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Addressing the Myths of the Uninsured and the Impact on American Business

PHILIP LEBHERZ

It is estimated that about 40 percent of businesses nationwide do not offer health benefits to their workers. While most large firms offer health insurance, many small to medium firms opt not to provide it. In addition, many firms are opting to insure employees, but not spouses or children. Still other employers have a large segment of part-time workers who do not qualify for full benefits. Politicians and special interest groups like to point to these factors as a reason for the swelling ranks of the uninsured—now estimated to be at about 47 million people nationwide.

While the numbers are clearly significant, many people fail to understand the true nature of the uninsured in America today. Of equal importance, while the debate about what can be done swirls around them, employers are left with the simple fact that while they may want to offer insurance, many simply cannot afford it.

UNDERSTANDING THE FACTS

What is the solution? While there are no easy answers, one important step must be for human resource and benefit executives to understand the facts surrounding the uninsured today and the options and resources available to businesses and their employees.

A close look at who the uninsured really are provides some interesting insights. It is estimated that about 33 percent of uninsured Americans are eligible for some type of public-sponsored health care coverage, but have simply never signed up for it. Another 15 million Americans are considered self-insured because their incomes are 200 percent above the federal poverty level, and they may simply choose not to secure insurance. In fact, choice, particularly for the young or relatively healthy, may be a significant reason for many of the uninsured today. For example, a study of California's uninsured found that 88 percent of the non-poor uninsured reported being in good, very good, or excellent health. What's more, about 30 percent of the uninsured today are between 19 to 29 years of age. Many are students opting to forgo coverage until they get a job, or are working in

jobs that don't offer insurance. This still leaves a significant percentage of uninsured who want and need insurance but are simply unaware that they may qualify for coverage or are uncertain about how to apply. In short, these people need information and guidance and employers can help.

The lack of health insurance for the truly uninsured and chronically ill cannot be ignored or minimized. It is difficult, frightening, and can create tremendous hardships. The stories of people deciding between groceries and medicine are all too true, as are references to people losing life savings or homes following debilitating illnesses. However, as a nation, we also cannot afford to simply aggregate the uninsured and paint them all with a broad brush. A healthy 30-year-old with a job who opts to purchase a luxury car rather than health insurance most definitely should not be placed in the same category as a working single mother needing basic coverage for her children.

While understanding who the uninsured are is important, employers must also ensure they understand the facts surrounding health insurance today. The ramifications of the uninsured go far beyond business operations. Public health and industry experts agree that a failure to understand available insurance options might trigger a more dysfunctional health care delivery system—for example, people forgoing necessary trips to the doctor or using the ER for treatment. What's more, the issues of absenteeism and presenteeism, where an employee is at work, but sick, cannot be ignored.

AFFORDABLE OPTIONS EXIST

While they understand the value of health insurance benefits, most employers today that cannot afford to provide coverage to some or all of their employees believe there is little they can do. Many expect the next presidential election to bring a significant policy change with regard to health care and have taken a "wait and see" attitude. While understandable, the reality is that the plight of people who need insurance can't be ignored. Many need help

CUTTING HEALTH COSTS

today. The good news is there are affordable health insurance options available. Employers and HR executives may be aware of some of these programs, but the challenge they face is in helping employees learn about which ones they qualify for, and in helping them to sign up. Here are some questions and answers that should assist the process.

- 1. If I offer health coverage and have to let an employee go, will he or she only have a limited amount of time to access COBRA?** The COBRA program provides continued coverage through an individual conversion plan for 36 months and can be continued through the Health Insurance Portability and Accountability Act (HIPAA) program, which will continue without expiration.
- 2. As the employer, do I have to pay 100 percent of my employees' costs?** Actually, while some employers pay 100 percent of the cost for employees and dependents, many pay a percentage of both; others pay 100 percent just for the employee, or a percentage of the employee. In order to control the cost from the employer's standpoint, in many cases the employer will provide a defined contribution, allowing the employee to choose the desired coverage. Many insurance companies require
- only a minimum of 50 percent of the employee cost for coverage.
- 3. If I offer insurance coverage for my employees, am I also obligated to cover their families?** No. Coverage of dependents is a separate decision based on your company's ability to afford this additional commitment. However, if your employees make below a specified income, their dependents may be eligible for state-run public coverage programs such as Healthy Families or Access for Infants and Mothers (AIM), which offer comprehensive coverage plans at nominal costs.
- 4. What if some of my employees do not qualify for coverage due to health issues?** In many states, small businesses of two to 50 eligible employees are guaranteed health coverage from insurance carriers by law even if the employees have pre-existing conditions or ongoing illnesses. You need to check with your state's department of insurance to find out what the mandates are in your state.
- 5. How can smaller businesses afford the administration of health benefits?** Small businesses usually do not employ a human resources department, but can use a licensed health insurance broker to provide unbiased information usually at no charge
- for the personal professional advice.
- 6. What if I would rather pay my employee more in wages than provide health care coverage?** By paying your employee more, you actually will spend approximately 14 percent more than the intended raise in taxes, and the employee will only receive 66 percent of the intended raise, depending on your state's tax laws. However, the cost of providing health coverage is 100 percent tax deductible. Therefore, assuming a 35 percent tax rate, an employer only pays 75 percent of the budgeted cost, and the employee receives 100 percent of the intended benefits.

Many employers are actively exploring consumer-directed health plan options and Health Savings Accounts (HSAs), which have the potential to provide significant benefits to some employees. These are important steps. However, employers must also take the time to ensure they are aware of options and provide information to their employees, to help the uninsured who need help today find the coverage they need. O

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