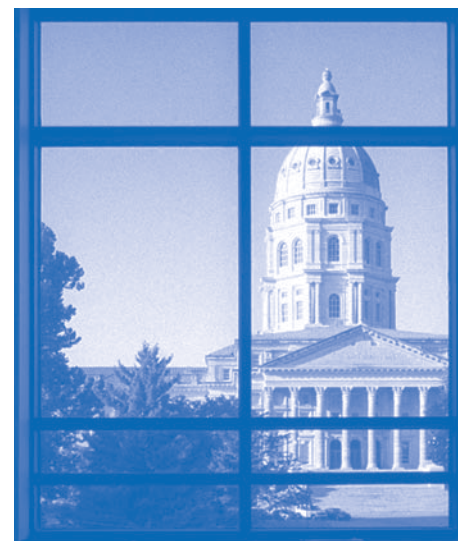


Issue Brief



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Employer-Sponsored Insurance in Kansas

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More Information

For more information about health insurance and the uninsured in Kansas, visit www.khi.org.

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Key Findings

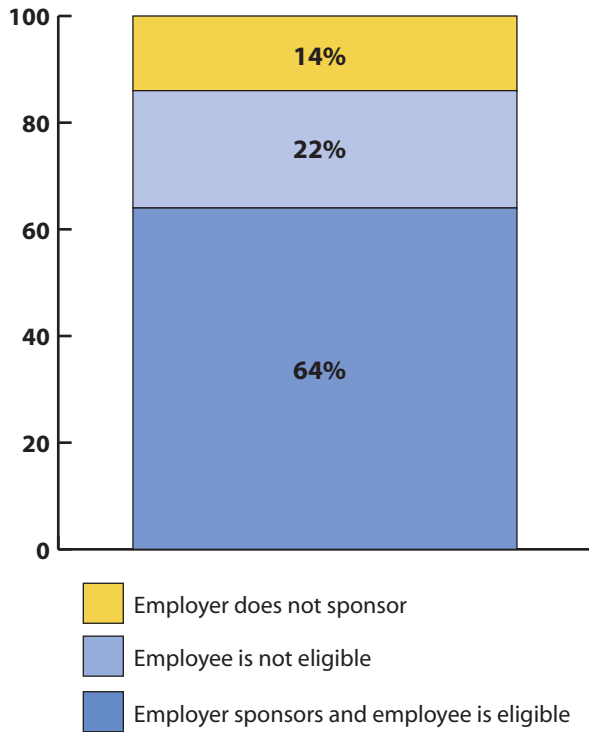
- Employment, even full-time employment, is no guarantee of access to employer-sponsored insurance in Kansas.
- Thirty-six percent of all employees do not have access to health insurance through their employers at a given point in time, either because their employers do not sponsor it or because they are not eligible.
- Only 58 percent of full-time employees at small firms have access to employer-sponsored health insurance.
- Only half of full-time employees at predominantly low-wage establishments have access to employer-sponsored health insurance.
- Policy strategies for reducing the ranks of the uninsured, especially the poorest of the uninsured, should include mechanisms for reaching those who do not have employer-sponsored insurance available to them.

INTRODUCTION

The voluntary provision of health insurance by employers in the United States accelerated during World War II, when employers used health benefits as a way to compete for workers during a time of labor shortages. Today, approximately 57 percent of all Kansans rely on employer-sponsored insurance.

However, the ties between employment and health insurance have weakened as the labor market responds to global economic forces and as the cost of health insurance increases. During economic downturns in particular, employers may reduce health insurance benefits for their workers along with hours and wages, shifting the

**Figure 1. Access to employer-sponsored health insurance in 2005
(All private-sector employees in Kansas)**



Source: Medical Expenditure Panel Survey Insurance Component (MEPS IC), 2005.

rising cost of health insurance to their employees.

For an employee, access to health insurance through an employer requires that:

- The employer sponsors a health plan.
- The employee is eligible for that plan.

However, health insurance is not truly accessible to an employee unless the available health insurance is also affordable.

This issue brief examines both access to and the affordability of employer-sponsored health insurance in Kansas. The focus is on the private sector, a sector that accounts for most of the jobs in Kansas and for which state-level data is available.

ACCESS TO EMPLOYER-SPONSORED INSURANCE IN KANSAS

Among all private-sector employees in Kansas, most work for employers that sponsor health insurance, however, 14 percent do not (Figure 1).

Even though an employer may sponsor health insurance, it is only accessible to an employee if he or she is also eligible. Some employers restrict eligibility for health insurance to full-time employees, management positions, or union positions. Many employers also impose waiting periods. In Kansas, about three-fourths of all establishments that sponsor health insurance require a waiting period before new employees are eligible. The average waiting period in Kansas is 7.2 weeks.

While 86 percent of all private-sector employees in Kansas work for employers that sponsor health insurance, only 64 percent are eligible at a given point in time (Figure 1). This leaves 36 percent without access to health insurance through their employers.

Not surprisingly, part-time employees are less likely to be eligible for employer-sponsored health insurance than those working full-time. Three-fourths of part-time employees do not have access to health insurance through their employers. However, even among full-time employees, about one-fourth do not have access, either because it is not offered or they are not eligible.

Not all full-time employees in Kansas are equally likely to have access to employer-sponsored health insurance. Twenty-five percent of full-time employees work for small firms with fewer than 50 employees. These workers are considerably less likely to have access to health insurance than those working at larger firms (Figure 2). Thirty-five percent of full-time employees at small firms do not have access

to employer-sponsored health insurance because it is not offered by their employers. An additional 7 percent do not have access because they are not eligible. However, even at larger firms, 18 percent do not have access to employer-sponsored health insurance, largely due to the lack of eligibility.

Similarly, full-time employees at predominantly low-wage establishments are less likely than those at higher-wage establishments to have access to health insurance through their employers (Figure 2). Twenty-two percent of full-time employees in Kansas work at predominantly low-wage establishments, which are defined as workplaces where half or more of the employees made \$10 an hour or less in 2005. At that wage, an employee that works 40 hours a week earns an annual salary of \$20,800. Among full-time employees at predominantly low-wage establishments, health insurance is unavailable for 22 percent because their employers do not offer it. Another 28 percent are not eligible, despite working for employers that sponsor health insurance.

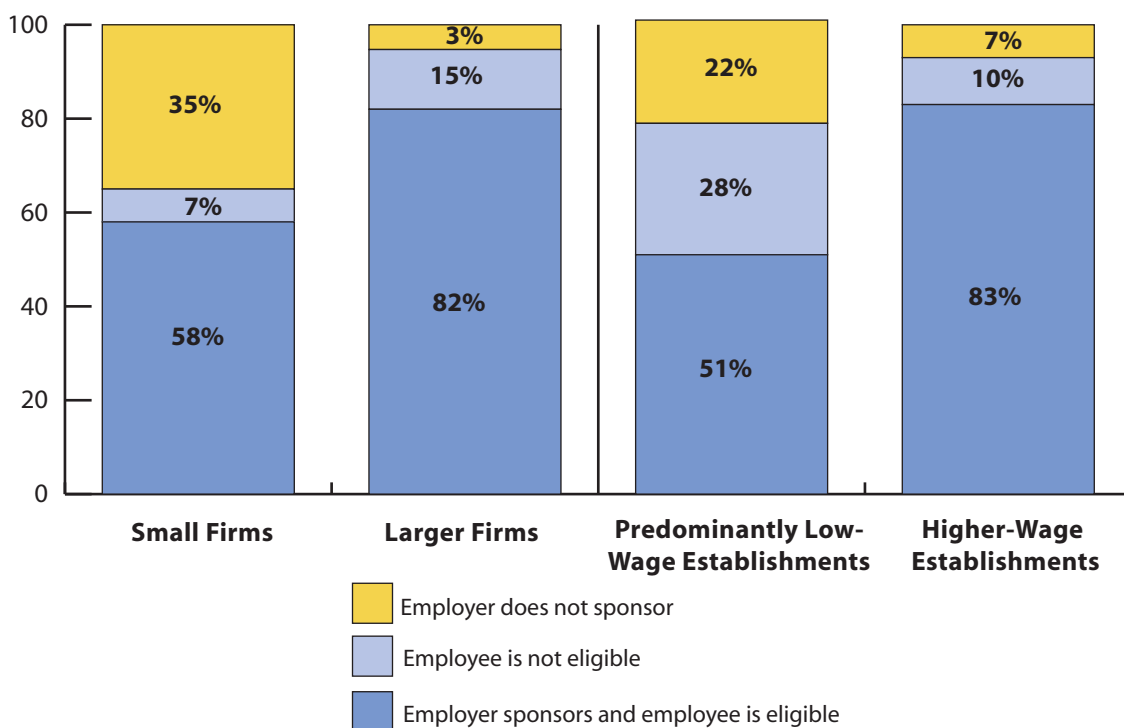
Workers who do not have access to health insurance through their own employers are at an increased risk of being uninsured. Although employer-sponsored health insurance may be available through a family member, a nationwide study indicates that 70 percent of all uninsured employees do not have access to health insurance through their own employer or a family member's.

AFFORDABILITY OF EMPLOYER-SPONSORED INSURANCE IN KANSAS

Even when employer-sponsored insurance is available, premiums, co-payments, deductibles, and uncovered services may make it unaffordable to some employees.

Premiums in Kansas have risen significantly, as they have nationwide. In 2005, a private-sector employee's annual contribution for single coverage was \$721, on average. The average employee contribution for family coverage was \$2,443, which represented almost 5 percent of median family income in Kansas that year. For a family of three earning 100 percent of the Federal Poverty Level (FPL), the percentage of family income was even greater at 15 percent. These percentages cover only the cost of premiums and do not include out-of-pocket expenditures for co-payments, deductibles, and uncovered services.

Figure 2. Access to employer-sponsored health insurance by employer characteristics in 2005 (Full-time private-sector employees in Kansas)



Source: Medical Expenditure Panel Survey Insurance Component (MEPS IC), 2005.



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The Kansas Health Institute is an independent, nonprofit health policy and research organization based in Topeka, Kansas. Established in 1995 with a multi-year grant from the Kansas Health Foundation, the Kansas Health Institute conducts research and policy analysis on issues that affect the health of Kansans.

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Two-thirds of all private-sector employees enrolled in health insurance through their employers also pay a co-payment for physician office visits. Eighty-five percent pay a deductible, which averaged \$690 for single coverage in 2005. The average family deductible was \$1,387.

The average deductible at small firms was considerably higher than in larger firms. At small firms, the average deductible for single coverage was \$1,067 compared to \$577 at larger firms. For family coverage, the average deductible at small firms was \$2,028 compared to \$1,271 at larger firms.

While most employees who have access to employer-sponsored insurance enroll, “take-up rates” have declined in Kansas as they have nationwide. In 1998, 86 percent of private-sector employees who had access to health insurance through their employers enrolled. By 2005, that percentage had declined to 74 percent. The increasing cost of health insurance likely plays a major role in that decline.

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POLICY IMPLICATIONS

Although most private-sector employees in Kansas have access to health insurance through their employers, more than a third do not. Some employers do not sponsor health insurance at all, and 22 percent of employees are not eligible at a given time.

Even when health insurance is available to an employee, the cost of premiums and other cost-sharing requirements can make it unaffordable, especially for low-income Kansans. Those who enroll despite the cost may struggle to afford other necessities such as housing and food.

Health reform strategies that make the employee share of premiums more affordable have the potential to increase coverage and reduce families’ financial burdens. On the other hand, it is important to recognize that additional cost-sharing requirements can also make coverage unaffordable.

Meaningful health reform must also reach those uninsured Kansans who do not have access to employer-sponsored health insurance. Reform strategies that focus on employer-sponsored health insurance should both increase the number of employers that offer health insurance and increase the number of employees that are eligible. Even successful strategies, however, will leave some Kansans uninsured. Increasing access to publicly-sponsored health insurance remains an important policy option.