Business community helps Durham health care

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The business community plays a significant role in providing access to healthcare through employer-sponsored health insurance. In 2004, 61% of North Carolinians under the age of 65 had insurance through their employer, compared to 19% of North Carolinians who had government sponsored insurance (including Medicaid, Health Choice, Medicare, Veterans Benefits, etc.). However, the percentage of employees who have health insurance through their employer is declining in North Carolina, even among full-time workers.

A recent study by the Robert Wood Johnson Foundation noted that nationally, fewer than half (47%) of parents in families earning less than \$40,000 a year are offered health insurance through their employer. This represents a 9% drop since 1997.

A healthcare system based largely upon employer-sponsored benefits is uniquely American. Employers began offering health insurance during World War II to lure workers, when workers were in short supply and the government had frozen wages. Since then, employment has been the key to accessing health insurance. However, the business environment has changed, and today many businesses are finding it difficult to offer affordable insurance, making it harder for their employees to insure themselves and their families.

Small businesses are less likely than larger businesses to offer health insurance to their employees, and the coverage gap between small and large businesses is increasing. Fewer new small businesses are initiating health insurance plans, and many that formerly offered health insurance are dropping it. One of the main reasons small businesses stop offering health insurance is that they simply don't have enough "money in the bank" to cover drastic rises in health insurance premiums. When premiums go up 20%, even profitable small businesses may not have the reserves to cover it in the short term, nor the ability to raise their own prices fast enough to cover it in the long-term. Most small businesses want to offer health insurance to their employees. But, the math is simple. With their ability to raise prices for their products/services limited by the ordinary rate of inflation and health insurance premiums rising at several times the rate of inflation, it is inevitable that more and more small businesses will be forced out of the health insurance market.

Larger businesses have some different challenges. A large business in Durham may have corporate headquarters in another state or country, which makes health coverage decisions. Many of their part-time employees do not qualify for employer-sponsored health coverage. Even for those employees who are offered health insurance, many – especially those with lower salaries – may not enroll because of the cost relative to their pay. Local management does not always understand the complexities of health insurance benefits and may have little ownership of the problem of their uninsured employees. As one local manager shared, "Insurance is a cost issue more than a social issue. There is little consideration given to the fact that employees without insurance cause a larger (social) problem."

Large businesses have felt the impact of rising health insurance costs, particularly when coupled with the costs of retirement benefits and workers' compensation claims. When seeking ways to control health insurance costs, some employees have decided to "sub-contract" jobs instead of hiring employees. This absolves the employer of responsibility for health insurance.

The business community in Durham is diverse. Yet, there are some commonalities among them when it comes to offering health insurance to their employees. More often than not, increases in health insurance costs paid by businesses will affect employees' salaries. Some employers have tried to demonstrate this to their employees by offering "total compensation packages," outlining the value of their insurance. However, few employees see past the decrease in their take-home pay. Other businesses have chosen to simply cap their contribution to health benefits and require the employee to pick up more of the expense.

While experience and research demonstrate that workers with health insurance and workplace health promotion activities are better workers and have fewer absentee problems, many businesses are not willing or able to invest in health coverage for their employees. In fact, many businesses realize that providing health insurance adds costs to their short-term budget, which affects their competitiveness in the market. These businesses are at a disadvantage compared to companies that provide cheaper goods and services because they don't absorb ever-increasing health insurance costs.

The trend is clear, and if it continues, fewer and fewer workers and their families will get health insurance through their employers. We are at a crossroads and need to choose a path. We can improve the health insurance market for employers so they can offer insurance without the risk of going broke or becoming non-competitive, or we can circumvent employer-sponsored health plans and increase access to affordable health insurance plans that are offered directly to employees (and their families) for the growing number of businesses unable to provide insurance. The third path, doing nothing, will surely result in more workers and their families going without the healthcare they need.

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The Henry J. Kaiser Family Foundation conducts extensive research and policy analysis related to health care coverage policy, including public opinion polls on a variety of health care topics and a website that provides the latest state-level data on demographics, health and health policy. www.kff.org

www.statehealthfacts.org

The Robert Wood Johnson Foundation has research information, materials, and funding opportunities around health insurance coverage. They recently released an analysis that showed a steady erosion of working parents' employer-provided health benefits in the US. www.rwjf.org

NC Institute of Medicine <u>www.nciom.org</u>

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