

Employer-Based Health Insurance: Family Decisions to Enroll

Introduction

Employer-based health insurance is an important source of coverage in Minnesota, covering nearly 70 percent of the population. However, about one-fifth (23 percent) of Minnesota's uninsured have access to employer coverage but are not enrolled. More than half (56 percent) of the uninsured who are eligible for employer coverage report that they are not enrolled because they cannot afford it. Understanding more about family decisions to enroll in employer coverage when it is available will provide policy makers with information that they can potentially use to further reduce the rate of uninsurance in Minnesota.

This issue brief analyzes the health insurance decisions of families that have access to employer coverage. It examines the issue from two perspectives: first, it looks at how often families with access to employer coverage enroll at least part of the family; second, it looks at how often the entire family is covered by employer-based insurance when it is available. It also analyzes how these decisions vary by family income. Finally, this issue brief presents information on the insurance status of the "decliners" of employer-based insurance.

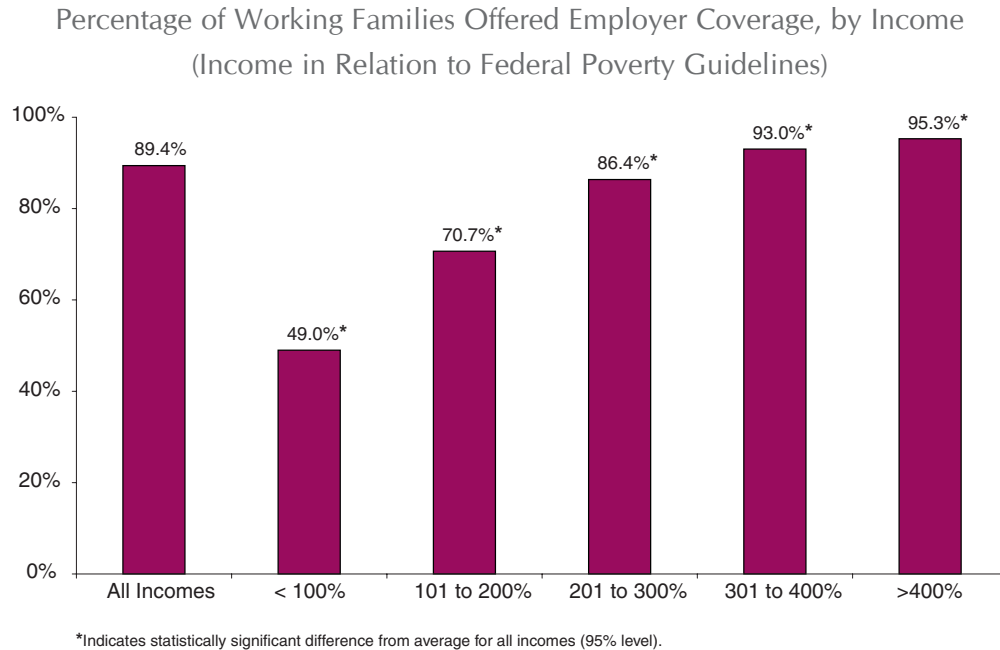
The analysis in this issue brief is based on data from the 2001 Minnesota Health Access Survey, conducted by the Minnesota Department of Health in collaboration with the University of Minnesota, School of Public Health, Division of Health Services Research and Policy. The 2001 Minnesota Health Access Survey is the largest and most comprehensive health insurance survey conducted in Minnesota to date. The survey was funded by a grant from the U.S. Department of Health and Human Services, Health Resources and Services Administration.

Takeup Rates of Employer-Based Health Insurance

Figure 1 presents information on the percentage of working families offered health insurance coverage through an employer.¹ As shown in the figure, nearly 90 percent of working Minnesota families are eligible to enroll in employer health insurance. However, low income families are much less likely than average to have access to employer coverage: only about half (49 percent) of families with incomes at or below poverty had access to employer coverage, and only about three quarters (71 percent) of families with incomes from 101 to 200 percent of poverty were eligible to sign up for employer coverage.

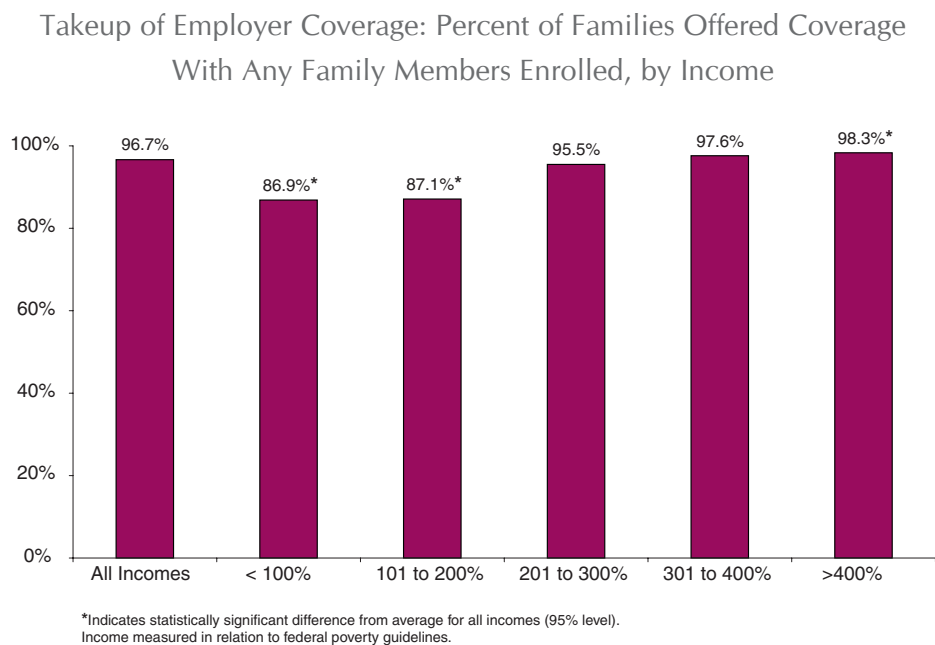
Family Access and Enrollment in Employer-Based Health Insurance

Figure 1



A large majority of families with access to employer-based health insurance enroll at least one family member. This result is illustrated in Figure 2. At all income levels, takeup rates of employer health insurance coverage are very high, averaging about 97 percent overall and about 87 percent even for low income families.

Figure 2



However, it is significantly more likely that low-income families will choose not to enroll all family members in employer coverage. As shown in Figure 3, among families accepting an offer of employer coverage, only 62 percent of families with income below poverty and 78 percent of families with income between 101 percent and 200 percent of poverty enrolled the entire family in employer coverage, compared to 92 percent overall.

Family Access and Enrollment in Employer-Based Health Insurance

Figure 3

Takeup of Employer Coverage: Percent of Families Accepting Employer Coverage With All Family Members Enrolled, by Income

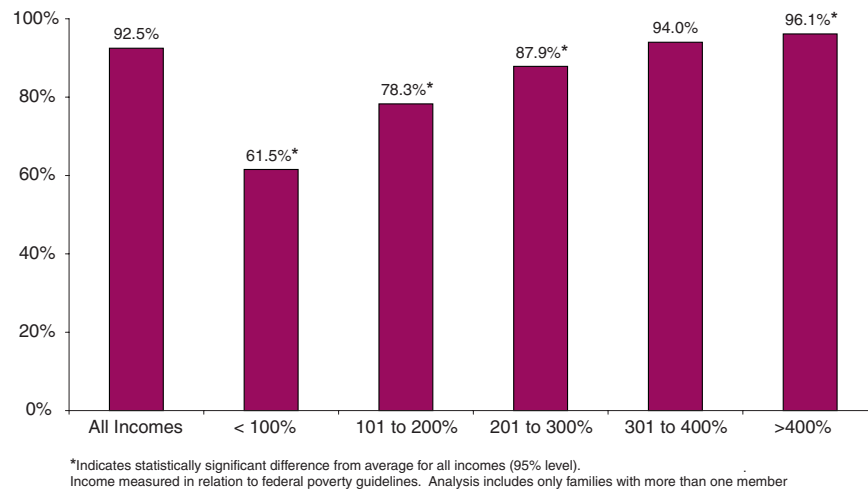
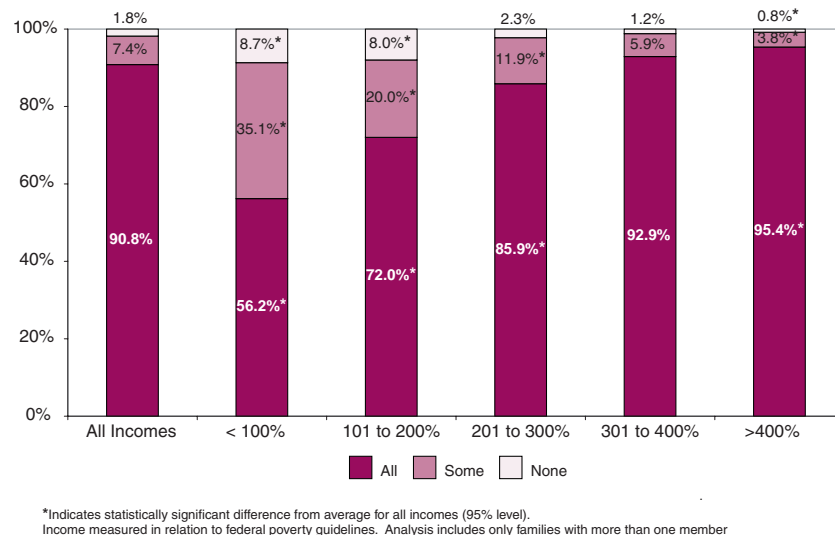


Figure 4 summarizes the analysis of family decisions to enroll all, some, or none of the family in employer coverage. As shown in the figure, only about half (56 percent) of eligible families with incomes at or below poverty choose to enroll the entire family in employer health insurance coverage, and just under three-quarters (72 percent) of families with income between 101 and 200 percent of poverty enroll the entire family in employer coverage. One significant factor in this decision is likely the fact that the employee contribution to premium for single coverage is usually a nominal amount, while employee contributions for family coverage are much higher. For example, national data for 2001 on average employee contributions show that employees paid about \$30 per month on average for employee-only coverage and about \$150 per month for family coverage (these amounts represent 15 percent and 27 percent of the total premium for employee-only and family coverage, respectively).² For a family of four with income at the poverty level (about \$18,000 per year), the average required premium contribution for family coverage represents about 10 percent of the family's annual income.

Figure 4

Summary of Family Takeup Decisions, by Income: All, Some, or None Enrolled



Insurance Status of “Decliners”

Among families that choose not to enroll the whole family in employer-based coverage (i.e., they decline coverage for all or part of the family), about 34 percent of the time some family members lack health insurance coverage. About 22 percent of the time, all of the “decliners” in the family are uninsured. Among families declining employer coverage that do have other sources of health insurance, alternate sources of health insurance coverage include Medicare (11 percent), state public programs (37 percent), private coverage purchased in the individual market (42 percent), and other/unknown coverage (14 percent). (Percentages add to more than 100 due to the fact that different family members may receive coverage through different sources.)

Summary

This analysis shows that it is relatively common among low-income families to take less than full advantage of the availability of employer-based health insurance. Given the fact that premium contributions for family coverage often represent a significant share of income for these families, this result is perhaps not surprising.

These results do, however, have potential implications for policy. For example, Minnesotans who have access to employer coverage but decline to enroll because they cannot afford their share of the premium cost are ineligible for MinnesotaCare if their employer contributes more than 50 percent of the premium cost. (As shown above, even at the national average employer contribution of 73 percent of the family premium, the employee contribution can exceed 10 percent of income for families with income at the poverty level.) As a result, some low-income Minnesotans appear to be both unable to afford private employer-based coverage, but also locked out of eligibility for public programs. There may be opportunities for policy makers to build on and strengthen the system of employer-based health insurance by finding ways to improve the takeup of private employer coverage, particularly for low-income families.

The Health Economics Program will continue to monitor and report on health care access and affordability in Minnesota, and to provide technical assistance to policy makers as they seek solutions to these issues.

Endnotes

¹ The analysis is based on families with a worker under age 65, excluding self-employed workers with no employees other than themselves. The data used for this analysis includes 19,081 observations out of a total of 27,315 survey participants; estimates that apply only to families of more than one person are based on a subset of the data that includes 13,590 survey responses.

² “Employer Health Benefits: 2001 Annual Survey,” The Kaiser Family Foundation and Health Research and Educational Trust, 2001.

The Health Economics Program conducts research and applied policy analysis to monitor changes in the health care marketplace; to understand factors influencing health care cost, quality and access; and to provide technical assistance in the development of state health care policy.

For more information, contact the Health Economics Program at (651) 282-6367. This issue brief, as well as other Health Economics Program publications, can be found on our website at: <http://www.health.state.mn.us/divs/hpsc/hep/hepintro.htm>



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