

Employment-Based Health Benefits: Who Is Offered Coverage vs. Who Takes It

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- This *Issue Brief* provides data on employment-based health insurance, with a discussion of recent trends and how sponsorship rates, offer rates, coverage rates, and take-up rates vary for different workers. Other sections examine reasons why workers do not participate in employment-based health plans, alternative sources of health insurance, and uninsured workers.
- In 1997, 83 percent of the 108.1 million wage and salary workers in the United States were employed by a firm that sponsored a health plan. Of those workers, 75 percent were offered coverage, and 62 percent (or 67.5 million workers) were covered by that plan. Of those workers who worked for an employer that offered them a health plan, 83 percent participated in the plan.
- Sponsorship rates have barely changed in the last 11 years. In 1988, 83 percent of wage and salary workers reported that their employer sponsored a health plan. This declined slightly to 82 percent in 1993 but had increased to 83 percent by 1997.
- Offer rates significantly changed between 1988 and 1997. In 1988, 82 percent of workers reported that they were eligible for health insurance through their employer. By 1993, the percentage of eligible workers declined to 74 percent, and it has only slightly increased since then to 75 percent in 1997.
- In 1997, 40.6 million American workers did not have health insurance through their own job. Forty-five percent of the workers without coverage were employed at a firm where the employer did not provide health insurance to any workers. Thirty-three percent of the workers without coverage were offered coverage but declined it. Twenty-two percent of the workers without coverage were employed in a firm that offered health insurance to some of its workers, but certain workers were not eligible for the health plan.
- The 13.7 million workers who were offered coverage but declined it gave a number of reasons for doing so. In the majority of cases (61 percent), the worker was covered by another health plan. Of the remainder, 20 percent reported that health insurance was just too costly.
- Overall, 41 percent of the 40.6 million workers who were not participating in an employment-based health plan through their own employer had coverage through a spouse. However, 42 percent of the 40.6 million workers who declined their employers' health plan or who were not offered health insurance from their employer were uninsured.

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Definitions

Sponsorship Rate: The percentage of workers who report that their employer sponsors health benefits for any of its workers.

Offer rate: The percentage of workers who are offered coverage in the health plan sponsored by their employer.

Coverage rate: The percentage of all workers participating in their employer's health plan.

Take-up rate: The percentage of workers offered health insurance who participate in their employer's health plan.

Paul Fronstin wrote this *Issue Brief* with assistance from the Institute's research and editorial staffs. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, members, or other sponsors of EBRI, EBRI-ERF, or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

Introduction

Employment-based health insurance is the most common form of health insurance

coverage in the United States. The basic purpose for employers offering employment-based health benefits is to provide workers and their families with protection from financial losses that can accompany unexpected serious illness or injury. They also offer the benefits to promote health, to increase worker productivity, and as a form of compensation to recruit and retain qualified workers. Health insurance is probably the benefit most used and valued by workers and their families: 64 percent of respondents to a recent survey rated employment-based health insurance benefits as the most important benefit (Ostuw, 1996). Furthermore, most workers appear to be satisfied with the mix of compensation: 68 percent of individuals with employment-based health insurance are satisfied with the current mix of wages and health benefits, according to a recent survey (Fronstin, 1999).

Prior to World War II, few Americans had health insurance, and most policies covered only hospital room, board, and ancillary services. During World War II, the number of persons with employment-based health insurance coverage started to increase for several reasons. When wages were frozen by the National War Labor Board and there was a shortage of workers, employers sought ways to get around the wage controls in order to attract scarce workers, and offering health insurance was one option. Health insurance was an attractive way to recruit and retain workers during a labor shortage for two reasons: Unions supported employment-based health insurance, and workers' health benefits were not subject to income tax or Social Security payroll taxes, as were cash wages.

Today, employers continue to offer health insurance on a voluntary basis. With the exception of Hawaii, states are pre-empted from mandating that

employers provide health insurance to workers.¹ Because employers are not legally required to provide health insurance to workers and individuals are not required to maintain coverage, some segments of the working population will have coverage while others will not. As will be discussed in this *Issue Brief*, more than 60 percent of workers continue to receive health insurance through their jobs today. The remainder who do not receive health insurance through their own job often receive it through a family member's job. Although some workers are able to purchase it on their own or get it through a second job or previous job, many workers who do not participate in an employment-based health plan through their own job are uninsured.

Overall, about 84 percent of American workers currently have some form of health insurance, while 16 percent are uninsured. Uninsured workers are disproportionately employed by small firms. As will be discussed more fully in the conclusion, access to health insurance for workers in small firms is a serious issue because small firms are challenged by the economics of the health insurance industry in the current voluntary system. As long as the employment-based health insurance system in the United States is voluntary, some workers will not have insurance protection, and policymakers will continue to struggle with how to increase coverage.²

This *Issue Brief* provides data on employment-based health insurance, with a discussion of recent

¹ Hawaii is the only state requiring employers to provide a minimum level of health benefits to workers. This requirement has been in effect since 1974, when Hawaii passed the Prepaid Health Care Act (PHCA). Other states cannot pass employer mandates because the federal Employee Retirement Income Security Act of 1974 (ERISA) pre-empts all state laws that relate to employee benefits. Hawaii was given a limited exemption from ERISA because of the timing of the two laws.

Coverage in Hawaii is not universal. An individual mandate or a single-payer system are the only mechanisms for achieving universal coverage. Furthermore, not all employers comply with the employer mandate in Hawaii. See Copeland and Pierron (1998) for more information on ERISA, and U.S. General Accounting Office (1994) for more information on the employer mandate in Hawaii.

² See Fronstin (1999) for more information on differences between the employment-based system and an individual-based system.

Table 1
Health Insurance Status of Wage and Salary Workers Ages 18–64, by Firm Size, 1997

	Total Workers	Employer Sponsors Health Plan	Employer Does Not Sponsor Health Plan	Employer Sponsors Plan		Employee Offered Plan	
				Employer offers health plan to worker	Worker not offered plan	Worker participates in plan	Worker declined coverage
(millions)							
Total	108.1	90.2	17.9	81.2	9.0	67.5	13.7
Fewer than 100 employees	38.8	26.6	12.2	22.0	4.6	16.5	5.5
100 or more employees	69.2	63.6	5.7	59.2	4.4	51.0	8.2
(percentage within firm size category)							
Total	100.0%	83.4%	16.6%	75.1%	8.3%	62.4%	12.7%
Fewer than 100 employees	100.0	68.5	31.5	56.6	11.9	42.5	14.1
100 or more employees	100.0	91.8	8.2	85.5	6.3	73.6	11.9

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.
Note: Self-employed workers are not included in the table.

trends and how sponsorship rates, offer rates, coverage rates, and take-up rates vary for different workers. Other sections examine reasons why workers do not participate in employment-based health plans, alternative sources of health insurance, and uninsured workers. Conclusions are presented in the final section.

Trends

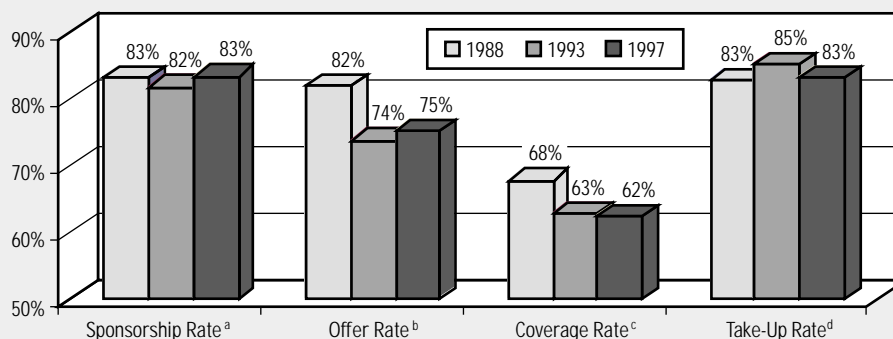
In 1997, 83 percent of the 108.1 million wage and salary workers in the United States were employed by

a firm that sponsored a health plan, 75 percent of those workers were offered coverage, and 62 percent (or

67.5 million workers) were covered by that plan (table 1). Of those workers who worked for an employer that offered them a health plan, 83 percent participated in the plan (calculated from table 1).

It is clear that sponsorship rates have barely changed in the last 11 years. In 1988, 83 percent of wage and salary workers reported that their employer sponsored a health plan (chart 1). This declined slightly to 82 percent in 1993 but had increased to 83 percent by 1997. More important, however, is the fact that offer rates significantly changed between 1988 and 1997. In 1988, 82 percent of workers reported that they were eligible for health insurance through their employer. By 1993, the percentage of eligible workers declined to 74 percent and it has only slightly increased since then

Chart 1
Employment-Based Health Insurance Sponsorship, Offer, Coverage, and Take-Up Rates Among Wage and Salary Workers Ages 18–64, 1988, 1993, and 1997



Source: Employee Benefit Research Institute estimates from the May 1988, April 1993, and February 1997 Current Population Surveys.

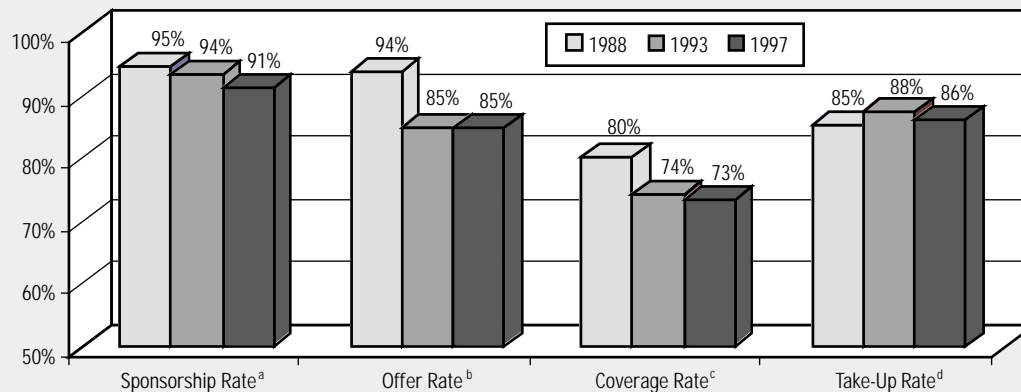
^aPercentage of workers who report that their employer sponsors health benefits for any of its workers.

^bPercentage of workers who are offered coverage in the health plan sponsored by their employer.

^cPercentage of all workers participating in their employer's health plan.

^dPercentage of workers offered health insurance who participate in their employer's health plan.

Chart 2
Employment-Based Health Insurance Sponsorship, Offer, Coverage, and Take-Up Rates Among Wage and Salary Workers Ages 18-64, in Firms With 100 or More Employees, 1988, 1993, and 1997



Source: Employee Benefit Research Institute estimates from the May 1988, April 1993, and February 1997 Current Population Surveys.

^aPercentage of workers who report that their employer sponsors health benefits for any of its workers.

^bPercentage of workers who are offered coverage in the health plan sponsored by their employer.

^cPercentage of all workers participating in their employer's health plan.

^dPercentage of workers offered health insurance who participate in their employer's health plan.

to 75 percent in 1997. While employers were just as likely to *sponsor* a health plan in 1988 and 1997, it appears that fewer workers *qualify* for those plans today. It is likely that the increased use of part-time workers and workers in alternative work arrangements, such as temporary workers and independent contractors, has resulted in a smaller portion of the work force being eligible for health benefits.³ In 1988, virtually all workers were eligible for the health plan that their employer offered, but by 1993 this was no longer true.

Because offer rates have fallen, so have coverage rates. In 1988, 68 percent of wage and salary workers were participating in an employment-based health plan provided by their own employer (chart 1). By 1993, this had fallen to 63 percent, and by 1997, it fell further to 62 percent. At the same time, the percentage of workers offered coverage who chose to participate in the plan—the take-up rate—increased slightly between 1988 and 1993, and then fell back to the 1988 level by 1997. (See definition box.)

It appears as though the strong economy may be having a small effect on employment-based health benefits. While the percentage of workers offered coverage increased slightly between 1993 and 1997, it is possible that the offer rate would have declined significantly were it not for the strong economy and low unemployment rate, which have forced employers to compete for workers. Furthermore, other factors also account for trends in offer rates.

Trends in sponsorship and offer rates are quite different when examined by firm size. For instance, there has been very little change in sponsorship rates among large firms. In 1997, 91 percent of workers employed by firms with 100 or more workers reported that their employer sponsored a health plan. This is down from 95 percent in 1988 (chart 2). During the same time period, offer rates declined from 94 percent to 85 percent, resulting in a reduction in coverage rates. Overall, the take-up rate remained fairly constant at about 86 percent.

Workers employed with small employers, on the other hand, experienced something completely different. The percentage of workers employed in firms with fewer than 100 workers who reported that their employer sponsored a health plan declined from 63 percent to 59 percent between 1988 and 1993 (chart 3). However, between 1993 and 1997, the percentage of workers in small firms reporting that their employer sponsored a health plan increased substantially, moving from 59 percent to 70 percent. At the same time, offer rates increased from 53 percent to 57 percent between 1993 and 1997. Coverage rates increased slightly, and take-up rates remained fairly constant at 75 percent.

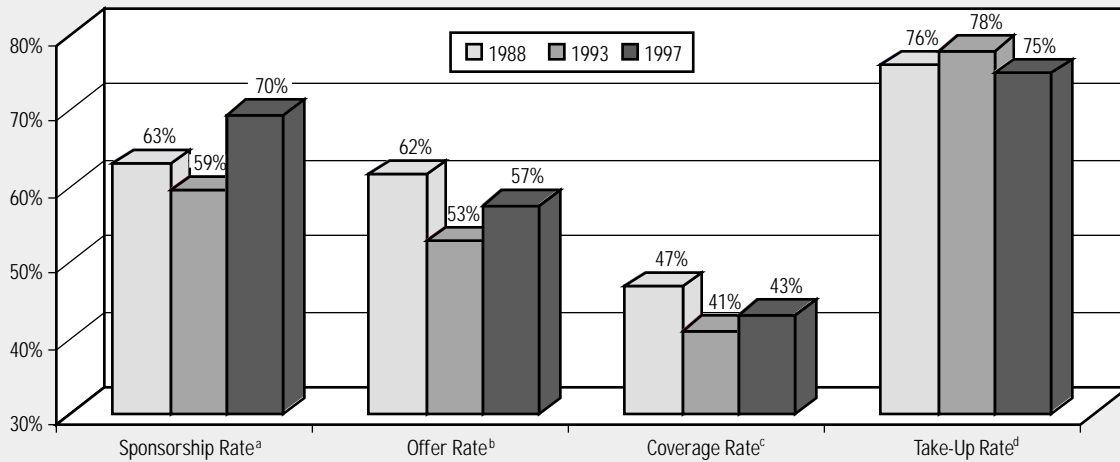
Recent Snapshot

As mentioned above, more than 83 percent of the wage and salary work force is employed in a

firm that sponsors a health plan, but only 75 percent of

³ See Copeland, et al. (1999) for more information on contingent workers and workers in alternative work arrangements.

Chart 3
Employment-Based Health Insurance Sponsorship, Offer, Coverage, and Take-Up Rates Among Wage and Salary Workers Ages 18-64 in Firms With Fewer than 100 Employees, 1988, 1993, and 1997



Source: Employee Benefit Research Institute estimates from the May 1988, April 1993, and February 1997 Current Population Surveys.

^aPercentage of workers who report that their employer sponsors health benefits for any of its workers.

^bPercentage of workers who are offered coverage in the health plan sponsored by their employer.

^cPercentage of all workers participating in their employer's health plan.

^dPercentage of workers offered health insurance who participate in their employer's health plan.

workers are offered a health plan. Sponsorship and offer rates, and ultimately take-up rates, vary by job characteristics and demographics. This section presents some of those differences for wage and salary workers.

Firm Size

In general, workers employed in small firms are less likely to work for an employer that sponsors a health plan or offers them coverage, compared with workers in large firms. Specifically, 68.5 percent of workers employed in small firms reported that their employer sponsored a health plan, compared with 91.8 percent of workers employed in large firms (table 1). Similarly, 56.6 percent of workers in small firms reported that they

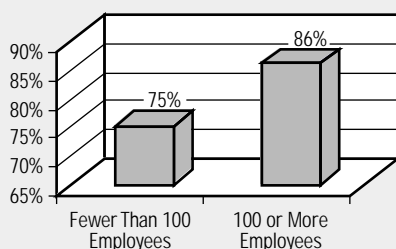
were offered health insurance, compared with 85.5 percent of workers in large firms. As a result, 42.5 percent of workers in small firms participated in their employers' health plan, compared with 73.6 percent of workers in large firms.

Even the take-up rate varies among workers by firm size. Workers employed in small firms are less likely to accept coverage when it is offered than workers in large firms. Specifically, 75 percent of workers in small firms accepted coverage when it was offered, compared with 86 percent of workers in large firms accepting coverage (chart 4).

Industry

Health insurance coverage tends to vary by industry of employment. Almost 98 percent of workers employed in the public sector report that their employer sponsors a health plan, compared with 59.8 percent of workers in the agriculture, forestry, fishing, mining, and construction industries; 92.4 percent of workers in the manufacturing industry; 76.2 percent of workers in the trade industries; and 80.1 percent of workers in the service sector (table 2). Offer rates also vary by industry, with workers in the manufacturing industry and in the public sector more likely to be offered coverage by their employer than other workers. Take-up rates are also substantially higher in the public sector and in the manufacturing sector, as compared with other industries (chart 5).

Chart 4
Take-Up Rates Among Workers Ages 18-64 Offered Health Insurance by Own Employer, by Firm Size, 1997



Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Table 2
Health Insurance Status of Wage and Salary Workers Ages 18-64, by Industry, 1997

	Total Workers	Employer Sponsors Health Plan	Employer Does Not Sponsor Health Plan	Employer Sponsors Plan		Employee Offered Plan	
				Employer offers health plan to worker	Worker not offered plan	Worker participates in plan	Worker declined coverage
(millions)							
Total	108.1	90.2	17.9	81.2	9.0	67.5	13.7
Public sector	18.1	17.7	0.4	15.9	1.8	14.2	1.7
Agriculture, forestry, fishing, mining, and construction	7.3	4.4	2.9	4.0	0.3	3.3	0.8
Manufacturing	26.2	24.2	2.0	23.1	1.1	20.5	2.6
Wholesale and retail trade	33.9	25.9	8.1	22.3	3.6	17.0	5.3
Personal services	22.5	18.0	4.5	15.8	2.2	12.4	3.4
(percentage within industry category)							
Total	100.0%	83.4%	16.6%	75.1%	8.3%	62.4%	12.7%
Public sector	100.0	97.6	2.4	87.7	9.9	78.3	9.4
Agriculture, forestry, fishing, mining, and construction	100.0	59.8	40.2	55.3	4.5	45.0	10.3
Manufacturing	100.0	92.4	7.6	88.2	4.2	78.4	9.9
Wholesale and retail trade	100.0	76.2	23.8	65.8	10.5	50.2	15.5
Personal services	100.0	80.1	19.9	70.3	9.8	55.2	15.1

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.
 Note: Self-employed workers are not included in the table.

Unionization

Union workers are much more likely to be offered health insurance than nonunion workers. Specifically, 93 percent of union workers reported that they were offered health insurance by their employer, compared with 71.4 percent of nonunion workers (table 3). An interesting difference here is that 96 percent of union workers whose employer sponsored a health plan were offered coverage, compared with 89 percent of nonunion workers (calculated from table 2). Similarly, take-up rates vary substantially by union status. Over 90 percent of union workers accepted health coverage offered by their employer, compared with 81 percent of nonunion workers (chart 6).

Hours of Work

It is well-known that part-time workers are less

likely to be eligible for health benefits than full-time workers. In 1997, 83.8 percent of full-time workers were offered health benefits, compared with 21.8 percent of workers employed less than 21 hours per week, and 45 percent of workers employed between 21 and 34 hours per week (table 4). Not surprisingly, sponsorship rates also vary by hours of work, which may suggest that employers that use a relatively large percentage of part-time workers are less likely than employers that use a small percentage of part-time workers to offer any health benefits.

Take-up rates also vary substantially by hours of work. Full-time workers accept health benefits 85 percent of the time, compared with a take-up rate of 62 percent among workers employed between 21 and 34 hours per week, and 51 percent among workers employed 20 hours or less per week (chart 7).

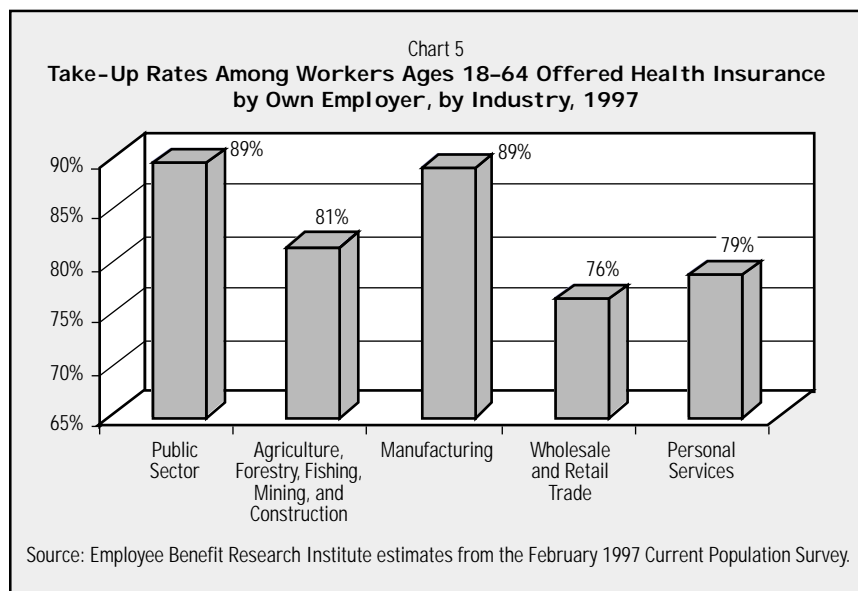


Table 3
Health Insurance Status of Wage and Salary Workers Ages 18–64, by Union Membership, 1997

	Total Workers	Employer Sponsors Health Plan	Employer Does Not Sponsor Health Plan	Employer Sponsors Plan		Employee Offered Plan	
				Employer offers health plan to worker	Worker not offered plan	Worker participates in plan	Worker declined coverage
				(millions)			
Total	108.1	90.2	17.9	81.2	9.0	67.5	13.7
Nonunion Worker	89.4	72.0	17.3	63.8	8.2	51.6	12.2
Union member	18.7	18.2	0.6	17.4	0.8	15.9	1.5
				(percentage within union membership category)			
Total	100.0%	83.4%	16.6%	75.1%	8.3%	62.4%	12.7%
Nonunion member	100.0	80.6	19.4	71.4	9.2	57.7	13.7
Union member	100.0	97.0	3.0	93.0	4.0	85.0	7.9

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.
Note: Self-employed workers are not included in the table.

Age

The take-up rate among workers under age 34 is lower than the take-up rate for workers ages 35 and older (chart 8). It also appears that young workers are less likely than older workers to be employed at a firm that even sponsors a health plan or offers it to them. In general, the likelihood of a worker's employer sponsoring a health plan is higher with successive age cohorts up to the group ages 55–64, although individuals ages 35 and older are generally equally likely to work for an employer that sponsors a health plan as compared with workers under age 35 (table 5).

Gender

In general, men and women are equally likely to work for an employer that sponsors a health plan, but women are less likely than men to be offered that plan (table 6). Furthermore, take-up rates among women are lower than they are for men, although this may be the result of women being more likely to be covered by their husband's health plan than vice versa (chart 9).

Race

Sponsorship and offer rates do not vary substantially by race, with the exception of Hispanics, who are much less likely to work for an employer that sponsors a health plan and consequently less likely to be offered a plan (table 7). While take-up rates for Hispanics are lower than those for all other races, they are not substantially lower. Eighty percent of Hispanic workers accepted health insurance when offered, compared with

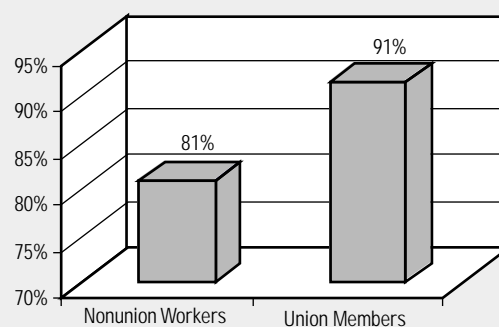
83 percent of white workers and 85 percent of black workers (chart 10).

Reasons for Nonparticipation

In 1997, 40.6 million American workers did not

have health insurance through their own job. Three factors accounted for this fact. First, 45 percent of the workers without coverage were employed at a firm where the employer did not provide health insurance to any workers (chart 11). Second, 33 percent of the workers without coverage were offered coverage but declined it. Third, 22 percent of the workers without coverage

Chart 6
Take-Up Rates Among Workers Ages 18–64 Offered Health Insurance by Employer, by Union Membership, 1997



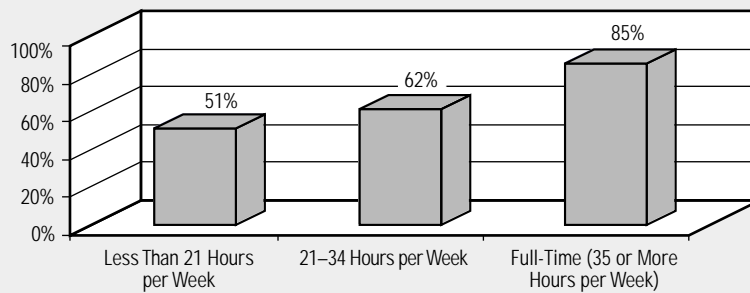
Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Table 4
Health Insurance Status of Wage and Salary Workers Ages 18–64, by Hours of Work, 1997

	Total Workers	Employer Sponsors Health Plan	Employer Does Not Sponsor Health Plan	Employer Sponsors Plan		Employee Offered Plan	
				Employer offers health plan to worker	Worker not offered plan	Worker participates in plan	Worker declined coverage
(millions)							
Total	108.1	90.2	17.9	81.2	9.0	67.5	13.7
0–20	10.1	6.1	4.0	2.2	3.9	1.1	1.1
21–34	8.0	5.6	2.4	3.6	2.0	2.2	1.4
Full time	90.0	78.5	11.5	75.4	3.1	64.1	11.2
(percentage within hours of work category)							
Total	100.0%	83.4%	16.6%	75.1%	8.3%	62.4%	12.7%
0–20	100.0	60.7	39.3	21.8	38.9	11.2	10.6
21–34	100.0	69.6	30.4	45.0	24.5	27.7	17.3
Full time	100.0	87.2	12.8	83.8	3.4	71.3	12.5

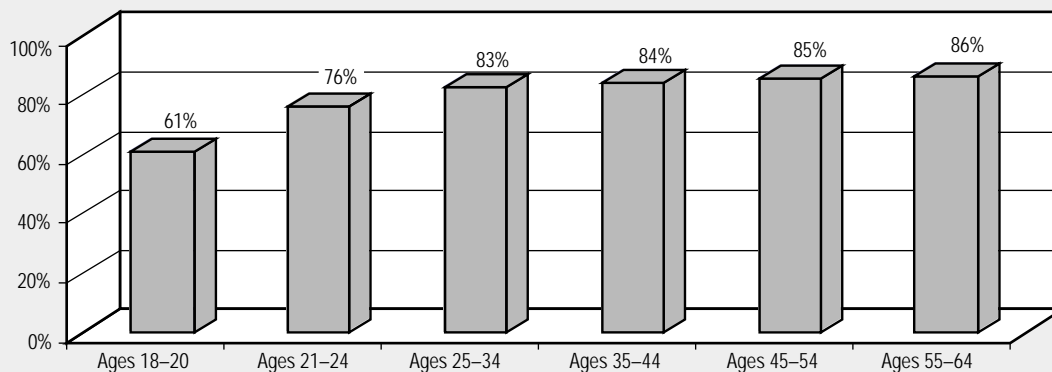
Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.
 Note: Self-employed workers are not included in the table.

Chart 7
Take-Up Rate Among Workers Ages 18–64 Offered Health Insurance by Own Employer, by Hours of Work, 1997



Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Chart 8
Take-Up Rate Among Workers Ages 18–64 Offered Health Insurance by Own Employer, by Age, 1997



Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Table 5
Health Insurance Status of Wage and Salary Workers Ages 18-64, by Age, 1997

	Total Workers	Employer Sponsors Health Plan	Employer Does Not Sponsor Health Plan	Employer Sponsors Plan		Employee Offered Plan	
				Employer offers health plan to worker	Worker not offered plan	Worker participates in plan	Worker declined coverage
(millions)							
Total	108.1	90.2	17.9	81.2	9.0	67.5	13.7
Under 21	5.9	3.6	2.3	1.7	1.9	1.0	0.7
21-24	9.4	7.2	2.2	5.5	1.7	4.2	1.3
25-34	29.3	24.7	4.6	22.6	2.1	18.7	3.9
35-44	31.1	26.7	4.4	25.0	1.7	21.0	4.0
45-54	22.5	19.6	2.9	18.6	1.1	15.9	2.7
55-64	9.8	8.3	1.6	7.7	0.6	6.6	1.1
(percentage within age category)							
Total	100.0%	83.4%	16.6%	75.1%	8.3%	62.4%	12.7%
Under 21	100.0	61.8	38.2	29.3	32.5	17.8	11.5
21-24	100.0	76.4	23.6	58.7	17.7	44.5	14.2
25-34	100.0	84.3	15.7	77.3	7.0	63.9	13.4
35-44	100.0	85.8	14.2	80.4	5.4	67.6	12.8
45-54	100.0	87.3	12.7	82.6	4.7	70.6	12.0
55-64	100.0	84.2	15.8	78.0	6.1	67.2	10.8

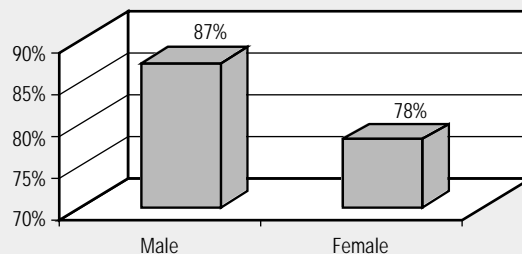
Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.
 Note: Self-employed workers are not included in the table.

Table 6
Health Insurance Status of Wage and Salary Workers Ages 18-64, by Gender, 1997

	Total Workers	Employer Sponsors Health Plan	Employer Does Not Sponsor Health Plan	Employer Sponsors Plan		Employee Offered Plan	
				Employer offers health plan to worker	Worker not offered plan	Worker participates in plan	Worker declined coverage
(millions)							
Total	108.1	90.2	17.9	81.2	9.0	67.5	13.7
Male	56.4	47.4	9.0	44.1	3.3	38.5	5.6
Female	51.7	42.8	8.9	37.1	5.7	29.0	8.1
(percentage within gender category)							
Total	100.0%	83.4%	16.6%	75.1%	8.3%	62.4%	12.7%
Male	100.0	84.0	16.0	78.2	5.8	68.3	9.9
Female	100.0	82.8	17.2	71.8	11.0	56.1	15.7

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.
 Note: Self-employed workers are not included in the table.

Chart 9
Take-Up Rate Among Workers Ages 18-64 Offered Health Insurance by Own Employer, By Gender, 1997



Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

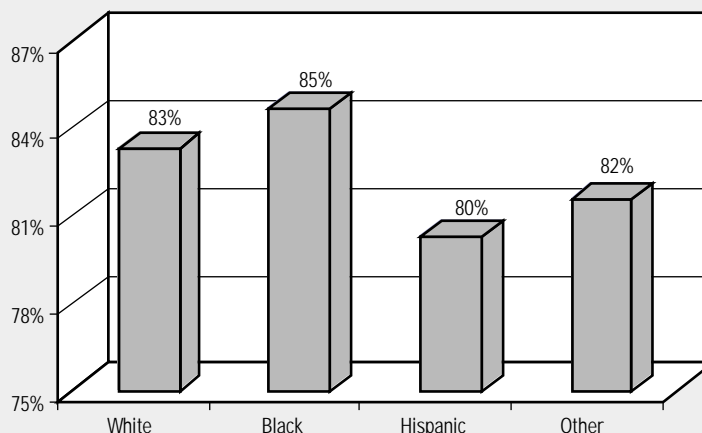
Table 7
Health Insurance Status of Wage and Salary Workers Ages 18-64, by Race, 1997

	Total Workers	Employer Sponsors Health Plan	Employer Does Not Sponsor Health Plan	Employer Sponsors Plan		Employee Offered Plan	
				Employer offers health plan to worker	Worker not offered plan	Worker participates in plan	Worker declined coverage
(millions)							
Total	108.1	90.2	17.9	81.2	9.0	67.5	13.7
White	80.5	69.0	11.5	61.8	7.2	51.5	10.3
Black	12.2	10.1	2.1	9.4	0.7	7.9	1.4
Hispanic	10.9	7.4	3.5	6.7	0.7	5.3	1.3
Other	4.4	3.6	0.8	3.3	0.3	2.7	0.6
(percentage within race category)							
Total	100.0%	83.4%	16.6%	75.1%	8.3%	62.4%	12.7%
White	100.0	85.7	14.3	76.7	9.0	63.9	12.8
Black	100.0	83.1	16.9	77.0	6.1	65.2	11.8
Hispanic	100.0	67.5	32.5	61.0	6.5	49.0	12.0
Other	100.0	82.1	17.9	75.3	6.8	61.4	13.9

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Note: Self-employed workers are not included in the table.

Chart 10
Take-Up Rates Among Workers Ages 18-64 Offered Health Insurance by Own Employer, by Race, 1997



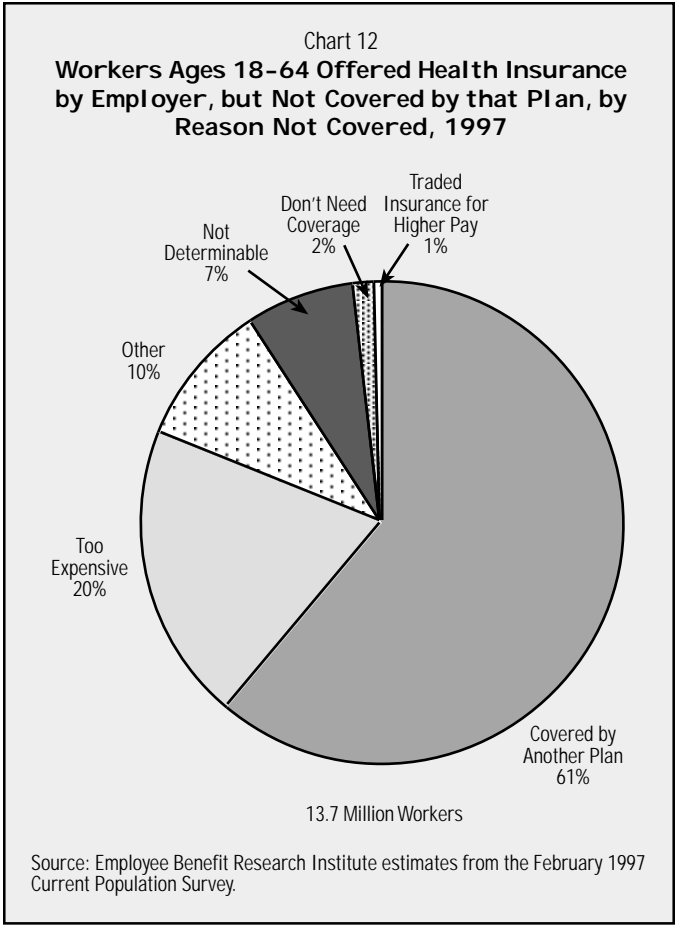
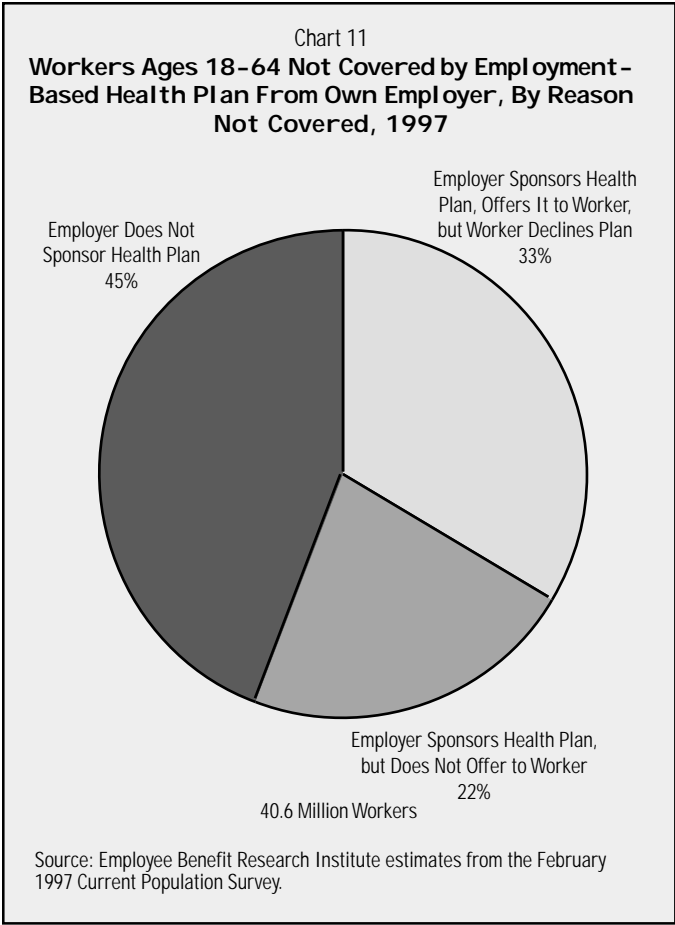
Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

were employed in a firm that offered health insurance to some of its workers, but certain workers were not eligible for the health plan.

The 13.7 million workers who were offered coverage but declined it gave a number of reasons for doing so. In the majority of cases (61 percent), the worker was covered by another health plan (chart 12). Of the remainder, 20 percent reported that health insurance was just too costly. Only 2 percent reported that

they did not need or want health insurance, and only 1 percent reported that they substituted higher wages for health insurance.

Among the reasons given by workers who were not eligible for the health plan that their employer provided, slightly more than 50 percent reported that they did not work enough hours per week or weeks per year to qualify for the plan (chart 13). In addition, 22 percent had not completed a waiting period that was

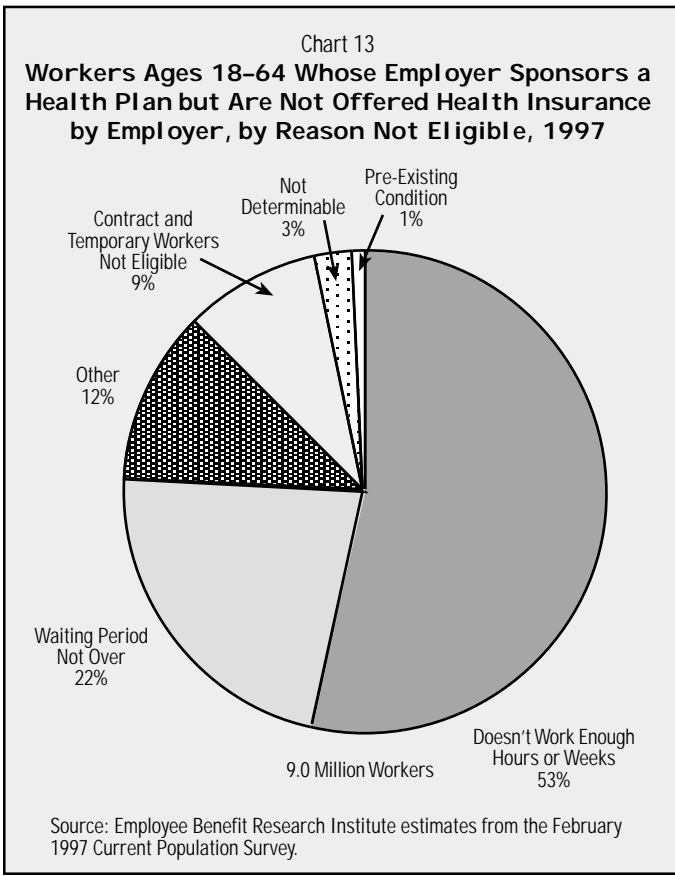


required prior to being eligible for any health benefits.⁴ Nine percent reported that they were either contract workers or temporary workers and therefore not eligible for the plan. Only 1 percent reported that they were not eligible for the plan because of a pre-existing condition.

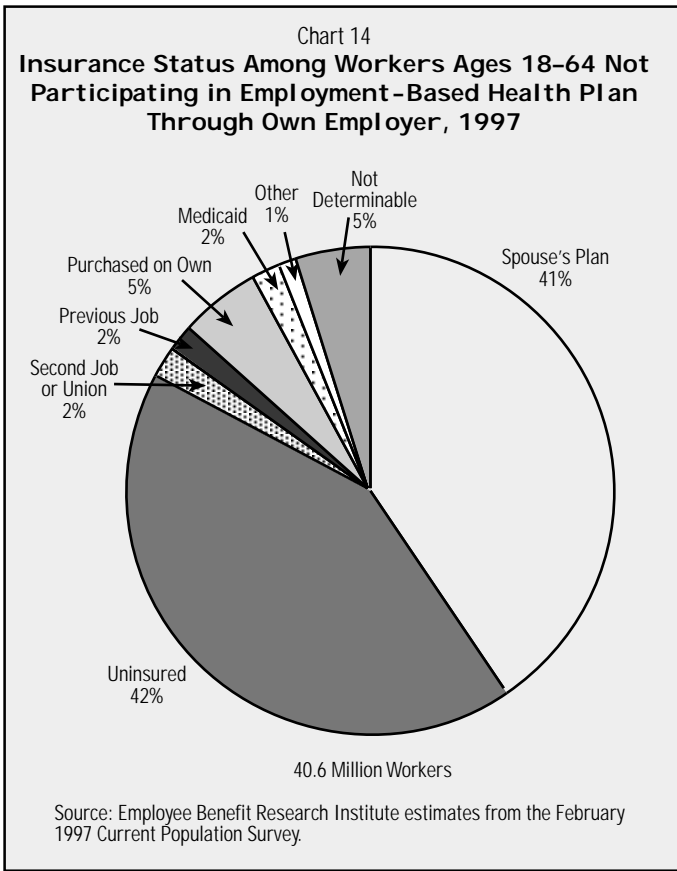
Participation in Other Plans

While many workers are not covered by an employment-based health plan

from their own employer, in many cases they are able to obtain coverage through the employment-based health plan of another family member. Overall, 41 percent of the 40.6 million workers who were not participating in an employment-based health plan through their own employer had coverage through a spouse (chart 14). A small percentage were also able to get coverage through their union, a second job, a former employer, Medicare, or Medicaid. However, 42 percent of the 40.6 million



⁴ While the Health Insurance Portability and Accountability Act of 1996 (HIPAA) constrained health plans' ability to impose pre-existing condition exclusion periods, health plans are able to impose a nondiscriminatory waiting period before a worker is eligible for any health benefits.



never offered coverage. In 1997, 26 percent of workers who were offered coverage but declined it were uninsured, compared with 36 percent of workers not eligible for the health plan that their employer offered to other workers, and 57 percent of workers whose employer did not offer any health plan (chart 15). The difference in uninsured rates in large part is due to the availability of other health insurance: Workers who decline a health plan that is offered to them are more likely to be covered by a family member's plan, compared with workers who are not offered coverage either because they were not eligible for the plan or because their employer did not offer any plan.

workers who declined their employers' health plan or who were not offered health insurance from their employer were uninsured.

The likelihood of being uninsured varies, depending on whether the worker is offered a health plan and is eligible for the plan through the employer. In general, workers who decline coverage when it is offered to them are less likely to be uninsured than workers

Uninsured Workers

In February 1997, 17 million workers had no health insurance coverage, representing 16 percent of the wage and salary labor force (table 8). These workers were disproportionately more likely than the

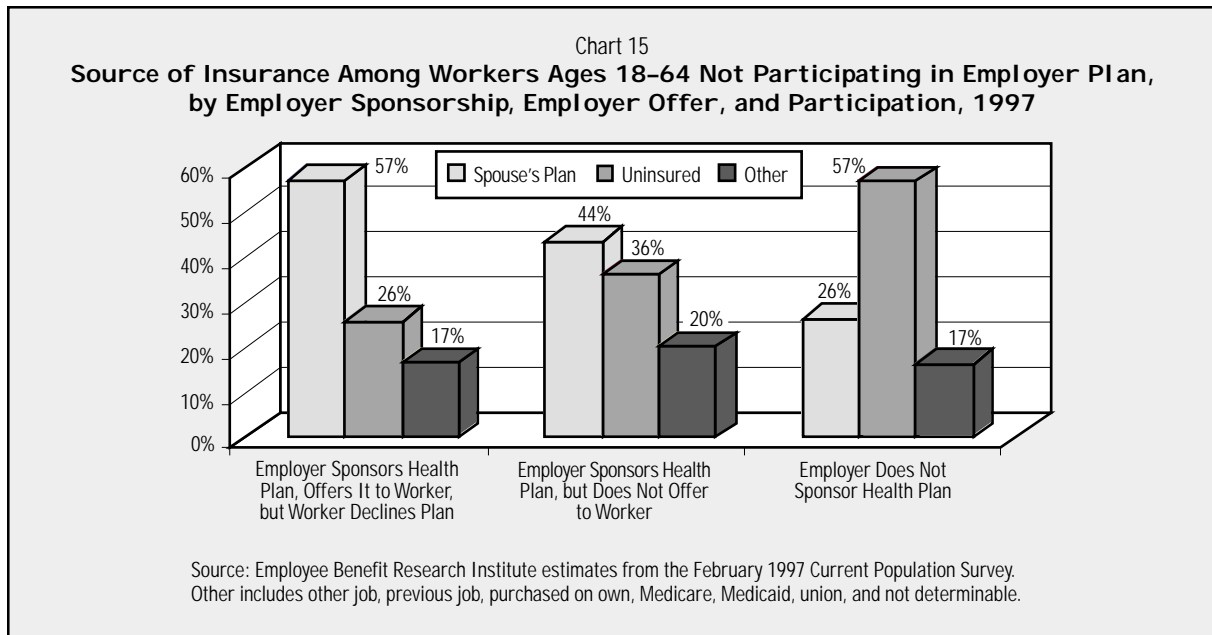


Table 8
Uninsured Workers, by Selected Job Characteristics and Demographics, 1997

	Total Number of Workers (millions)	Percentage Distribution of All Workers	Total Number of Uninsured Workers (millions)	Percentage Distribution of Uninsured Workers	Likelihood of Being Uninsured
Total Workers	108.1	100%	17.1	100%	16%
Firm Size					
Fewer than 100 employees	38.8	36	9.8	58	25
100 or more employees	69.2	64	7.2	42	10
Industry					
Public sector	18.1	17	1.0	6	5
Agriculture, forestry, fishing, mining, and construction	7.3	7	2.4	14	32
Manufacturing	26.2	24	2.8	16	11
Wholesale and retail trade	33.9	31	7.4	44	22
Personal services	22.5	21	3.5	21	16
Union Status					
Nonunion worker	89.4	83	16.4	96	18
Union member	18.7	17	0.7	4	4
Hours of Work					
0-20	10.1	9	2.5	15	25
21-34	8.0	7	2.2	13	28
Full time	90.0	83	12.4	72	14
Age					
Under 21	5.9	5	2.0	12	33
21-24	9.4	9	2.9	17	31
25-34	29.3	27	5.3	31	18
35-44	31.1	29	3.9	23	13
45-54	22.5	21	2.2	13	10
55-64	9.8	9	0.9	5	9
Gender					
Male	56.4	52	9.4	55	17
Female	51.7	48	7.7	45	15
Race					
White	80.5	75	9.7	57	12
Black	12.2	11	2.5	14	20
Hispanic	10.9	10	4.1	24	37
Other	4.4	4	0.9	5	19

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.
 Note: Self-employed workers are not included in the table.

working population to be employed in small firms. Overall, small employers employ 36 percent of all workers, but they account for 58 percent of uninsured workers. There are also differences in the uninsured by industry. Uninsured workers are disproportionately more likely than the working population to be employed in the agriculture, forestry, fishing, mining, construction, and trade industries. Furthermore, because nonunionized workers are less likely than unionized workers to have employment-based coverage, uninsured workers include a greater percentage of nonunionized workers than the general working population. Specifically, nonunionized workers comprise 83 percent of the working population, but account for 96 percent of the uninsured population.

Uninsured workers tend to work fewer hours per week than insured workers do. Sixteen percent of the total labor force was employed on a part-time basis in 1997, compared with 28 percent of uninsured workers. Uninsured workers are also more likely than the general working population to be under age 35, male, and Hispanic.

The characteristics associated with being uninsured discussed in this section have implications for the future of the uninsured population that go beyond changes in health insurance costs and changes in real income. For example, if in the future there were fewer workers employed in large firms, but all of the other factors mentioned above did not change, health insurance costs did not change, and real income did not

change, the uninsured would likely increase because small employers are less likely than large employers to offer health benefits. Similarly, if the percentage of unionized workers declined in the United States, the uninsured would increase. In contrast, as the population ages, a downward pressure on the uninsured will be exerted because older workers are more likely than younger workers to have health insurance coverage. The difficulty in making predictions on the uninsured lies in the fact that all of the factors mentioned above, and some factors not mentioned, play a role in determining how many people have health insurance coverage, and these factors must be examined and predicted simultaneously. Because small changes to any of these factors can account for a large percentage of the change in the uninsured, researchers and policymakers must use caution when making predictions about the uninsured.⁵

Conclusion

Employment-based health insurance is the most common source of insurance in the

United States. More than 62 percent of all wage and salary workers are covered by their employers' health plan, and 83 percent accept coverage when it is offered. Furthermore, more than 40 percent of workers not covered by an employment-based health plan in their own name were covered by a spouse's plan. But 16 percent of workers are still left uninsured.

The issue of the uninsured is important to policymakers. While many suggestions have been offered for increasing health insurance coverage in the United States, an individual mandate or a single-payer system are the only mechanisms for achieving universal coverage.⁶ Because an employer mandate is tied to employment, it does not reach all of the uninsured. Since more than 60 percent of uninsured workers are employed by a firm with fewer than 100 employees, it is unlikely that policymakers would seriously consider an employer

mandate.⁷ Small employers typically do not offer health benefits because it costs them more per worker than a large employer would pay for the same plan, and because they often cannot require workers to contribute toward the cost of the plan due to minimum participation requirements.

Hence, the question continues to arise as to how to increase health insurance coverage when the employment-based health insurance system is voluntary and individuals are not required to have health insurance. Some policymakers have suggested that the employment-based system is not the most appropriate system for expanding health insurance coverage to all Americans, and have suggested giving individuals additional incentives, mostly through the tax code, to purchase health insurance on their own.⁸ While the employment-based health insurance system has numerous advantages over other types of financing and delivery methods, it also has many drawbacks. The major complication involved in designing *any* system to expand coverage among uninsured individuals is how to avoid disrupting the current system that covers nearly two-thirds of the nonelderly population without inadvertently causing an increase among the uninsured in the United States. As long as the purpose of insurance continues to be the spreading of risk across higher-risk and lower-risk individuals, attempts to replace or simply augment the employment-based health insurance system may have unintended side effects that do not benefit the majority of the U.S. population.

⁵ Fronstin and Snider (1996/97) found that a 0.7 percentage point increase in part-time workers accounted for 7 percent of the decline in employment-based coverage between 1988 and 1993.

⁶ It can be argued that even an individual mandate would not achieve universal coverage, because some individuals would ignore it. For example, according to the Missouri Department of Insurance, 9.2 percent of vehicles in the state were uninsured in 1997, despite a state law mandating minimum liability insurance for all passenger vehicles registered in Missouri. (See www.insurance.state.mo.us/news/pressrel/archive/111698.htm for the MDI press release).

⁷ Virtually all firms with 100 or more workers sponsor a health plan (National Center for Health Statistics, 1997).

⁸ See Fronstin (1999) for more information on the various proposals.

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Technical Appendix

The U.S. Census Bureau's Current Population Survey (CPS), which has been conducted

monthly for more than 50 years, is the official source of statistics on employment and unemployment. Currently, estimates from the CPS are based upon a probability sample of approximately 50,000 households. Households not interviewed were either vacant, converted to nonresidential use, or occupied by people who were living elsewhere or could not be reached. The sample population is weighted to reflect the characteristics of the noninstitutionalized population of the United States.

In February 1997, supplementary questions were added to the CPS to collect data on contingent workers and alternative employment arrangements. Questions on employee health and pension benefits were added to gain an understanding of the differences in benefit provisions for contingent workers, workers in alternative work arrangements, and for traditional workers. Over 43,000 wage and salary workers ages 18-64 were asked the questions on health and pension benefits. Self-employed workers were not asked these questions. Data from this supplement refer to the reference week during the survey month.

Prior to February 1997, supplementary questions on employee benefits were added to the May 1979, May 1983, May 1988, April 1993, and February 1995 CPS. The 1979-1993 surveys are specifically known as the employee benefits supplement. The February 1995 CPS includes the contingent worker and alternative employment arrangements supplement.

In March of each year since 1980, supplemental questions were asked about health insurance coverage in the prior calendar year. Estimates on health insurance coverage produced from this survey are different from the other CPS supplements in a number of respects. First, the surveys cover different time periods. The supplement to the March CPS refers to the previous

calendar year, while the other supplements discussed in this section refer to a reference week within the month the survey was fielded. Second, estimates of the size of the labor force are larger in the supplement to the March CPS than in the other supplements because anyone who worked at *any time* during the previous calendar year is counted as working, whereas in the other supplements individuals working *only* during the reference week are counted as workers. This may ultimately result in a larger number of uninsured workers in the March survey because of the larger number of individuals counted as working. On the other hand, the supplement to the March CPS should yield a lower number of uninsured workers, because workers are counted as uninsured only if they were uninsured during the entire prior calendar year. Third, the supplement to the March CPS does not allow researchers to infer anything about the availability of employment-based health insurance for workers without such coverage in their own name.

In August 1994, the Employee Benefit Research Institute (EBRI) published an *Issue Brief* summarizing data from the May 1988 and April 1993 CPS. This paper included data on both wage and salary workers, and self-employed workers. In 1988 and 1997, the CPS did not ask most self-employed workers if their employer sponsored a health plan. In 1993, the CPS did ask this question. In order to make consistent comparisons over time, the analysis presented in this paper does not include data on self-employed workers. As a result, the data from 1988 and 1993 in this paper are not comparable with the data published in the August 1994 *EBRI Issue Brief*.

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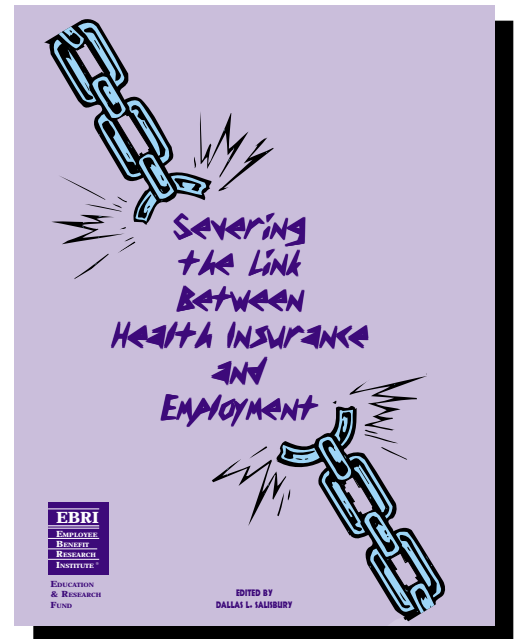
This voluntary “employment-based” health insurance system offers workers and their families benefits that typically are not found in the individual market—But it exacts a price from the self-employed and those who must buy coverage outside of the employment-based system. The most visible disadvantage with the voluntary system of health insurance, however designed, is the 43 million Americans who have no health insurance: About 18 percent of the U.S. population is uninsured because their jobs do not provide health care coverage or they have declined the coverage that is offered.

Some policymakers and interest groups would address this issue by severing the link between health insurance and employment, through changes in the tax treatment of health insurance. But what would happen if the link between employment and health benefits were broken: Would fewer Americans be covered by private health insurance? Would the number of uninsured fall—or rise? Would “adverse selection” transform the economics of health insurance and ultimately drive the market into a “death spiral” of ever-increasing health insurance premiums? Would the government’s role be reduced, or would taxes and regulation grow?

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