

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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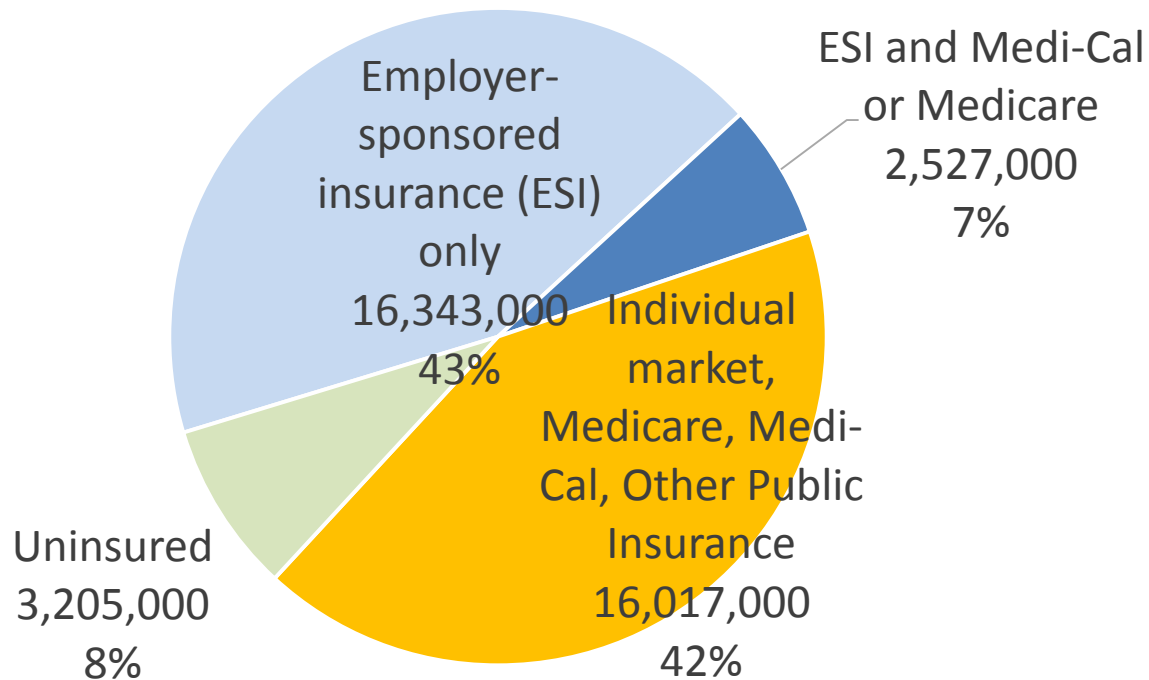
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UC Berkeley Labor Center

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



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

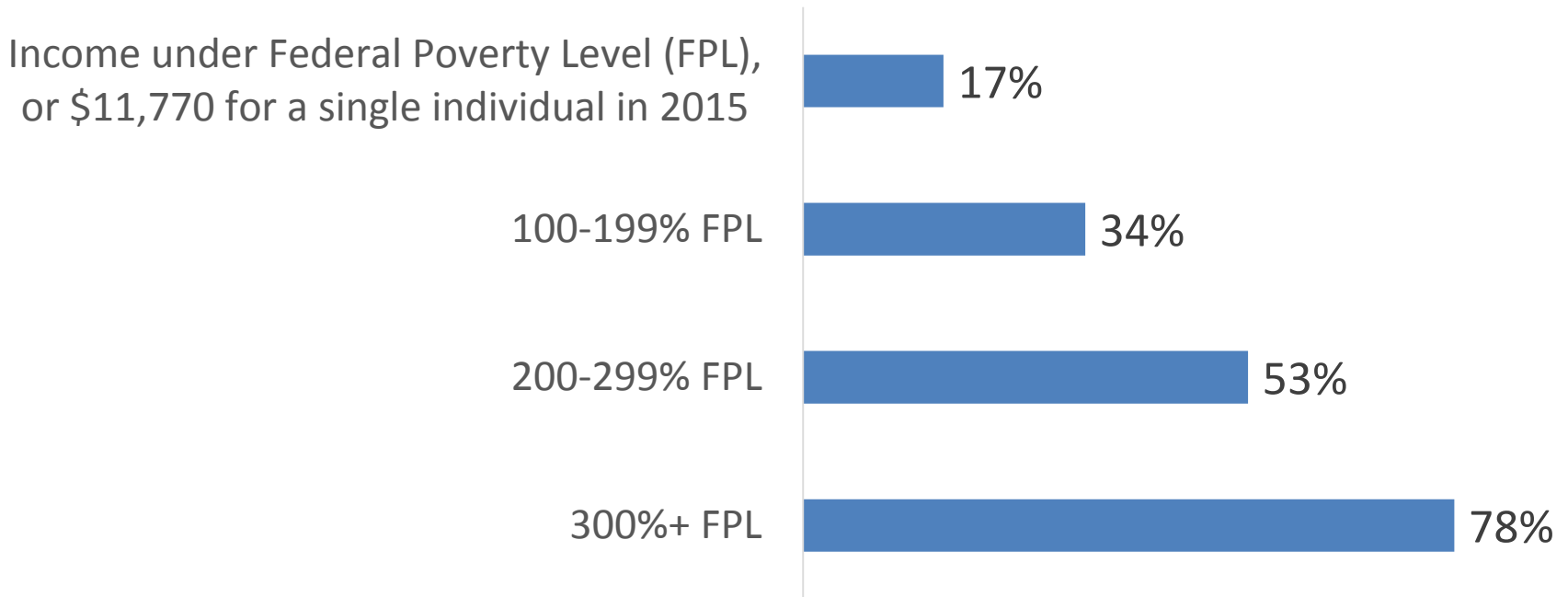
	Number with ESI	Percentage of population with ESI
Children ages 0-18	4,844,000	50%
Adults ages 19-64	12,825,000	55%
Seniors ages 65+	1,199,000	24%
Total	18,868,000	50%

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

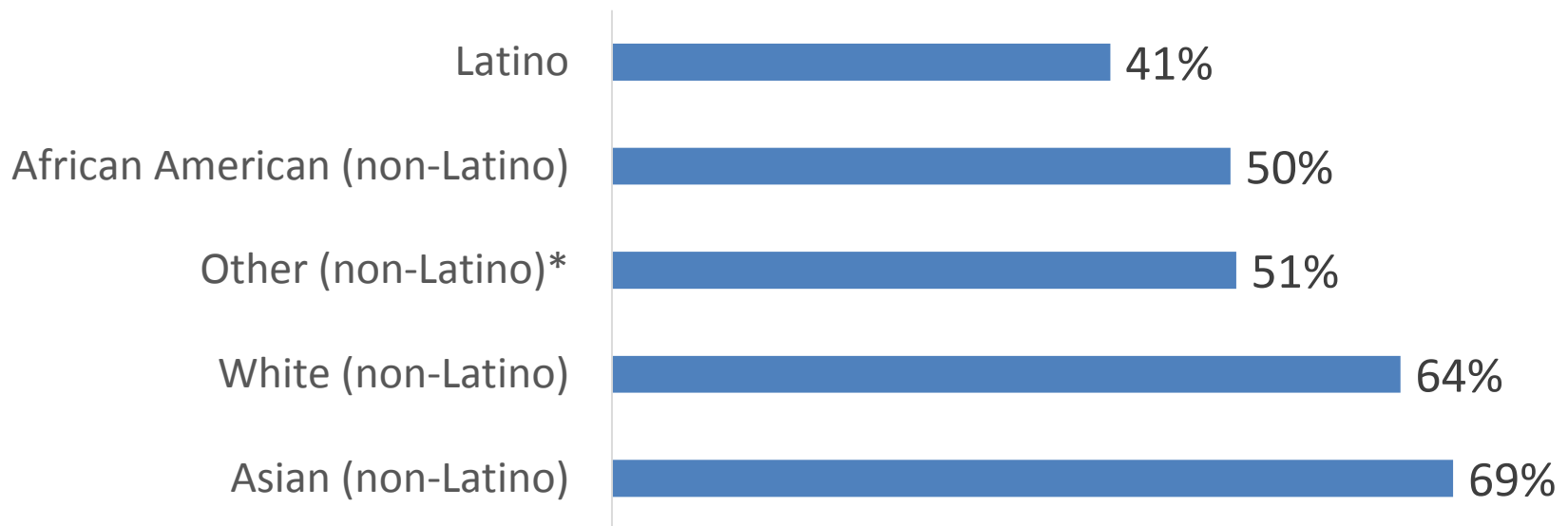
Percentage of Californians ages 19-64 with employer-sponsored insurance by income level, 2015



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

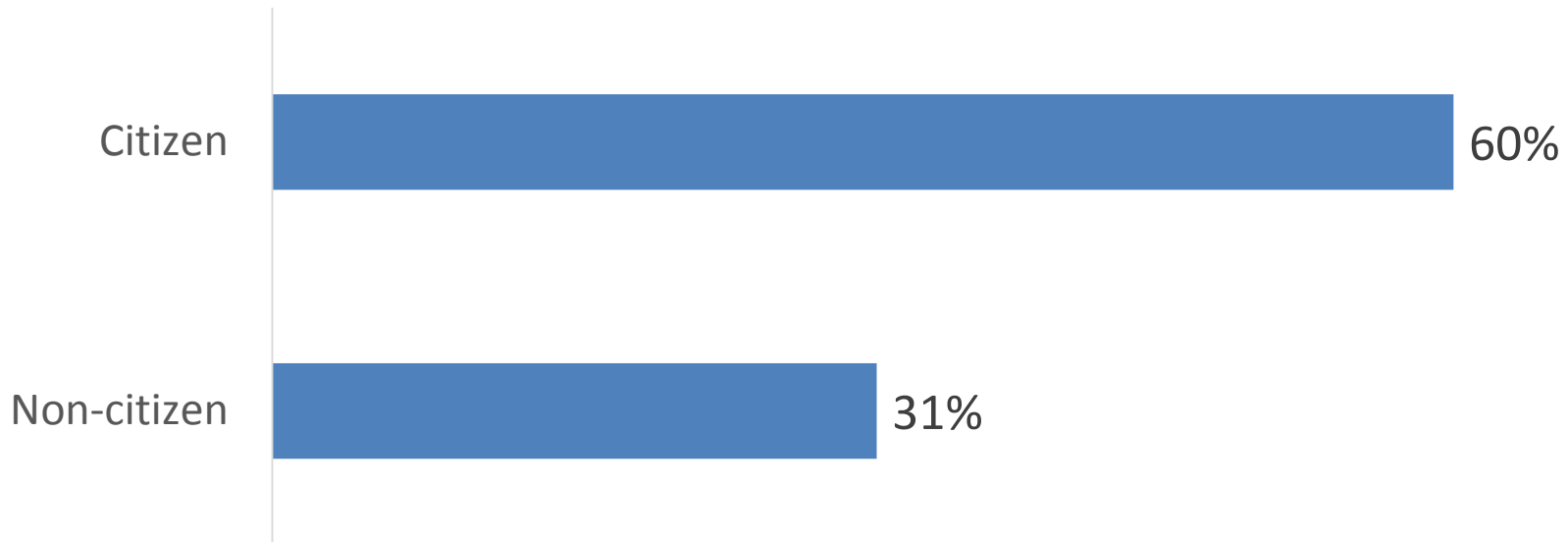


* Other (non-Latino) includes American-Indian/ Alaska Native, Native Hawaiian/ Pacific Islander, and Two or More Races

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

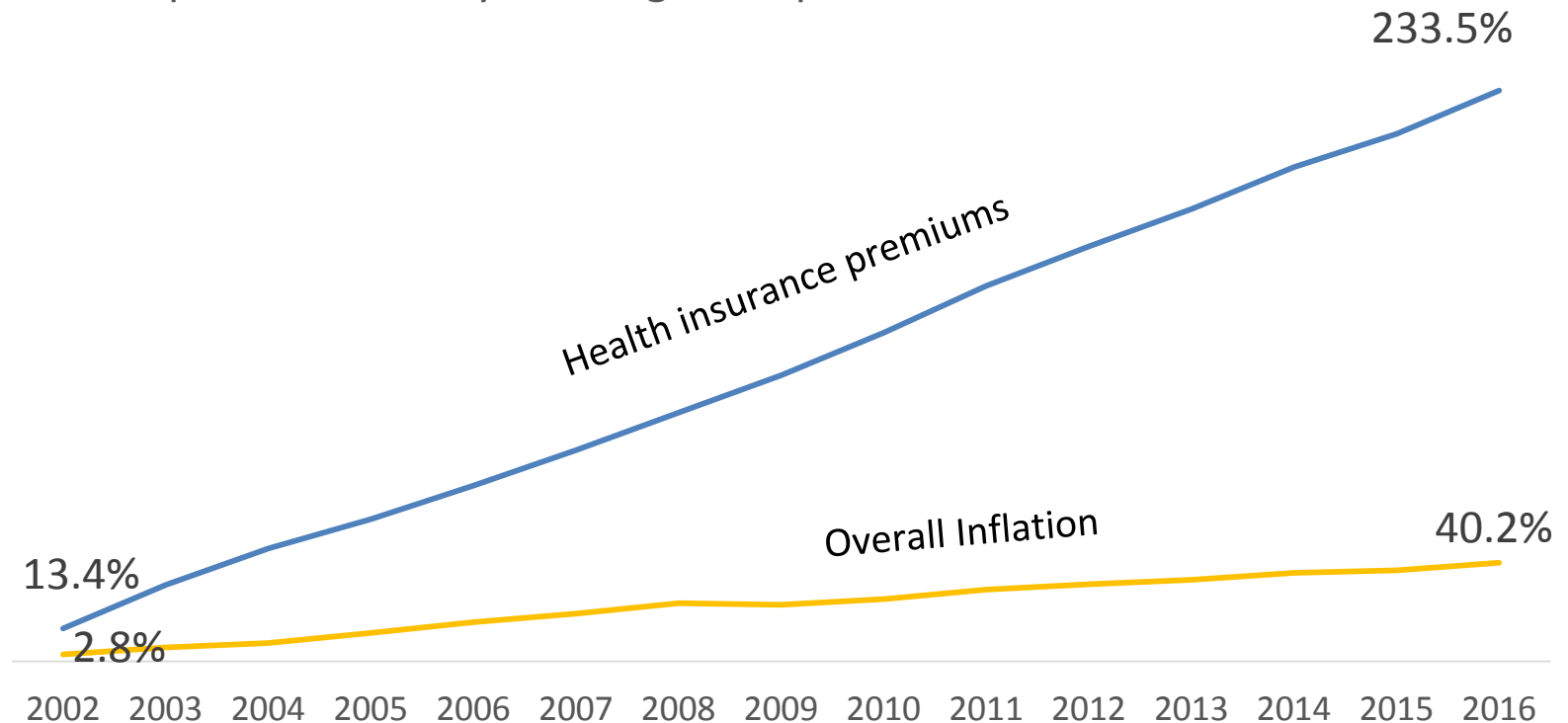


Note: Includes those that have employer-sponsored insurance plus Medi-Cal or Medicare.
Source: California Health Interview Survey 2015

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

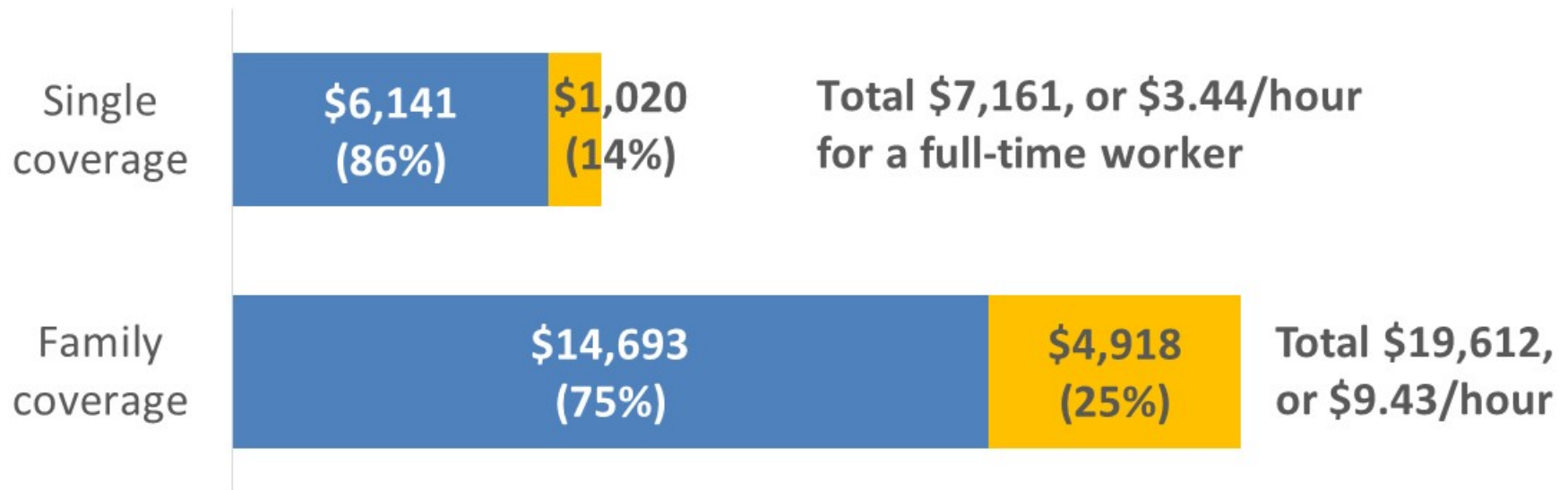
Cumulative Premium Growth for California Employer-Sponsored Family Coverage Compared to Inflation, 2002-2016



Source: California Employer Health Benefits Survey

Family coverage now costs nearly \$20,000 per year

Annual employer and worker premium contributions,
California, 2016

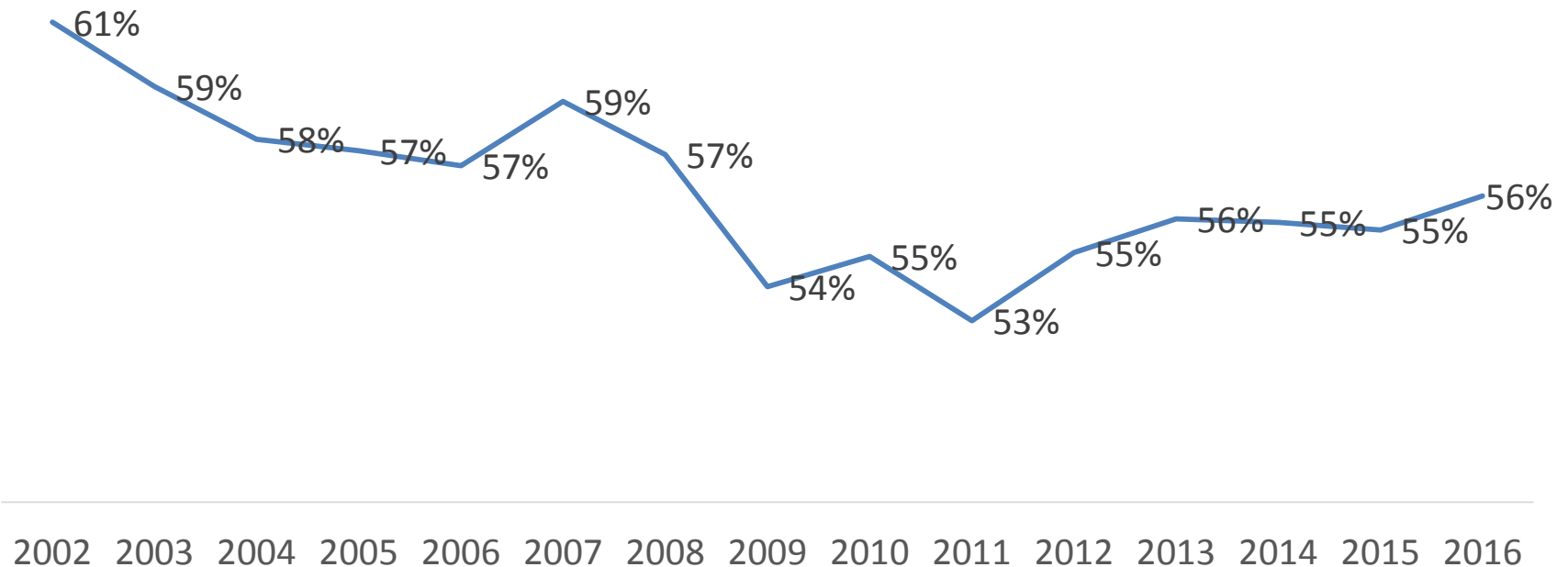


Premium Contribution: ■ Employer ■ Worker

Source: California Employer Health Benefits Survey 2017

Coverage rates have fallen since 2002, but remained steady under ACA

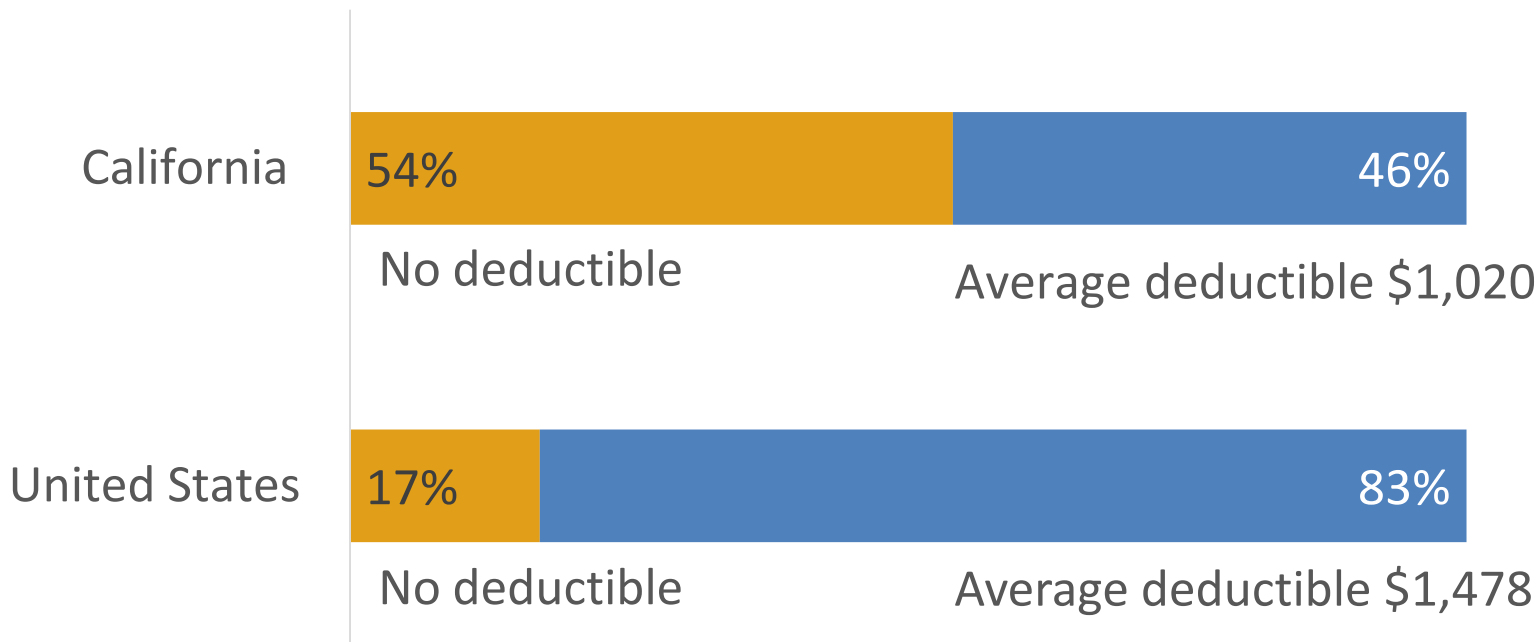
Percentage of Californians ages 18-64 with employer-sponsored insurance, 2002-2016



Source: Current Population Survey

1 in 2 covered workers in CA has no deductible, compared to 1 in 5 nationally

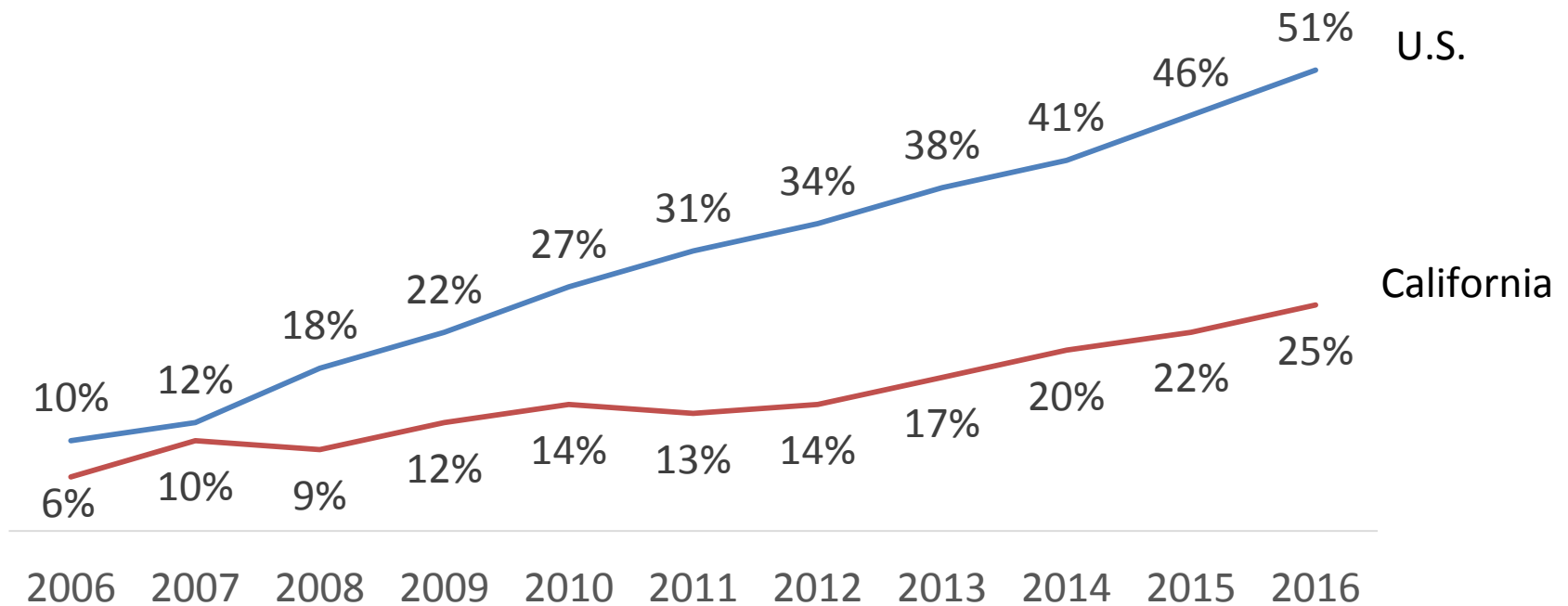
Workers enrolled in employer-sponsored insurance with an annual deductible, single coverage, 2016



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

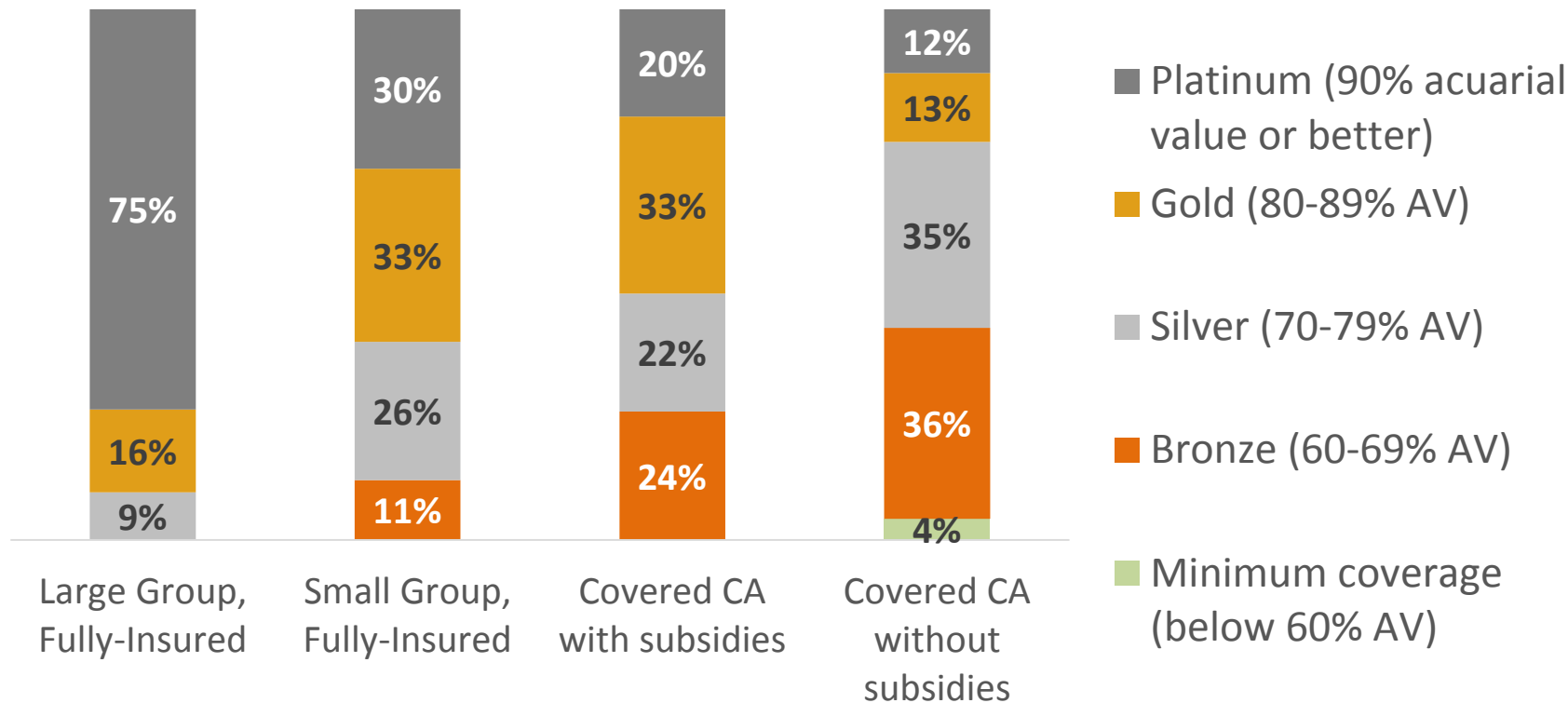


Source: California Employer Health Benefits Survey



Large group plans cover a greater share of health costs than other private plans

Percentage of California enrollees by plan metal tier, 2016



Sources: PricewaterhouseCoopers (PwC) estimates for the California Health Benefits Review Program, 2016. Covered California, [Bringing Health Care Coverage Within Reach](#), March 14, 2017.

Government also pays part of insurance premiums through foregone taxes

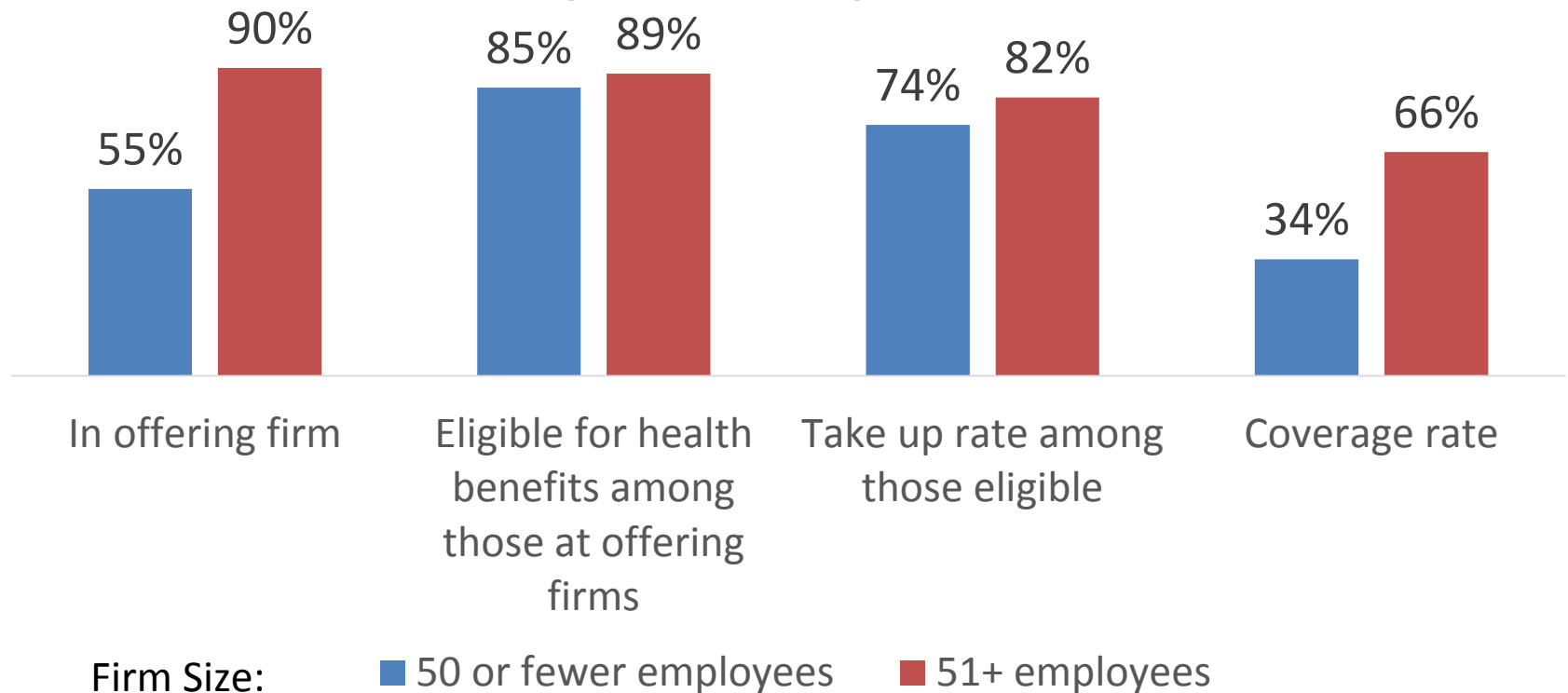
- Worker & employer premium contributions not subject to federal/ state income tax or payroll tax
- Estimated 2016 tax expenditure for California: \$33.1 billion federal & \$10.9 billion state/ local
- Job-based coverage = largest U.S. tax expenditure in the individual income tax code

Sources: Congressional Budget Office, [The Distribution of Major Tax Expenditures in the Individual Income Tax System](#), May 2013. Sorenson A, Nonzee NJ, and Kominski GF, [Public Funds Account for Over 70 Percent of Health Care Spending in California](#), UCLA Center for Health Policy Research Policy Brief, August 2016.

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

Small business employees less likely to be offered employer-sponsored insurance

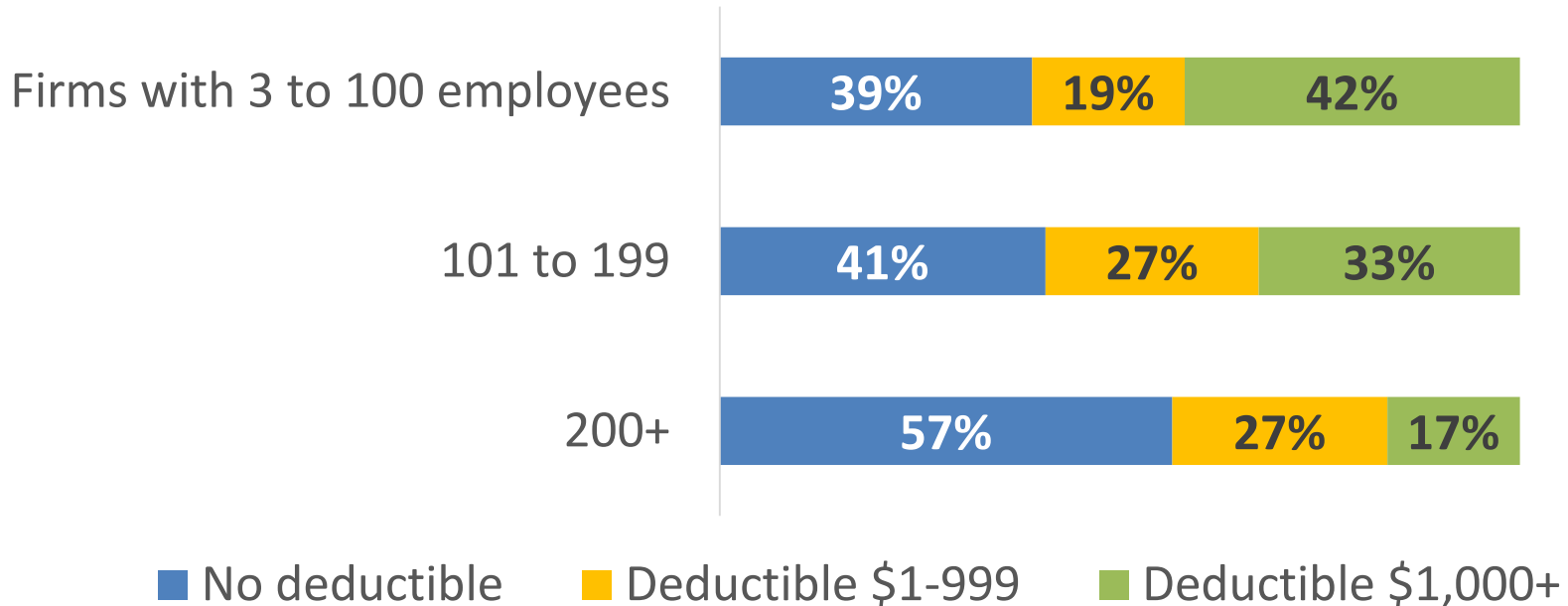
Employer-sponsored insurance acceptance/ eligibility by firm size, working Californians ages 19-64, 2014



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



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

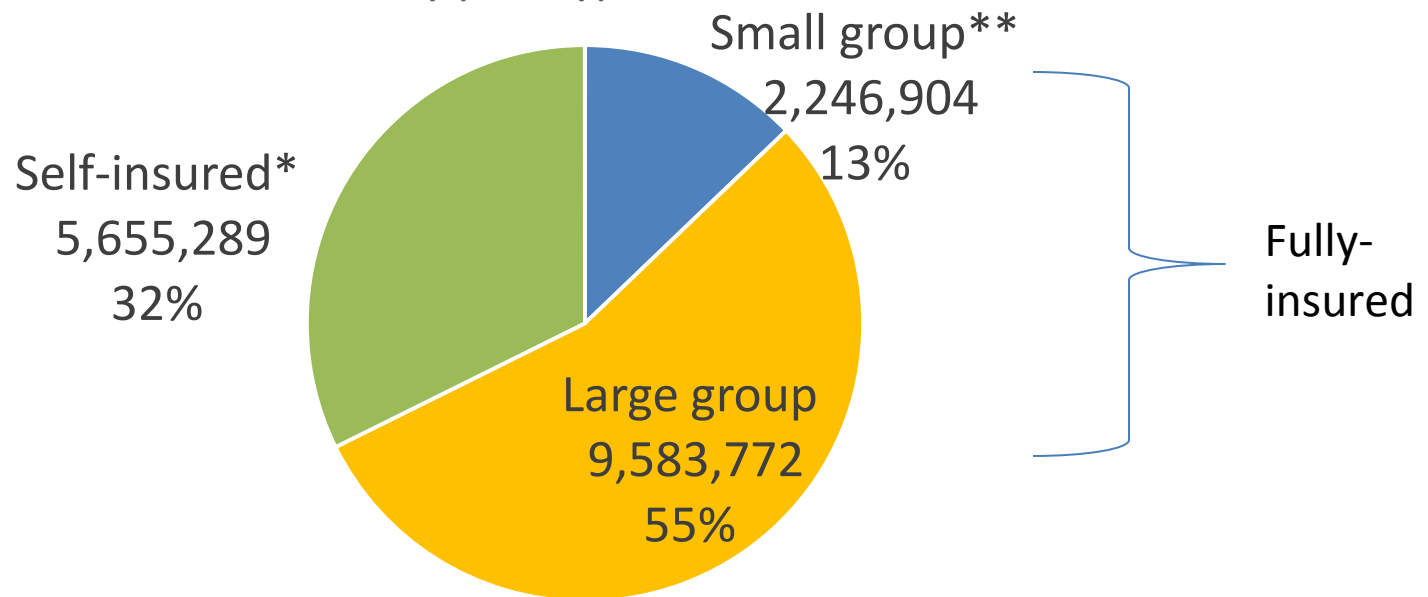
- **Large employers with 50 or more full-time equivalent employees**
- **Applies for full-time employees working 30 hours per week or more**
- **Penalty amount varies depending on whether employer offers coverage to vast majority of full-time employees**

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



* 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

Source: Katherine Wilson, [California Health Insurers Hold Onto Previous ACA Gains](#), The California HealthCare Foundation Blog, July 13, 2017.

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**

Contact

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