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New Research from EBRI:

Spousal Coverage Shifts Could Have Unexpected Cost Consequences

WASHINGTON—Companies looking to save health costs by requiring working spouses to get health insurance through their own employer find the move has some unexpected consequences, according to a new study by the nonpartisan Employee Benefit Research Institute (EBRI).

The federal Patient Protection and Affordable Care Act (PPACA) requires that employers with 50 or more workers provide health coverage to workers and dependent children until they reach age 26. It does not, however, require employers to provide health coverage to spouses, whether or not they are eligible for other health insurance.

The new EBRI analysis, which quantifies the cost of spousal health coverage, finds that spouses, on average, cost more to cover than otherwise comparable policy holders—which makes them a target for employers looking to control their health benefit costs.

However, the EBRI report also notes that as some employers adopt new rules to exclude spouses with health coverage through their own jobs, they may find that they will, in turn, inherit new participants, as other employers adopt the same rules.

“While “first-mover” firms may save money in the short run by eliminating working spouses from their plan, they may in time gain the responsibility for covering employees who were previously covered as a spouse under another plan, now left without that coverage by other employers implementing the same strategy of eliminating access to health coverage for their workers’ spouses,” explains Paul Fronstin, director of EBRI’s Health Research and Education Program, and author of the report. “Ultimately, savings over the long term will depend upon each firm’s composition of couples and their respective employment statuses”.

The EBRI study suggests that the working spouses being sorted by primary insurance coverage likely have lower spending than non-working spouses, and that employers with net reductions in covered spouses may therefore witness a worsening in average risk, resulting in higher spending than expected.

EBRI finds that in 2011, primary health insurance policyholders spent an average of \$5,430 on health care services, compared with \$6,609 for spouses. Employers subsidize employee-only coverage more than they subsidize family coverage. As a result, employers pay \$4,095 toward the cost of spousal coverage,

and \$4,453 per worker. Were the employer to experience a situation where a new employee joined the plan for each spouse that dropped off the plan, instead of paying \$4,095 per spouse, they would pay \$4,453 per worker that joined the plan.

The full report, “The Cost of Spousal Health Coverage,” is published in the January *EBRI Notes*, online at www.ebri.org

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