI coverage through a spouse, this Issue Brief is the first to document *sources* of ESI dependent coverage by industry. The authors construct a sample of two-income married couples working in different industries. Using microdata from the March Current Population Survey, the annual source of data on poverty rates and uninsurance rates in the U.S., they track both sources and recipients of ESI coverage. This brief confirms what has long been suspected: that employees in high-coverage industries (such as public administration, mining, information, and manufacturing) tend to be key providers of coverage for even working spouses as well as children, while low-coverage industries (such as services, arts, entertainment, recreation and professional services) are relative laggards both in covering their own workers as well as providing coverage to dependents. This results in a health insurance market where some industries serve as *de facto* insurance brokers for others. These results may help to explain **recent reports** of a lack of unanimity in employers' stance towards health reform. A previous brief (#258) focusing on small business and problems they face in today's insurance market status quo complements this finding and helps explain the lack of a unified employer response to health reform proposals.

The second Issue Brief (#260) uses previously unpublished data to examine variations by industry in employer contributions to workers' health insurance. It finds substantial variation in industry spending on health insurance premiums, with much of this variation driven simply by the share of workers covered by ESI plans in each industry. Besides providing a rich set of data on health spending by detailed industry, this brief also uses a set of examples to demonstrate how employer and employee decisions are made in the context of “play-or-pay” mandates that are the centerpiece of most of today's reform proposals. Play or pay reforms require that employers either provide ESI to their workers or pay a contribution to defray the cost of enrolling them in a new national insurance exchange. A common fear expressed by opponents of play-or-pay plans is that the parameters specified by some proposals (especially the House bill) would result in a huge exodus out of ESI. A simple look at industry average contributions for employees' health insurance premiums seems to make this fear look reasonable; this brief explains why it is not, and why substantial ESI coverage is very likely to persist in most play or pay plans under discussion.