



Unaffordable, Unavailable, Uncovered

The State of Working Virginia

Part Two: Health Insurance

October 2011

By John McNerney and Michael Cassidy



THE
COMMONWEALTH
INSTITUTE



The Commonwealth Institute

The Commonwealth Institute for Fiscal Analysis provides credible, independent and accessible information and analyses of state public policies with particular attention to the impacts on low- and moderate-income persons. Our products inform state economic, fiscal, and budget policy debates and contribute to sound decisions that improve the well-being of individuals, communities and Virginia as a whole.

Support The Commonwealth Institute

The Commonwealth Institute is grateful for the generous support of our many contributors. Foundation, organization and individual contributions of all sizes sustain our capacity to produce clear and reliable information and analysis about policy choices facing the Commonwealth.

We thank them for their support but acknowledge that the findings and conclusions presented in this report are those of the authors alone, and do not necessarily reflect the opinions of our funders.

To learn more about how you or your organization can support The Commonwealth Institute, please visit our Web site, www.thecommonwealthinstitute.org or call us at 804-396-2051.

Unaffordable, Unavailable, Uncovered

The state of health insurance access and affordability in Virginia declined in 2010, continuing a negative trend that extended throughout most of the past decade. The uninsured rate has increased faster than the national average between 2000 and 2010. In addition, Virginia now has reached its lowest level of employer provided coverage in almost 20 years. In 2010:

- The number and percentage of uninsured Virginians increased for the second year in a row, now topping 1 million residents and 14 percent of the overall population.
- Fewer Virginians received health insurance through their employers, partially as a result of rising premiums and additional cost-sharing requirements that have made health insurance unaffordable for many working Virginians.
- Virginia workers continue to pay among the highest percentage of the total premium cost of any state in the country for employer-provided health insurance.
- Small businesses with fewer than 50 employees continue to struggle to offer any health insurance to their workers.

Overcoming these trends will take time, especially in the small business market. Many small businesses would like to offer health insurance but find it financially unfeasible, especially in the current economic climate. However, key provisions of the new health care law will make it more affordable for businesses that want to offer coverage. Tax credits are already available to small businesses that offer health insurance to workers, which should help maintain the coverage that is already being offered by small employers. In addition, a new small business health insurance market, created under the new health reform law and set to begin in less than three years, will provide additional options and a larger purchasing pool that should make insurance more affordable for small employers and their workers.

For Virginians still without access to workplace coverage, a new individual health insurance marketplace will provide comprehensive health insurance options for consumers without any discrimination based on pre-existing conditions.

Virginia now has reached its lowest level of employer provided health insurance coverage in almost 20 years.



Young adults between the ages of 19 and 29 represent one of most uninsured demographics, a fact that Archie of Virginia Beach knows well. When his son turned 22, Archie was no longer able to carry him on his insurance. However, like many 22-year-olds, his son did not have a job with benefits or the money to purchase an individual plan. Archie feared that a routine checkup would reveal a serious condition or an accident would send his son to the emergency room, costing tens of thousands of dollars in care which Archie, a retired federal employee, would be unable to pay. To make matters worse, his stepdaughter was about to turn 22 as well.

Needless to say, Archie was thankful when the Federal Employees Health Benefits Plan went into effect in January 2011, which allows his kids to be covered until they turn 26. "Less stress on me. And more relief that they'd be covered if something happened."

Source: The Virginian Pilot; September, 2010; *Insurance Provision for Young Adults Goes Into Effect*

Uninsured Virginians Continue to Increase

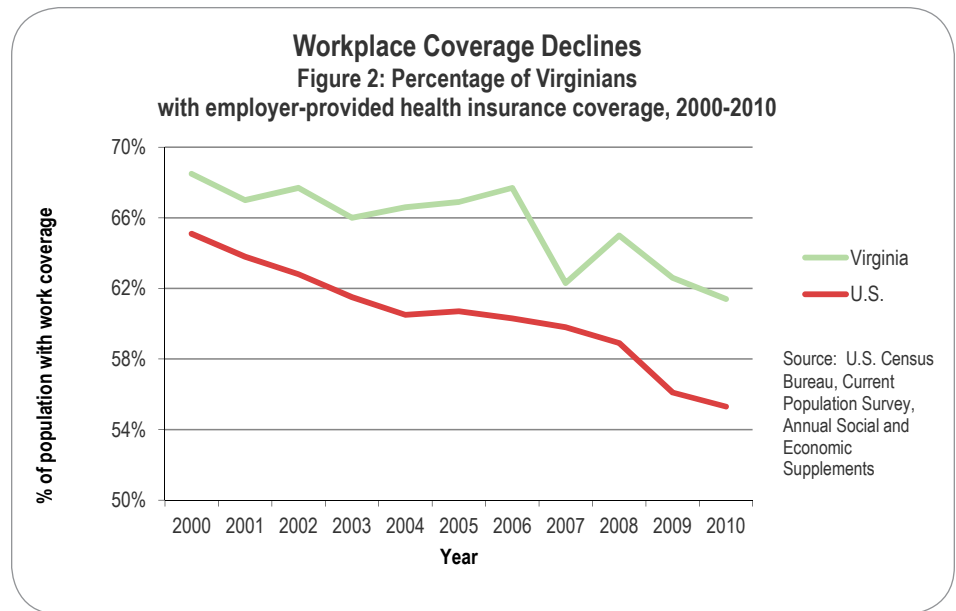
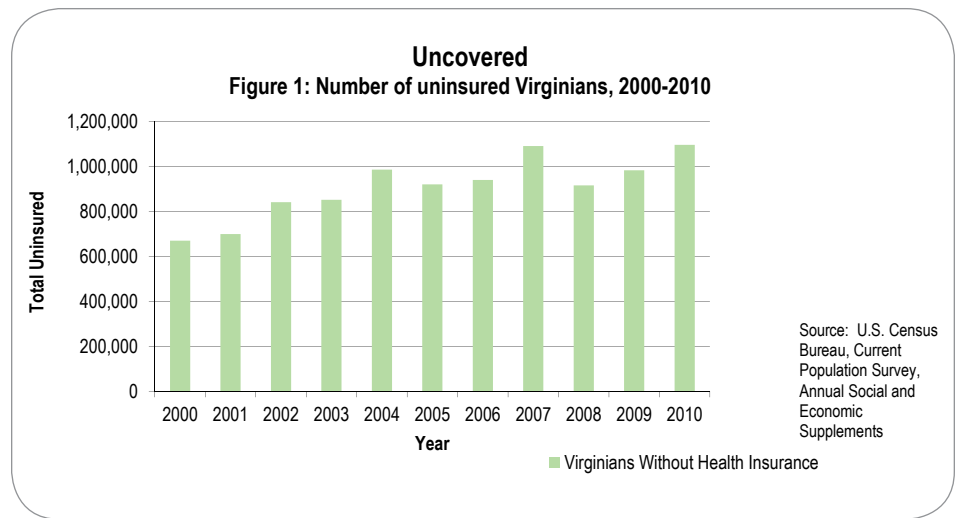
The number of Virginians without health insurance increased significantly in 2010. Almost 1.1 million Virginians were uninsured in 2010, according to U.S. Census Bureau data, an increase of more than 10 percent in just one year (see Figure 1). Since 2000, the number of uninsured Virginians has increased by more than 63 percent.

The percentage of the population without health insurance has also seen a precipitous increase. In 2000, only 9.6 percent of the population in Virginia was uninsured. In 2010, 14.1 percent of the population was uninsured, a 47 percent increase in the course of a decade. While the uninsured rate in Virginia is still below the national average of 16.3 percent, it is growing almost twice as fast. The percentage of uninsured Americans rose by about 24 percent between 2000 and 2010.

Working Virginians are not immune to these trends. The last Census data shows that full-time workers are also losing coverage. Virginia is one of only six states that saw a statistically significant increase in the percentage of uninsured workers who were employed full-time throughout the year, between 2008 and 2010. In fact, about 80 percent of uninsured Virginians live in a family with at least one full or part-time worker.

Workplace Coverage Continues to Decline

In 2010, only 61.4 percent of Virginians had workplace health insurance, according to Census data. This was a decline from 62.6 percent in 2009 (see Figure 2). Almost 100,000 fewer Virginians purchased health insurance through their employer in 2010 than in 2009, nearly equal to the year-to-year increase in the number of uninsured Virginians.



Even with a large federal civilian and military workforce (two groups with especially high rates of health insurance coverage), Virginia has seen a declining rate of employer-provided health insurance coverage since 2000. Virginia has experienced more than 10 percent decline in employer-provided coverage since 2000. While the Commonwealth still has a higher coverage rate than the national average, the gap has begun to close.

Cost of Health Insurance Grows

Total Premium Cost Increases

One of the key reasons for the decline in workplace health insurance is the increased cost. The cost of private health insurance continues to rise in Virginia and across the country. One of the key goals of the Affordable Care Act (ACA) is to reduce health care and health care insurance costs so that businesses and their workers can continue to afford workplace health insurance.

In 2010, Virginia experienced a significant increase in employer-provided health insurance premiums, according to Medical Expenditure Panel Survey (MEPS) data from the agency for Health Care Research and Quality. The average premium cost for an individual employer-provided health insurance plan increased by more than 8 percent in 2010, and now stands at almost \$5,000 (Figure 3). The average premium cost for a family employer-provided plan increased even faster last year, growing by more than 10 percent in just one year.

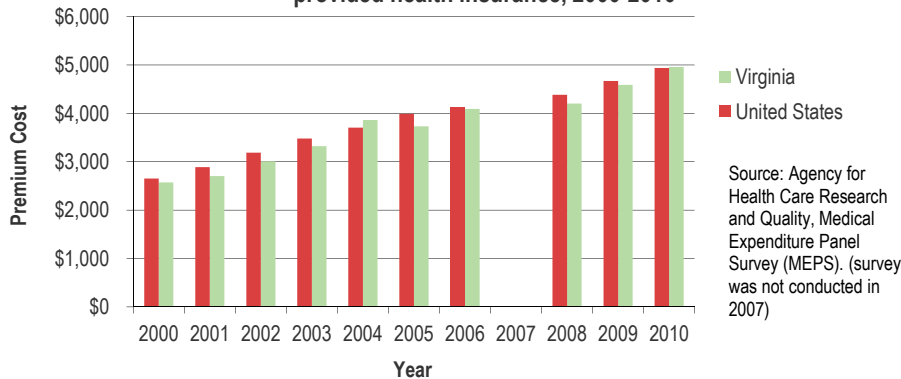
In just 10 years, the average cost of an employer-provided family health insurance plan more than doubled in Virginia. In 2000, the typical employer-provided family insurance plan cost \$6,684. In 2010, it had risen to over \$13,900 (see Figure 4). For an individual plan, the increase was almost as great, rising from an average of \$2,574 in 2000 to \$4,960 in 2010.

Virginia Workers Picking Up Greater Share

One of the most acute problems with workplace coverage in Virginia is that the percentage of the premium that employees must pay has been among the highest in the nation for the last several years. As the cost of health insurance has increased, businesses have been shifting larger shares of the premium onto workers. In 2010, Virginia workers purchasing individual coverage paid 22.5 percent of the premium on average, the sixth highest percentage in the United States and substantially above the national average of 20.7 percent.

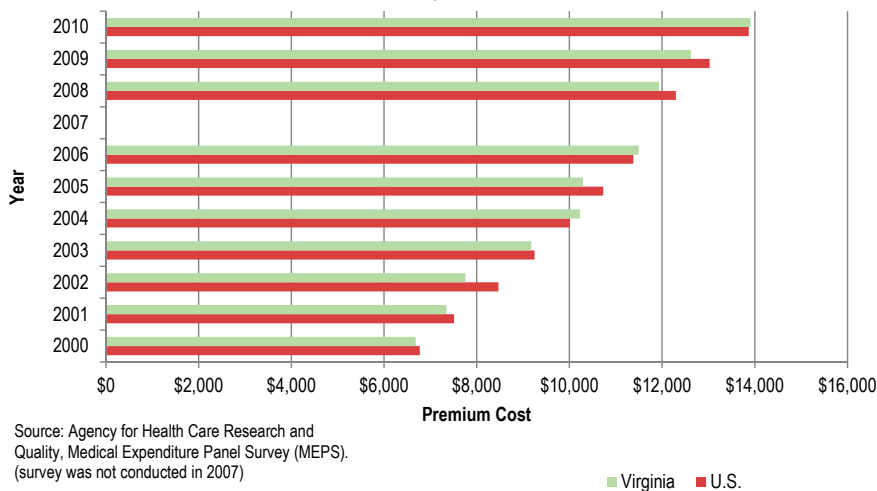
Premium Pricing: Individuals

Figure 3: Average total yearly premium for individual employer-provided health insurance, 2000-2010



Premium Pricing: Families

Figure 4: Average total yearly premium for family employer-provided health insurance, 2000-2010



In 2010, Virginia experienced a significant increase in employer-provided health insurance premiums.

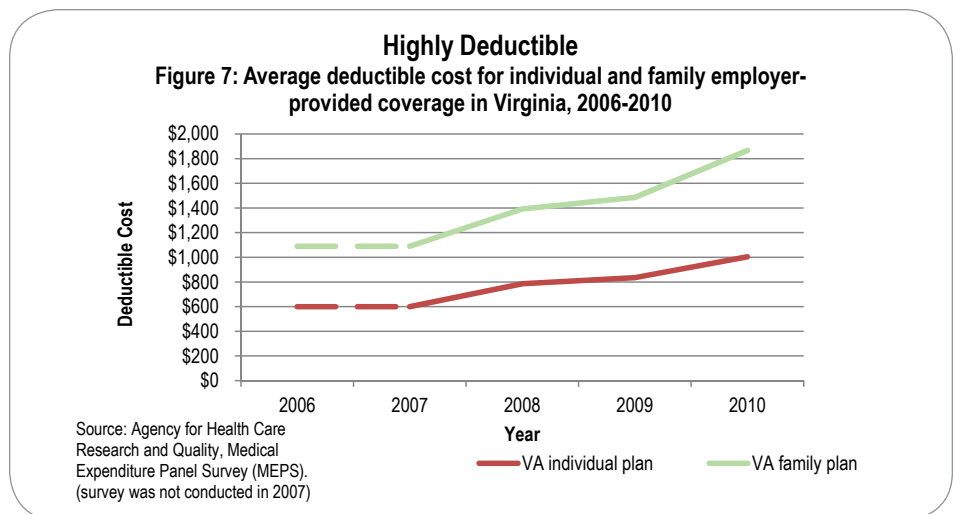
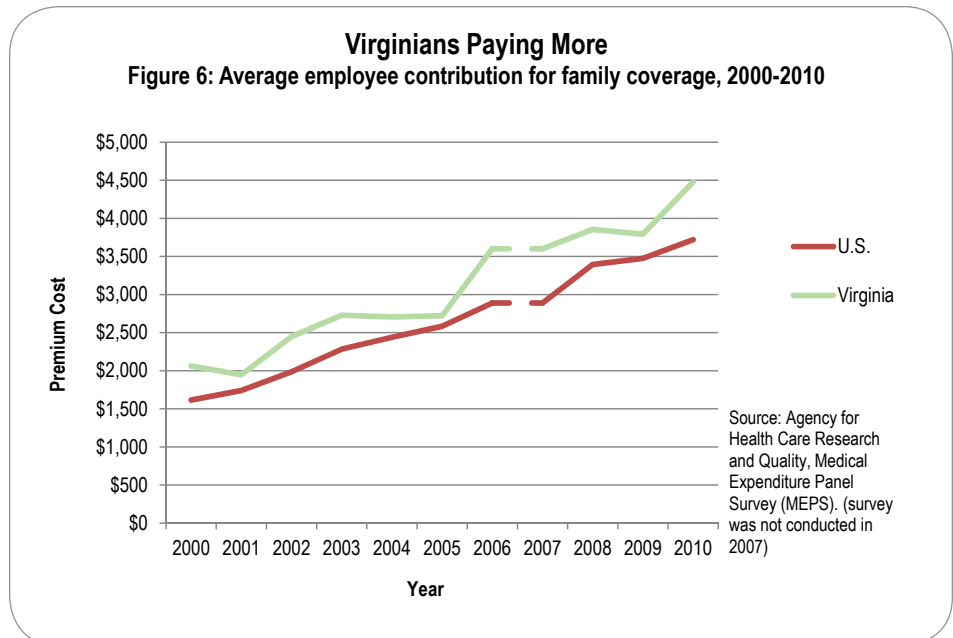
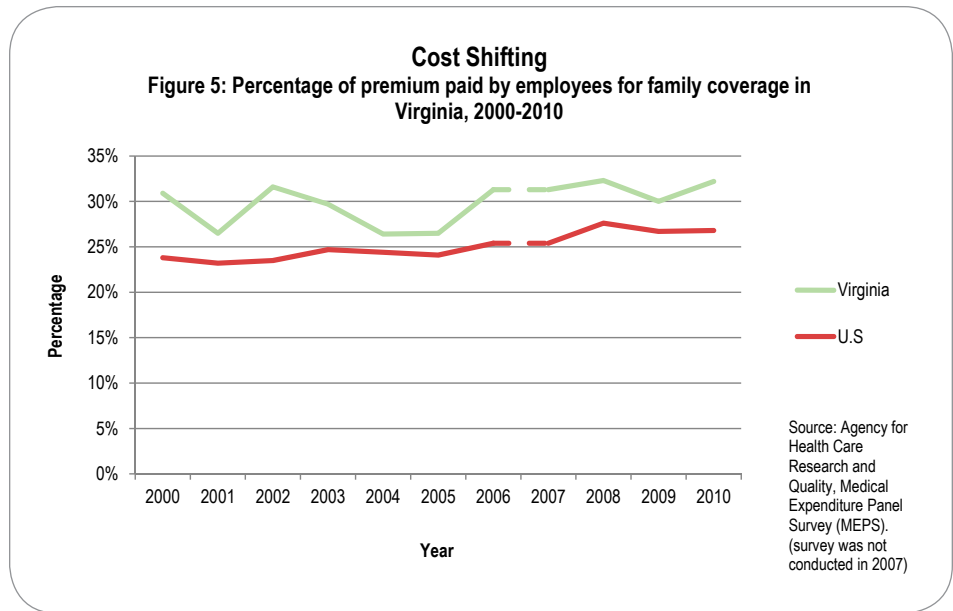
For family coverage, the breakdown is even worse. Virginia workers paid 32.2 percent of the premium on average in 2010, 5.5 percentage points above the national average of 26.8 percent and the third highest average in the nation. 2010 was the fifth straight year Virginia workers were required to contribute more than 30 percent of the premium cost (see Figure 5). Only Arkansas and Idaho businesses required a higher worker contribution in 2010. And, among Virginia's neighboring states, Tennessee was the only one to require a worker contribution above the national average.

What does this mean for worker out-of-pocket costs?

The higher percentage contribution of Virginia workers translates into increased out-of-pocket costs for Virginia workers compared to the national average. In 2010, MEPS data found that Virginians contributed on average \$4,470 annually toward the premium cost for family coverage (see Figure 6). This was higher than the nationwide average of \$3,700 required for employees with family plans.

In addition to the premium costs, Virginia workers who access medical services have seen deductibles increase. In 2006, before the onset of the Great Recession, the average deductible for individual workplace coverage was \$600 in Virginia. In 2010, the average deductible had risen to \$1,004, an increase of 67 percent.

For families, this trend is even more challenging. In 2006, the average deductible for an employer-provided family plan was \$1,089 in Virginia. By 2010, the average plan deductible was \$1,866, an increase of more than 71 percent (see Figure 7).



Small Businesses and Coverage Gap

While businesses of all sizes struggle with rising health care costs, small businesses with fewer than 50 employees are the least likely to offer health insurance to their workers. A key aspect of any effort to reduce the number of Virginia workers without health insurance is to increase the number of small businesses that offer health insurance to employees.

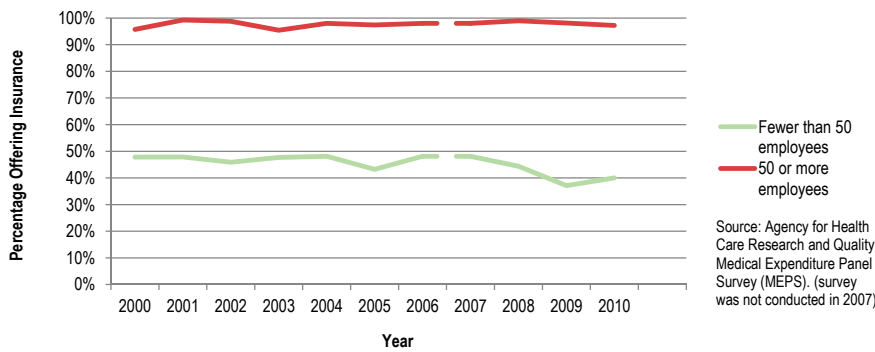
In 2010, only 40 percent of businesses with fewer than 50 employees offered health insurance in Virginia (see Figure 8). While this is a slight uptick from the 37 percent that offered coverage to their employees in 2009, it is far below the 48 percent that offered insurance coverage in 2000. Conversely, 97 percent of businesses with more than 50 or more employees offered health insurance to their workers in 2010.

Offer rates are important, because when workers are given the chance to purchase health insurance, most do, regardless of the size of their employer. As Figure 9 shows, more than 70 percent of Virginia workers purchase insurance when offered. While take-up rates vary slightly between workers in large and small firms, a fairly consistent trend can be seen where workers take advantage of the chance to purchase workplace insurance.

The key reason small businesses do not offer coverage is the cost of premiums and other out-of-pocket costs. A 2011 survey of 1,200 Virginia businesses (with fewer than 500 employees) by Allen Newman Research, conducted for Governor McDonnell's Virginia Health Reform Initiative, found that more than 80 percent of businesses that did not offer health insurance cited high premiums and out-of-pocket costs as key reasons. With premiums and out-of-pocket costs continuing to rise, it will become increasingly difficult for other businesses to maintain coverage for their workers.

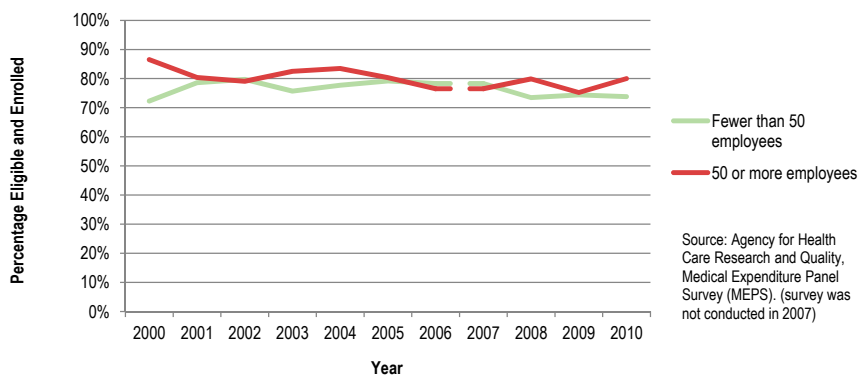
Small Business Coverage, Limited Availability

Figure 8: Percentage of Virginia businesses offering health insurance 2000-2010, by firm size



When Offered, People Enroll

Figure 9: Percentage of Virginia full-time employees eligible for health insurance who are enrolled in health insurance, 2000-2010



Affordable Care Act and Small Businesses

Making insurance more affordable will be a key element to helping more small businesses to offer health insurance. If this can be achieved, uninsured numbers will likely decrease. The new health reform law, the Affordable Care Act (ACA), provides a number of provisions and coverage options that will benefit small businesses and could jump-start an increase in coverage opportunities for workers at businesses with fewer than 50 employees.

Tax Credits

The first reform offered under the ACA provides tax credits for small businesses with fewer than 25 employees that offer health insurance. Beginning in the 2010 tax year, qualifying small businesses with average annual wages of less than \$50,000 can claim a tax credit of up to 35 percent of the premiums paid for their workers' health coverage. The sliding scale credit will then be increased in 2014, and small businesses will be eligible for a maximum credit of 50 percent of the premiums paid (available for two years).

These tax credits will predominantly appeal to those small businesses that currently offer health coverage to their workers. Yet, while this will not increase coverage opportunities by a significant amount, it might prevent some businesses from dropping coverage in a tough economy or when faced with health insurance premium increases.

SHOP and Individual Marketplaces

The second critical reform for small businesses will be a new insurance marketplace for those firms with fewer than 50 employees. Beginning in 2014, the Small Business Health Option Program (SHOP) will be part of a new marketplace in Virginia that will allow small businesses to access and purchase health insurance coverage for their workers. The current small employer group health market is often unaffordable to small businesses that do not have a sizable pool of workers or have older or less healthy employees.



Jack, a policy analyst at VCU, enjoys his job, although getting it presented more challenges than it would have for most people. Jack has cerebral palsy, and like many workers with disabilities, he faced a number of difficulties when it came to looking for a job, including negative perceptions, and the current economic situation. Although the employment rate for the general population has been on the upswing, employment is down among those with disabilities. Nationally, 15.6 percent are unemployed, up from 13.9 percent last year.

Thankfully, the Virginia Department of Rehabilitative Services has been working to find jobs for workers with disabilities. Last year they, in conjunction with other state agencies, launched a "think beyond the label" campaign to combat negative stereotypes. They also help connect workers with disabilities to employers; that is how Jack found his current job. Bernard, president of a Henrico-based tech firm, said of the DRS, "[It] does a tremendous job of finding the right fit, looking for the skill sets we need."

Source: Richmond Times-Dispatch; April 24, 2011; *Removing Obstacles to the Workplace*

Although the details of the SHOP marketplace in Virginia are not yet complete, small businesses in this new marketplace likely would be able to choose a single plan or let their workers choose among a menu of options. In each case, the purchasing pool would be much greater than just individual businesses or their employees. A preliminary estimate by the Urban Institute indicates that if the SHOP marketplace is initially limited to small businesses with fewer than 50 workers (as is expected), up to 400,000 Virginians would receive coverage through the SHOP marketplace.

An additional health benefit marketplace will be available beginning in 2014 for individual Virginians who do not have access to employer coverage. The individual marketplace likely will include several quality and comprehensive health plan options, with a large pool of consumers to spread risk and help keep premiums affordable. All plans, regardless of where they are sold, will be prohibited from discriminating because of a pre-existing condition or in imposing lifetime or annual spending caps on customers.

Conclusion

In 2010, the state of Virginia's health insurance system for workers became even more unaffordable and unavailable, and now has left more than one million Virginians uncovered. While the impacts hit individuals and families, Virginia's small businesses that struggle to attract and retain workers are also increasingly feeling pressure to shift more of the cost of insurance onto their employees or drop coverage altogether. The Affordable Care Act provisions concerning the creation of two new health insurance marketplaces will be critical to making health insurance more affordable to businesses and providing workers and other consumers with new affordable and quality health insurance options.



According to Rita Winbush, the director of the Free Medical Clinic of Martinsville, unemployment isn't just hard on your finances. It's hard on your health. Lifestyles become more sedentary, eating habits change due to tight budgets, self-esteem suffers, which can lead to depression, and stress complicates everything.

Every day Rita sees people come into the clinic with high school and bachelor's degrees. They have worked their whole lives and, before becoming unemployed, did not suffer from health problems. While Martinsville has agencies in place to help them take care of their health, employment is the key long-term solution. According to Rita, "Re-employment is not happening fast enough."

Source: The Martinsville Bulletin; February 2011; *Joblessness Can be Bad for Your Health*



THE
COMMONWEALTH
INSTITUTE

1329 E. Cary St., #202
Richmond, VA 23219

www.thecommonwealthinstitute.org