

Ohio health insurance basics

A closer look at trends in employer-sponsored insurance (ESI)

What is employer-sponsored insurance (ESI)?

ESI is health insurance that is provided to a consumer via an employer or union.

Why is health insurance important?

Health insurance fulfills a number of objectives. Health insurance (1) enables consumers to share the risk of potentially high cost medical care with other consumers to prevent negative financial impact, (2) provides medical practitioners with a consistent source of payment, and (3) increases the likelihood that consumers will seek and receive needed and appropriate health care.

Overall decline in ESI

About 11 million American workers lost their employer-sponsored health insurance between 2000 and 2011. This signifies a 10% drop nationwide. **Ohio had the fourth largest drop in the country, falling 13.7 percentage points.**¹

ESI premiums

In 2012, ESI premium increase nationally was up 3 percent for individual coverage and 4 percent for family coverage from 2011, which outpaced increases in both worker's wages and general inflation. Since 2002, premiums for family coverage have increased by 97 percent; this is three times faster than increases in wages and inflation, which have increased by 33 percent and 28 percent respectively.²

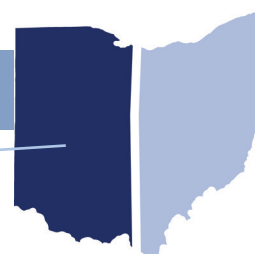
Ohio health insurance at a glance

How do most Ohioans get insurance coverage?

5.8 million (51%)

Ohioans were covered by employer-sponsored insurance in 2011

Source: Kaiser Family Foundation State Health Facts



What types of employers offer coverage?

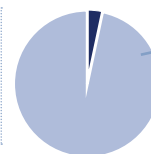
39%

Ohio small employers (less than 50 employees) offered coverage in 2011



97%

Ohio large employers (more than 50 employees) offered coverage in 2011



Source: Kaiser Family Foundation State Health Facts

Other sources of coverage

3.5 million
public health insurance (Medicaid, Medicare and other government programs)

1.5 million
uninsured

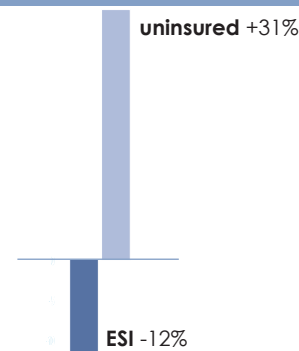
516,800
individual insurance plan



Source: Kaiser Family Foundation State Health Facts

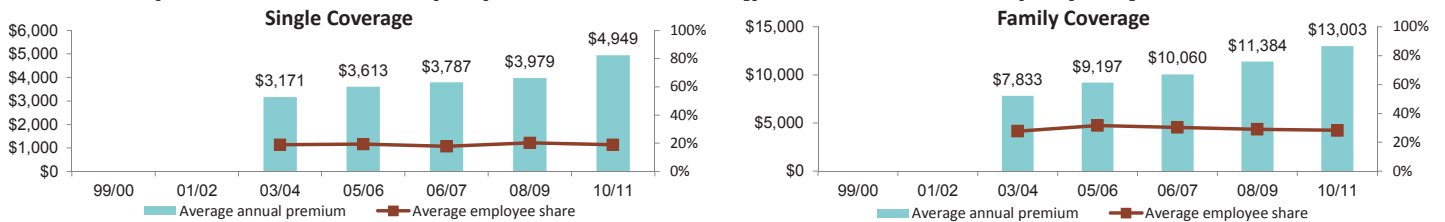
Trends in coverage

From 2006-2007 to 2010-2011, Ohioans (ages 0-64) saw a **12%** drop in employer-sponsored (ESI) coverage, while the number of uninsured increased **31%**.



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements. Additional calculations by HPIO.

Trends in premiums and employee contribution (private sector employers)



Source: State Health Access Data Assistance Center. 2013. "State-Level Trends in Employer-Sponsored Health Insurance." SHADAC Report. Minneapolis, MN: University of Minnesota.

ESI and low-wage workers

In Ohio, the number of lowest-paid workers with coverage fell by 14 percent, compared to a drop of 3.3 percent for the highest-paid workers.³ Further, when looking at ESI coverage for low-wage workers, a 2012 study by the Center for Economic and Policy research found that⁴:

- Only one-fourth of low-wage workers (those in the bottom 20 percent of the wage distribution) currently have health insurance through their own employer
- ESI coverage for low-wage workers through their own employer fell 17 percent since 1979
- ESI coverage for low-wage workers through a spouse's (or another family member's) employer fell 10 percentage points between 1979 and 2010

Small employers vs. large employers

Large employers are more likely to offer ESI than small employers. The primary reason small firms do not offer health insurance coverage is the high cost of doing so. In general, small employers face higher premiums for a number of reasons, including:

- More variable risk profiles (i.e. health risks are not spread across a large number of people)
- Higher employee turnover rates
- Higher rates of firm failure
- Higher rates of employees dropping in and out of coverage
- Higher administrative costs

Unlike many large employers, most small employers do not have the option to self-insure. For a small employer, self-insurance is a gamble, as even a limited number of high-cost claims could be financially devastating.

In Ohio, the number of small employers offering coverage to their employees fell 9.3 percent from 2000 to 2011.⁵

High deductible health plans (HDHPs)

Many employers have implemented high deductible health plans (HDHPs), or consumer-directed health plans (CDHPs) in order to mitigate the rising cost of health care. These plans may have lower premiums but are characterized by a higher deductible than typical health plans. Individuals in these plans generally have a higher out-of-pocket spending burden than other plans.

Originally, HDHPs were tied to Health Savings Accounts (HSAs) to help alleviate the consumer's out of pocket burden. HSAs are tax-free plans consumers can contribute to in order to pay for the cost of medical services until their deductible is met. However, as of 2007, 67.5 percent of employees with HDHPs and 80.9 percent of individually purchased HDHPs did not have HSAs, leaving individuals to bear the full cost of their high deductible.⁶ This has led to a greater number of underinsured and contributed to increased medical debt and bankruptcy.⁷

In 2010, HDHPs accounted for almost 13 percent of ESI nationally with rates increasing.⁸ Ohio ranks fourth among states with the highest levels of HSA/HDHP enrollment. Approximately, 663,000 Ohioans were covered by HDHPs/HSAs in 2011 accounting for 9.8 percent of Ohio's private health insurance enrollment.⁹

What happens today if you do not have insurance?

There were approximately 1,500,000 uninsured Ohioans in 2011.¹⁰ People without health insurance face substantial challenges in accessing timely, appropriate and affordable health care services. For more information, see HPIO's Ohio Access Basics at <http://bit.ly/OaWS0z>.

For the full **Ohio Insurance Basics** publication, please visit <http://bit.ly/Rnhrc>.

Notes

1. SHADAC, "State-level Trends in Employer-Sponsored Health Insurance: A State-by-State Analysis." Accessed April 17, 2013. http://www.shadac.org/files/shadac/publications/ESI_Report_2013.pdf. (April 2013)
2. Kaiser Family Foundation & Health Research and Educational Trust, "Employer Health Benefits 2012 Annual Survey." Accessed April 17, 2013. <http://ehbs.kff.org/pdf/2012/8345.pdf>. (2012)
3. Supra note 1.
4. Schmitt, John. "Health-insurance Coverage for Low-wage Workers, 1979-2010 and Beyond." Washington, DC: Center for Economic and Policy Research. <http://www.cepr.net/documents/publications/health-low-wage-2012-02.pdf> (2012).
5. Supra note 1.
6. Lavarreda, Shana Alex, E. Richard Brown, and Claudie Dandurand Bolduc. "Underinsurance in the United States: An interaction of costs to consumers, benefit design, and access to care." *Annual Review of Public Health* 32 (2011): 471-82.
7. Ibid.
8. Haviland, Amelia M., M. Susan Marquis, Roland D. McDevitt, and Neeraj Sood. "Growth of consumer-directed health plans to one-half of all employer-sponsored insurance could save \$57 billion annually." *Health Affairs* 31, no. 5 (2012): 1009-1015.
9. America's Health Insurance Plans. January 2012 Census Shows 13.5 Million People Covered by Health Savings Accounts/High Deductible Health Plans (HSAs/HDHPs). May 2012.
10. The Henry J. Kaiser Family Foundation, "State-healthfacts.org" Accessed April 19, 2013. <http://www.statehealthfacts.org/profileind.jsp?cat=5&sub=67&rgn=37>.