



Thinking About Healthcare Reform: Key Facts

1 Employer-based System

The vast majority of Americans get their coverage through their employers.¹

- Over 160 million people (62 percent of the nonelderly) have employer coverage.
- 75 percent of those currently insured in America have employer coverage.

Most employers offer coverage to their employees.²

- 99 percent of large employers with 200 or more employees and 94 percent of firms with 50-199 employees offer coverage.
- Even among smaller firms, most employers offer coverage, including 90 percent of firms with 25-49 employees and 78 percent of firms with 10-24 workers.

Only with respect to the smallest firms do offer rates drop below one-half.³

- 49 percent of firms with 3-9 workers offer coverage.

Contrary to popular belief, employer coverage is not vanishing.

- *The percentage of employers offering health coverage to their workers is unchanged:* Since 1999, the offer rates of large employers (200 or more employees) have held steady between 98 and 99 percent.⁴
- *Even small and mid-size employers continue to offer coverage:* Of employers with less than 200 employees, 59 percent offered coverage in 2007 — identical to the level in 1996.⁵

Employers heavily subsidize their employees' coverage.⁶

- The average employer subsidy is 84 percent for individual coverage and 73 percent for family coverage.
- Average annual total premium cost is \$4,704 for single coverage and \$12,680 for family coverage.
- Of total premium, the average annual worker contribution for single and family coverage is \$721 and \$3,354, respectively.
- Total premiums for covered workers in small firms (3-199 workers) are similar to those for covered workers in large firms (200 or more workers) for both single and family coverage. Annual premiums for single coverage are \$4,586 (small firms) and \$4,763 (large firms), and annual premiums for family coverage are \$12,091 (small firms) and \$12,973 (large firms).

Employers play a critical role in employee enrollment in health insurance plans.

- Employers that contribute more than 90 percent of an insurance premium have an 88 percent take-up rate among workers. Employers that pay only 63 percent or less of the premium see a take-up rate of only 68 percent.⁷
- As many as 40 percent of workers said they might decide to forego insurance if their employer dropped coverage but increased their salary.⁸

1 EBRI Issue Brief No. 321, September 2008.

2 Kaiser/HRET Employer Survey, 2008.

3 Kaiser/HRET Employer Survey, 2008.

4 Kaiser/HRET Employer Survey, 2008.

5 EBRI Issue Brief No. 312, December 2007.

6 Kaiser/HRET Employer Survey, 2008.

7 Kaiser Family Foundation – Snapshots: Insurance Premium Cost-Sharing and Coverage Take-up, February 2007.

8 EBRI Health Confidence Survey, 2007.

The employee share of premium costs has remained stable despite increases in actual payments.

- Employees are now responsible for a slightly lower percentage of total premiums for employee coverage compared with 10 years ago (16 percent in 2007 versus 20 percent in 1996). The percentage paid for family coverage has also been stable (28 percent in 2007 versus 27 percent in 1996).⁹
- The percentage of consumer healthcare expenses paid out-of-pocket is at an all-time low. Between 1997 and 2006, the percentage of consumer healthcare expenses paid out-of-pocket dropped from 31 to 26 percent. However, actual out-of-pocket dollars spent on healthcare increased dramatically during that time period (\$162.5 billion in 1997 versus \$265.5 billion in 2006).¹⁰

Employees generally are highly satisfied with their coverage.

- In a recent employee survey, over two-thirds of employees rated their current employer-based coverage as “excellent” or “very good.”¹¹
- 60 percent of employees rank health insurance as their most important employer benefit. In comparison, the second-most cited response by employees was retirement plans, with only 17 percent of employees ranking those as most important.¹²
- In a 2007 Watson Wyatt survey, 82 percent of employees said they were satisfied with their ability to choose a doctor.¹³

The majority of all employees with employer-sponsored coverage (80 percent) have a broad choice of providers:¹⁴

- PPO: 58 percent
- Point-of-Service: 12 percent
- High-Deductible Health Plan: Eight percent
- Traditional Indemnity: Two percent
- Only 20 percent are enrolled in HMOs

The value employees place on health benefits exceeds the actual cost of those benefits.¹⁵

- 76 percent of employees preferred \$7,500 in employer-based health coverage to an additional \$7,500 in wages.
- Those preferring health benefits were asked what dollar increase in taxable income would be required for them to give up \$7,500 in employer health benefits. 50 percent said \$10,000 or more; 11 percent said no increase in taxable income would be enough.

Offering employer-sponsored health benefits makes good business sense.

- Over 90 percent of employers say that by offering high-quality health plans, they are able to recruit and retain good employees and increase employee morale.¹⁶

The cost of uncompensated care for the uninsured contributes significantly to the cost of employer-sponsored coverage.

- Uncompensated care for the uninsured added \$922 to the cost of employer-sponsored family coverage and \$341 to the cost of employer-sponsored single coverage in 2005.¹⁷

9 EBRI Issue Brief No. 312, December 2007.

10 CMS, National Health Expenditures, 2006.

11 National Business Group on Health Employer-based Health Benefits Survey, 2007.

12 EBRI Health Confidence Survey, 2004.

13 “Employee Perspectives on Health Care: Voice of the Consumer,” Watson Wyatt, May 2007.

14 Kaiser/HRET Employer Survey, 2008.

15 EBRI Health Confidence Survey, 2008.

16 Health Affairs, Employer Views on Incremental Measures to Expand Health Coverage, 2006.

17 Families USA, Paying a Premium: The Increased Cost of Care for the Uninsured, 2005.

2 Variations in Cost and Quality

A large portion of U.S. healthcare spending goes toward substandard care.

- Approximately 30 percent of all healthcare dollars go toward ineffective, redundant or inappropriate care.¹⁸
- Only 54 percent of acute care and 56 percent of chronic care conform to medical literature.¹⁹
- Between 44,000 and 98,000 Americans die from medical errors annually.²⁰
- Medical errors kill more people per year than breast cancer, AIDS or motor vehicle accidents.²¹
- An estimated 1.5 million preventable adverse drug events occur each year in the United States.²²

Healthcare utilization and spending vary widely across the United States.

- Medicare spending in New Jersey for the last two years of life is nearly \$40,000, compared with \$24,000 in Idaho.²³
- Use of beta blockers within 24 hours of admission for heart attack — a nationally recognized standard of care — occurs only 50 percent of the time in Alabama, compared with 86 percent of the time in New Hampshire.²⁴
- The average Medicare beneficiary in Mason City, Iowa, makes two visits to specialists in the last six months of life, compared with 25 visits for the average beneficiary in Miami, Fla.²⁵
- Knee replacement surgery occurs 50 percent more often in Eau Claire, Wis., than in Phoenix, Ariz.²⁶
- In Fort Myers, Fla., the rate of Medicare enrollees undergoing hip replacement procedures was 45 percent higher than the national average, while in Miami, the procedure rate was 37 percent lower than the national average.²⁷

3 Cost Impact of Chronic Disease

The prevalence of chronic disease is a key factor in escalating healthcare costs.

- Six in 10 adults over the age of 18 have at least one chronic condition.²⁸
 - o Current estimates indicate that one in three Americans will develop diabetes over the course of his or her lifetime.²⁹
 - o Healthcare expenditures for diabetics are estimated to be two-and-a-half times greater than healthcare expenditures for non-diabetics;³⁰ medical costs related to diabetes were over \$92 billion in 2002.³¹
- The cost of treating chronic illness accounts for 75 percent of healthcare spending.³²
- A 20 percent increase in the share of Medicare patients receiving treatment for five or more chronic conditions accounted for virtually all growth in Medicare spending from 1987-2002.³³

18 Wennberg, 2003

19 McGlynn et al., 2003

20 Institute of Medicine, 2000

21 Institute of Medicine, 2000

22 Institute of Medicine, 2007

23 Dartmouth Atlas Project, 2006

24 Health Affairs, 2004

25 Wennberg and Skinner, 2002

26 Wennberg, 2007

27 Weinstein, *Health Affairs*, July 2004

28 Agency for Healthcare Research and Quality, 2008

29 Narayan, V. *Journal of the AMA*, Vol. 290, No. 14: 2003

30 Selby, J.V. et al. (1997). Excess Costs of Medical Care for Patients with Diabetes in a Managed Care Population. *Diabetes Care*, 20(9). 1396-1402.

31 Centers for Disease Control. *National Diabetes Fact Sheet*. Retrieved January 23, 2007 from <http://www.cdc.gov/diabetes/pubs/estimates.htm>.

32 Anderson and Knickman, 2001

33 Thorpe, et al., 2005

- Obesity costs \$36.5 billion annually.³⁴
 - o 33 percent of adults are obese; 14 percent of children ages 2–5 are overweight, as are 18 percent of children ages 6–11 and 17 percent of those ages 12–19.³⁵
 - o With the current rise in obesity rates, one-fifth of all healthcare expenditures will go toward treating the consequences of obesity by 2020.³⁶

Preventing and managing chronic conditions saves money.

- Improvements in health-related behavior and treatment for the seven most common chronic diseases (cancer, diabetes, heart disease, hypertension, pulmonary conditions, stroke and mental disorders) could cut the annual cost impact by \$217 billion in 2023.³⁷

4 Overview of the Uninsured

The uninsured population is a diverse group.

- Over half of the uninsured (25 million) are ineligible for public programs but may have difficulty affording coverage.³⁸
- One-fourth of the uninsured (12 million) are eligible but not enrolled in public programs such as Medicaid and SCHIP — and 74 percent of all uninsured children are eligible but not enrolled in public programs.³⁹
- One-fifth of the uninsured population earns relatively higher incomes and may be able to afford coverage on their own.⁴⁰
- The mortality rate for the uninsured is 25 percent higher than for people with health insurance.⁴¹
- The aggregate, annualized cost of diminished health and shorter life spans of the uninsured is between \$65 billion and \$135 billion.⁴²

³⁴ Thorpe, et al., 2005

³⁵ Thorpe, et al., 2005

³⁶ Sturm, R., et al. RAND Corporation, 2007. http://www.rand.org/pubs/research_briefs/RB9043-1/.

³⁷ DeVol, Ross; Bedroussian, Armen. *An Unhealthy America: The Economic Burden of Chronic Disease – Executive Summary and Research Findings*. Milken Institute, October 2007. i-ii.

³⁸ Urban Institute, 2006

³⁹ Urban Institute, 2006

⁴⁰ Urban Institute, 2006

⁴¹ EBRI, EBRI Issue Brief No. 310. October 2007.

⁴² EBRI, EBRI Issue Brief No. 310. October 2007.