Employer-Sponsored Insurance in California

Testimony to the Assembly Select Committee on Health Care Delivery Systems and Universal Coverage

October 23, 2017

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Chair
UC Berkeley Labor Center
1) Employer-sponsored insurance is still the biggest source of coverage for Californians
Half of all Californians have employer-sponsored insurance

Californians by insurance type (all ages), 2015

- Employer-sponsored insurance (ESI) only
  - 16,343,000
  - 43%
- ESI and Medi-Cal or Medicare
  - 2,527,000
  - 7%
- Individual market, Medicare, Medi-Cal, Other Public Insurance
  - 16,017,000
  - 42%
- Uninsured
  - 3,205,000
  - 8%

Source: California Health Interview Survey 2015
In total, 18.9 million Californians had employer-sponsored insurance in 2015

Californians with employer-sponsored insurance (ESI) by age, 2015

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number with ESI</th>
<th>Percentage of population with ESI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children ages 0-18</td>
<td>4,844,000</td>
<td>50%</td>
</tr>
<tr>
<td>Adults ages 19-64</td>
<td>12,825,000</td>
<td>55%</td>
</tr>
<tr>
<td>Seniors ages 65+</td>
<td>1,199,000</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,868,000</strong></td>
<td><strong>50%</strong></td>
</tr>
</tbody>
</table>

Note: Includes those that have employer-sponsored insurance plus Medi-Cal or Medicare. Source: California Health Interview Survey 2015
2) Some Californians are less likely to have employer-sponsored insurance than others
Low-income adults less likely to have employer-sponsored insurance

Percentage of Californians ages 19-64 with employer-sponsored insurance by income level, 2015

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income under Federal Poverty Level (FPL), or $11,770 for a single individual in 2015</td>
<td>17%</td>
</tr>
<tr>
<td>100-199% FPL</td>
<td>34%</td>
</tr>
<tr>
<td>200-299% FPL</td>
<td>53%</td>
</tr>
<tr>
<td>300%+ FPL</td>
<td>78%</td>
</tr>
</tbody>
</table>

Note: Includes those that have employer-sponsored insurance plus Medi-Cal or Medicare. Source: California Health Interview Survey 2015
Latinos least likely to have employer-sponsored insurance

Percentage of Californians ages 19-64 with employer-sponsored insurance by race and ethnicity, 2015

- Latino: 41%
- African American (non-Latino): 50%
- Other (non-Latino)*: 51%
- White (non-Latino): 64%
- Asian (non-Latino): 69%

* Other (non-Latino) includes American-Indian/Alaska Native, Native Hawaiian/Pacific Islander, and Two or More Races
Source: California Health Interview Survey 2015
Non-citizens less likely to have employer-sponsored insurance

Percentage of Californians ages 19-64 with employer-sponsored insurance by citizenship status, 2015

- Citizen: 60%
- Non-citizen: 31%

Note: Includes those that have employer-sponsored insurance plus Medi-Cal or Medicare.
Source: California Health Interview Survey 2015
3) The cost of employer-sponsored insurance affects wages, the number of Californians covered and benefit levels.
Family premiums increased nearly 6 times faster than inflation since 2002

Cumulative Premium Growth for California Employer-Sponsored Family Coverage Compared to Inflation, 2002-2016

Source: California Employer Health Benefits Survey
Family coverage now costs nearly $20,000 per year

Annual employer and worker premium contributions, California, 2016

<table>
<thead>
<tr>
<th></th>
<th>Employer Contribution</th>
<th>Worker Contribution</th>
<th>Total Cost (per year)</th>
<th>Cost per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single coverage</td>
<td>$6,141 ($86%)</td>
<td>$1,020 (14%)</td>
<td>($7,161, or $3.44/hour)</td>
<td></td>
</tr>
<tr>
<td>Family coverage</td>
<td>$14,693 ($75%)</td>
<td>$4,918 (25%)</td>
<td>($19,612, or $9.43/hour)</td>
<td></td>
</tr>
</tbody>
</table>

Source: California Employer Health Benefits Survey 2017
Coverage rates have fallen since 2002, but remained steady under ACA

Percentage of Californians ages 18-64 with employer-sponsored insurance, 2002-2016

Source: Current Population Survey
1 in 2 covered workers in CA has no deductible, compared to 1 in 5 nationally.

Workers enrolled in employer-sponsored insurance with an annual deductible, single coverage, 2016

- **California**:
  - No deductible: 54%
  - Average deductible: $1,020

- **United States**: 83%
  - No deductible: 17%
  - Average deductible: $1,478

Source: California Employer Health Benefits Survey 2017
Large deductibles are increasingly common

Percentage of workers with employer-sponsored insurance with a large deductible ($1,000+), single coverage, 2006-2016

Source: California Employer Health Benefits Survey
Large group plans cover a greater share of health costs than other private plans

Percentage of California enrollees by plan metal tier, 2016

- **Large Group, Fully-Insured**: 75% Platinum, 16% Gold, 9% Silver, 9% Bronze
- **Small Group, Fully-Insured**: 30% Platinum, 33% Gold, 26% Silver, 11% Bronze
- **Covered CA with subsidies**: 20% Platinum, 33% Gold, 22% Silver, 24% Bronze
- **Covered CA without subsidies**: 12% Platinum, 13% Gold, 35% Silver, 36% Bronze

Government also pays part of insurance premiums through foregone taxes

- Worker & employer premium contributions not subject to federal/ state income tax or payroll tax
- Estimated 2016 tax expenditure for California: $33.1 billion federal & $10.9 billion state/ local
- Job-based coverage = largest U.S. tax expenditure in the individual income tax code

4) Small business employees have less access to affordable employer-sponsored insurance
Small business employees less likely to be offered employer-sponsored insurance

Employer-sponsored insurance acceptance/eligibility by firm size, working Californians ages 19-64, 2014

<table>
<thead>
<tr>
<th>Firm Size</th>
<th>In offering firm</th>
<th>Eligible for health benefits among those at offering firms</th>
<th>Take up rate among those eligible</th>
<th>Coverage rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 or fewer employees</td>
<td>55%</td>
<td>85%</td>
<td>74%</td>
<td>34%</td>
</tr>
<tr>
<td>51+ employees</td>
<td>90%</td>
<td>89%</td>
<td>82%</td>
<td>66%</td>
</tr>
</tbody>
</table>

Source: California Health Interview Survey 2014
Small business employees are more likely to have large deductibles

Distribution of annual deductibles for Californians with single coverage by firm size, 2016

- **Firms with 3 to 100 employees**
  - No deductible: 39%
  - Deductible $1-999: 19%
  - Deductible $1,000+: 42%

- **101 to 199**
  - No deductible: 41%
  - Deductible $1-999: 27%
  - Deductible $1,000+: 33%

- **200+**
  - No deductible: 57%
  - Deductible $1-999: 27%
  - Deductible $1,000+: 17%

Source: UC Berkeley analysis of California Employer Health Benefits Survey 2017
5) Large group plans are primarily regulated by federal law
ACA set minimum standards for employer-sponsored insurance

Large and small group plans
- No lifetime or annual limits
- Maximum out-of-pocket limit
- No cost sharing for certain preventive services
- Cover adult children through 26th birthday

Small group plans only
- 10 categories of essential health benefits covered
- Setting premiums: prohibits medical underwriting and limits variation based on age
ACA requires large employers offer affordable coverage to full-time workers or pay penalty

- Large employers with 50 or more full-time equivalent employees
- Applies for full-time employees working 30 hours per week or more
- Penalty amount varies depending on whether employer offers coverage to vast majority of full-time employees
Employee Retirement Security Act of 1974 (ERISA) Generally Preempts State Law

- ERISA sets minimum standards for voluntary employer pension and health plans and protections for employees.
- Self-insured plans are not regulated by state law, either by Knox-Keane or the California Insurance Code.
  - In a self-insured plan, the employer bears the risk.
  - In a fully-insured plan, the insurer bears the risk.
- States can, however, regulate fully-insured plans offered in the state.
Self-insured plans cover a third of those with ESI in the state

Enrollment in California employer-sponsored insurance by plan type, 2016

- **Fully-insured**: 9,583,772 (55%)
- **Small group****: 2,246,904 (13%)
- **Self-insured**: 5,655,289 (32%)

* Coverage provided by employers who assume the risk for health benefit costs but contract with insurers to provide administrative services

** Small group market in California is open to employers with no more than 100 eligible employees

Review of key takeaways on California employer-sponsored insurance:

1) Half of Californians have coverage through an employer
2) Coverage rates vary by income, race/ethnicity & citizenship status
3) Rising costs affect coverage rates, benefit levels & wages
4) Small business employees less likely to be offered coverage and have higher deductibles
5) Regulatory oversight varies by plan type
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