Employment Based Health Insurance in Montana

Steve Seninger, Ph.D. Economist
Health Policy Research
Bureau of Business and Economic Research
The University of Montana-Missoula
Healthcare Spending in US & Montana

- National Healthcare Spending > $1.5 trillion and about 15% of national Gross Product
- Montana 2003 Healthcare Spending estimated at $4.3 billion...about
- ...16% of Montana Gross State Product
- Increased spending = higher prices and more healthcare utilization
U.S. Health Insurance Premium Increases:
1990-2005


Montana Kids Count; Bureau of Business & Economic Research. Winter 2005
Impact of Increased Health Spending & Higher Costs

- Higher costs to employers → how do they respond?
- Higher costs to workers → and low wage working who cannot afford
- Result? Workers loose health insurance at work
Figure 1: Montana Insurance Coverage
Ages 0 to 64: 2003
(n=2,348)

- Employer: 58%
- Uninsured: 22%
- Medicaid & CHIP: 10%
- Individual: 10%
Who are Montana’s +170,000 Uninsured?

- White → 86% of uninsured Montanans
- Adults +25 years of age → 67%
- High school degree or higher → 92%
- Employed → 77%
- Self-Employed or work for firms < 10 employees → 60%
2006 Employer Survey (n=486)

- 418 out of 486 were in 2003 Survey
- In 2006 50% of Montana employers offer health insurance
- 40% of small firms with 1 to 5 workers offer insurance
- 76% of non-offering firms cite cost
Figure 2: Percent of Firms Offering Health Insurance by # of Employees: 2003 & 2006

Steve Seninger, Bureau of Business & Economic Research, September, 2006
Figure 3: Percent of Firms Offering Health Insurance to all workers by # of Employees: 2003 & 2006

- 1 to 5 employees: 27% (2003), 34% (2006)
- 6 to 10 employees: 37% (2003), 51% (2006)
- 11 to 19 employees: 53% (2003), 58% (2006)
- 20 to 100 employees: 46% (2003), 78% (2006)
Changes in Employers’ Insurance Offering: 2003 to 2006

- No major changes—84 firms did not offer in 2003 or in 2006
- 25 firms added and 25 firms dropped
- High costs of health insurance major reason firms did not offer in either year
Figure 4: Why Montana Firms Do Not Offer Health Insurance Coverage: 2006 (n=243)

- Premiums too high: 76%
- Turnover too great: 5%
- Employees covered by another plan: 6%
- Other reasons: 13%
Workforce Coverage

- Increases in % of firms offering insurance to all workers...but....
- These gains offset by cost shifting of premiums to workers
- Workers paying twice to three times more than the % increase in premium costs
Figure 5: Average Monthly Health Insurance Premiums for Montana Employers Offering Health Insurance: 2003 & 2006
Figure 6: Percent Change in Monthly Health Insurance Premiums: 2003 to 2006

- Employee Only:
  - Employer's Cost: 24%
  - Worker's Cost: 13%

- Employee & Family:
  - Employer's Cost: 77%
  - Worker's Cost: 29%
Employer Reactions to Higher Health Insurance

- Continued cost shifting to employees
- Options? ............
- What about a monthly cash payment to workers so they can buy insurance?
Figure 7: Percent Firms Who Would be Likely or Unlikely to Provide Direct Cash Payments to Employees for Health Insurance, 2006
Montana’s Insurance Assistance to Small Business

- Only 10 firms in both samples were involved in Insurance Assistance.
- In full sample → 57% of firms not offering had heard of the program.
- 49% of eligible firms with 5 or less workers had heard of the program.
Figure 8: Percent of Eligible Small Firms Who Have Heard About Montana’s Health Insurance Assistance Program, 2006

(n=113)
Figure 9: Likelihood of Eligible Small Firms Participating in the State Health Insurance Assistance Program, 2006 (n=113)

- Very Likely: 24%
- Somewhat Likely: 41%
- Somewhat Unlikely: 5%
- Very Unlikely: 30%
Cost Implications

- Costs per $ insurance provided from tax credits = $2.36 to $3.70
- Costs per $ insurance from public = $1.17 to $1.33
- Need to look at long run costs of expanding tax credits in order to reduce Montana’s uninsured population and
- Evaluate whether expansion of private insurance is going to do anything to contain healthcare costs
Conclusions

- Other state health reform focus on cost containment and savings from more coverage.
- Montana employers expect to do more cost shifting to workers—and with low wage growth---
- Workers squeezed out by un-affordability.
- So more workers in small firms and low wage jobs will continue to lose insurance coverage.