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For Many Workers, Insurance Choices May be Limited

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President Obama and leading Democrats have stressed that people who like their employer-sponsored insurance would be able to keep it, under a health care overhaul. But they haven't emphasized the flip side: That people who don't like their coverage might have to keep it.

Under the main health bills being debated in Congress, many people with job-based insurance could find it difficult to impossible to switch to health plans on a new insurance exchange, even if the plans there were cheaper or offered better coverage. The restrictions extend to any government-run plan, which would be offered on the exchange.

The provisions could change, and there are a few exceptions: Workers would be allowed to buy insurance through the exchange if their job-based coverage gobbled up too much of their incomes or was too skimpy. Also, under the House proposal, people could get insurance through the exchange if they paid their entire premiums—a cost that would be prohibitive for many workers.

Democratic lawmakers and administration officials say the restrictions are critical to maintaining a strong employer-based insurance system, which covers 158 million Americans.

But critics argue that the rules run counter to suggestions from health care reform advocates that an overhaul could provide people with a broader choice of insurance options. The rules, they say, could be especially unfair to some lower-income workers who are enrolled in costly job-based insurance. Also, they argue, the restrictions would hurt the proposed public plan by limiting enrollment.

Jonathan Oberlander, associate professor at the University of North Carolina at Chapel Hill, said the restrictions create a "big gap between the rhetoric and the reality" of health reform.

"The rhetoric is that Americans will gain new alternatives," he said. "But the reality is that they are putting up firewalls that are going to restrict the access of people with employer-sponsored insurance to the exchange."

One result, he said, is that any public plan would be substantially smaller than what many backers are envisioning. That would reduce the public plan's power to compete with private

insurers and hold down costs, he said. The Congressional Budget Office estimates that nine million to 10 million people would enroll in the public plan by 2019.

James Capretta, a fellow at the Ethics and Public Policy Center, a conservative think tank, said that the government is "essentially telling people you have to take your employer-based plan...I think that's a huge issue."

Most individuals would have to carry insurance or pay a fine, under the congressional proposals.

Much of the debate is driven by cost, and by efforts by lawmakers to keep the legislation's tab at about \$1 trillion over a decade. Under the proposals before Congress, people who could go on the exchange include the uninsured, the self-employed and those who aren't offered employer-sponsored coverage. Small businesses also would be allowed to use the exchange to buy coverage for their workers.

The vast majority of the people on the exchange would get subsidies, at an average amount of \$6,000 a year in 2019, according to a CBO analysis of the House plan.

Limiting the number of people who could use the exchanges, therefore, would hold down the cost of the legislation because fewer people would get government subsidies.

At a July 1 "town hall" meeting on health care, Obama said any health care overhaul must "fix what's broken about the system and that means permanently bringing down costs and giving more choice for everyone." He also played up the importance of creating a public plan that would compete with private plans.

The exchange, he said later in his remarks, would benefit small businesses and the self-employed, as well as workers at firms that do not provide coverage. "You may qualify for a subsidy from the federal government. And you then become part of a big pool that gives you some leverage over the drug companies and the insurance companies to drive down costs," he said.

Linda Douglass, communications director for the White House Office of Health Reform, said that the president "believes that health reform must be built upon our current employer-based system." The exchange, Douglass said, "is there to provide security and affordable options to Americans who don't have those options now."

To prod employers to continue to offer coverage, the bills would require most employers to provide insurance to workers or pay a penalty. In addition, employers would have to meet coverage standards and contribute to the cost of employees' insurance.

The Senate Health, Education, Labor and Pensions Committee bill would require employers to pay at least 60 percent of their workers' premiums, while the House proposal would require employers to cover 65 percent to 72.5 percent of the premiums. That means that job-based

coverage is most likely to be the least expensive option for many people, especially those who don't qualify for government subsidies.

The measures also would set hurdles for people who want to transfer from their job-based coverage to health plans offered by the exchange, including any public plan.

Under the Senate health bill, individuals who are offered employer-sponsored coverage could switch to the exchange only if their share of the premiums exceeded 12.5 percent of their incomes or their job-based plans did not meet minimum coverage standards. That's similar to what the Finance Committee is considering.

Under the House Democrats' legislation, workers who are eligible for job-based insurance could go on the exchange only if their costs were more than 11 percent of their incomes. The CBO estimates that three million people would fall into that category by 2017. Both the House and Senate health committee bills would offer sliding scale subsidies for insurance on the exchange to those earning up to 400% of the federal poverty level, about \$43,320 a year for an individual.

People willing to pay for their entire premiums, without subsidies, also could enroll through the exchange, under the House bill. There's no way to know exactly what the premiums would be, but the average cost for family coverage available through employers last year was \$12,680, according to the nonpartisan Kaiser Family Foundation. The cost for covering individuals was \$4,704. (Kaiser Health News is part of the foundation.)

Lawmakers and some health care analysts say that legislation has to create barriers around the exchange to protect the stability of the employer-provided insurance market. Without the restrictions, called firewalls, younger and healthier workers, they say, might find cheaper options on the exchange, leaving older and sicker workers in their employers' plans—and driving up their costs.

"We are trying to provide as much choice as possible and trying to honor the president's promise to protect the employer-based system so that if people have coverage they like they'll get to keep it," said Sen. Sheldon Whitehouse, D-R.I., a member of the health committee. "That's the way you resolve that balance."

To keep the pool of people covered by an insurance plan strong, "you just can't allow people to drop out of employer-sponsored coverage," said Paul Van De Water, a senior fellow with the liberal-leaning Center on Budget and Policy Priorities in Washington. "You don't want people to think they can get a better deal by just going into the exchange."

Jacob Hacker, a Yale University professor of political science, said the debate reflects "a delicate dance." On the one hand, lawmakers want to give people access to affordable coverage through the exchange. On the other, they want to protect the employer-based insurance system.

"To my mind," he added, the House bill "errs too far on the side of making it hard for workers to obtain coverage through the exchange."

Richard Curtis, president of the Institute for Health Policy Solutions, a nonprofit research group, says some lower-income workers with employer-sponsored coverage could wind up paying a bigger chunk of their incomes for coverage than those with the same incomes who aren't offered job-based insurance. The reason: The latter group would be able to get subsidized coverage through the exchange.

That sends an unfortunate signal, he said, to people struggling to pay for employer-sponsored insurance. "So the message to them is, 'Congratulations...so now you get to continue paying several times as much as your next-door neighbor who has access to highly subsidized coverage in the exchange,'" he said. "On its face, it's just not fair."

In Massachusetts, which set up an exchange a few years ago as part of its health care overhaul, state officials put strict limits on who can participate. Workers with job-based coverage can't qualify for subsidized coverage, even if their work-based plan is considered unaffordable.

The result: some workers "are stuck with what their employer offers them," said Carol Pryor, policy director for the Access Project, a Boston-based nonprofit that works with local groups on health issues. "From the consumer perspective, it leaves a lot of people in a situation that's not financially affordable."

Richard Powers, spokesman for the Massachusetts Exchange, said that financial constraints have kept the state from offering subsidized coverage to workers with job-based insurance.

More than 600,000 Massachusetts residents earning under 300 percent of the federal poverty level, or \$32,490 for an individual, currently get health insurance through their jobs, he said. "For the state to subsidize them...is economically unfeasible." Lower-income people who can't afford their job-based coverage are exempted from the state mandate that they carry insurance.

Some say that the important thing is expanding coverage, not providing additional choices to people who already have coverage.

Richard Kirsch, national campaign manager for the group "Health Care for America Now!," said that, ideally, a health care system would allow workers to choose to receive their health care coverage from their job or from the exchange.

"That's not the kind of change we're going to see so ...our focus is do consumers have protections," he said. "If you have [health insurance] at work are you protected and if you don't have it at work are you protected? That's for us what we're most concerned about."

Jaclyn Schiff contributed to this story.

