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FALLING THROUGH THE CRACKS

Iowa Families and the Uncertain Future of Job-Based Insurance

The security and accessibility of job-based health insurance, in Iowa and the nation, has steadily eroded in recent years. While employment-based coverage remains the most prominent form of health insurance, covering 59.7 percent of Americans and 64.4 percent of Iowans in 2006, those rates have fallen every year since 2000. Over that span (during which the state added about 24,000 nonfarm jobs), the number of Iowa workers claiming health insurance from their own employers fell by 23,596. Factoring in the loss of spousal and dependent coverage over the same span, over 88,000 Iowans under the age of 65 fell from job-based health coverage either into the safety net of public programs, or right through that safety net into the ranks of uninsured — now numbering over 300,000 in Iowa.

This review was prepared by IPP Senior Research Consultant Colin Gordon, using information from IPP and Iowa Fiscal Partnership reports, and a new report from economist Elise Gould at the Economic Policy Institute: "The Erosion of Employment-Based Insurance." For more information, see the report at www.epi.org/content.cfm/bp203.

These trends are worsened by these troubling facts:

- Job growth in Iowa is drifting away from sectors in which group-based health coverage is commonly offered. Declining sectors (such as manufacturing) in Iowa offer health coverage to about two-thirds (66 percent) of their workers. Growing sectors (such as services) offer coverage to barely half (52 percent) of their workers.
- The cost of coverage has risen sharply, so that even covered workers are less and less able to afford full family coverage. The average worker contribution to family coverage — now almost \$3,300/year — has doubled since 2000.
- Children are bearing the brunt of this. Most children (59.7 percent nationally, 69.7 percent in Iowa) receive health insurance through a parent's job. But the rate of employer-provided health insurance for children fell 6.2 percent nationally between 2000 and 2006 — and by over 9 percent (a rate of decline exceeded in only 7 other states) in Iowa. Simply put, job-based plans in the state have shed coverage of over 85,000 children since 2000.
- Public programs — highlighted by the recent failure to extend federal funding for the State Children's Health Insurance Program (SCHIP)—are not longer able to pick up the slack. About 37,000 Iowa kids are enrolled in either the state's SCHIP program (*hawk-i*) or a related expansion of Medicaid. While these programs absorbed many of those losing job-based coverage through 2004, enrollment has leveled as federal funding has withered. There are estimates as high as almost 60,000 more uninsured kids in the state, over two-thirds of whom are eligible for *hawk-i* or Medicaid coverage.

- Those most in need of family health coverage are the least likely to attain it. Workers with young children are more likely to be in entry level, early-career positions where job-based coverage is the weakest. Barely one in five (21.9 percent) of Americans in the bottom fifth of family incomes have job-based coverage; barely half (52.7 percent) of those in the next fifth have that security. Workers aged 18-34 represent just over a third (36 percent) of the national workforce, but over half (51.2 percent) of the population of uninsured workers.

Our health-care system relies on a combination of job-based insurance and public programs designed to pick up those (kids, the elderly, the poor) without reliable access to job-based benefits. Both are in serious trouble. Job-based plans are shedding coverage at an alarming rate. And public programs are simultaneously overloaded and underfunded. Not only are working families falling through the cracks, but those cracks are widening dramatically.

Clearly, as we look to solutions, we must look beyond the usual patchwork of proposals (tax breaks for individual coverage, subsidies for new job-based coverage, expanded public programs). The perennial problem with this incremental muddling is that it is more likely to push the currently insured from one program to another than it is to reach many of the uninsured. As costs increase, job-based coverage (and especially family coverage) will become more and more elusive. Employers and working families will increasingly rely on public programs to round out job-based plans. And, in the absence of dramatic new funding commitments, more and more Americans will fall into the widening chasm between accessible private insurance and eligibility for public programs.

Perhaps it is time to start thinking about more expansive options, if our goal is to extend coverage to the uninsured, rather than simply scrambling to hold onto the coverage we have. Such options include disentangling health coverage from employment, an arrangement that no longer serves workers or their employers, and capturing the considerable (administrative, economic, public health) benefits of universal coverage. The continuing erosion of health care coverage for working families will increase pressure on policy makers to consider new ways to achieve wider coverage than is offered in our current system.

The Iowa Policy Project

Formed in 2001, the Iowa Policy Project is a nonprofit, nonpartisan research organization based in Mount Vernon. IPP reports on a wide range of topics of concern to the citizens of Iowa are on the web at <http://www.iowapolicyproject.org>. Contributions to the Iowa Policy Project are tax-deductible.

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