

Covering the Uninsured

Expanding Health Insurance Coverage to More North Carolinians

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The Business Case for Providing Health Insurance

Health insurance is associated with better health and a more productive and well-educated workforce. Research indicates that having health insurance improves health status and leads to strong labor force participation.¹ Studies have shown that the uninsured have poorer general health and worse health outcomes, including risk of death. In addition, they often delay treatment because of an inability to pay for services.

Focus groups with North Carolina employers, conducted by FGI Research as part of North Carolina's State Planning Grant, revealed that employers recognize the value of employee healthcare coverage for their own bottom line. "We like to keep our employees healthy so they'll show up for work," noted one focus group participant. By offering health insurance, employees gain access to important wellness and preventive services, which employers feel makes them more productive workers. Research supports this belief; insured workers take fewer sick days and have shorter episodes of illness than their uninsured counterparts.²

*The most important reason for the growth in the numbers of uninsured is the increase in health insurance premiums.*³ Employers are finding it increasingly difficult to maintain health insurance benefits for their employees because of double digit increases in health insurance premiums over the last five years.⁴ Consequently, the relationship between health insurance and employment has changed substantially over this period.

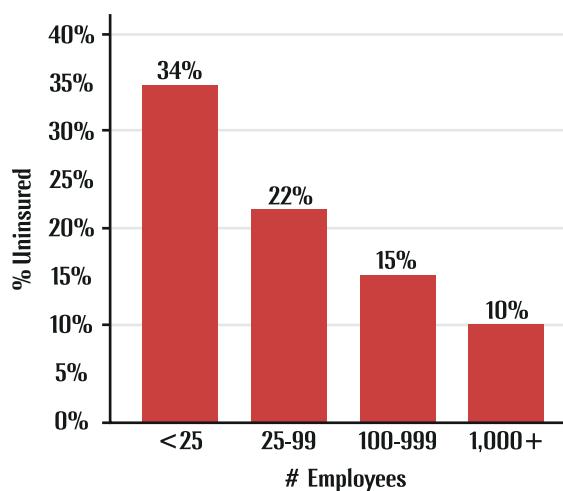
Employer-sponsored health insurance is declining. In recent years the percentage of employers offering employer-sponsored health insurance coverage has declined. In North Carolina, approximately 58.3% of the nonelderly had employer-sponsored insurance in 2004, representing a nearly eight percentage point decline since 2000.⁵ Enrollment in publicly-subsidized health insurance, such as Medicaid or NC Health Choice, and private nongroup insurance has not increased enough to offset this decline. Consequently, the drop in employer-sponsored insurance has contributed to the growing number of people who

lack health insurance, which reached approximately 1.3 million (18%) nonelderly North Carolinians in 2004.⁵

North Carolina's changing economy is also an important factor in declining health insurance coverage. Extensive job losses in manufacturing and simultaneous growth in the service sector in recent years may be contributing to the changing landscape of health insurance provision in North Carolina. According to the Department of Commerce, more than 160,000 (22%) manufacturing jobs, primarily in the textile and furniture industries, were lost between 1999 and 2003 in North Carolina.^{6,7} Many of these jobs provided employer-sponsored insurance.

At the same time that employment in those industries has been declining, a concurrent expansion has occurred in other sectors of the state's economy. Some of the expansion is taking place in industries that require highly skilled workers, such as healthcare, social services, education, finance, and insurance. Although many of these industries offer health insurance to full-time,

Table 1
Uninsurance Rate by Firm Size, NC



Source: Homes M. Analysis of US Census. Current Population Survey 2004-2005 (Calendar years 2003-2004). Cecil G. Sheps Center for Health Services Research, The University of North Carolina at Chapel Hill. 2005

permanent employees, there is evidence that many of the newly created jobs are part-time, temporary, and low-wage jobs.⁵ Additionally, there has been an increase in the number of North Carolinians working for small businesses, which are less likely to offer health insurance to employees than larger firms. These trends have the potential to further contribute to the decline in employer-sponsored insurance and, thus, reduce the number of people with health insurance in North Carolina.

Employer-based insurance offers tangible financial benefits to companies and employees. Group health insurance policies, primarily available to employers, provide individuals with premiums that are lower than similar health insurance plans in the individual market. Additionally, dollars spent on health insurance through employers are subject to preferential tax policies that do not extend to individuals purchasing insurance in the private market.

Further, there is evidence that businesses that offer health insurance to employees have lower turnover rates, which reduces hiring and training costs.⁸ For example, married men who receive health insurance through their employer are approximately one third less likely to leave their jobs than married men not receiving health insurance from their employer.^{9,10} Companies and workers also benefit from increased productivity and fewer lost wages on average because health insurance reduces employee sick days.

Expansion of health insurance coverage also provides tremendous savings to society. In North Carolina, approximately \$1.3 billion dollars was spent on uninsured individuals in 2005. Close to two thirds of the cost of care for the uninsured is absorbed by governments and the privately insured.¹¹ Insured individuals pay higher premiums to offset the cost of services to the uninsured. Reimbursements from local, state, and federal programs also provide partial support for care of the uninsured. However, with nearly 20% of North Carolina's nonelderly population lacking health insurance, uncompensated care presents a substantial financial burden to the state and local economies, and the problem is often worse in parts of the state with the fewest resources to absorb the costs.

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This issue brief is one in a series, produced as part of North Carolina's "State Planning Grant" effort, led by the NC Department of Health and Human Services, to examine options to expand health insurance coverage to the uninsured. The State Planning Grant supported a Task Force on Covering the Uninsured, which brought together stakeholders from a variety of interest groups to examine these issues and develop a set of recommendations for improving healthcare coverage across the state. Collaborating organizations include: the NC Department of Insurance, Cecil G. Sheps Center for Health Services Research at The University of North Carolina at Chapel Hill, and North Carolina Institute of Medicine. The State Planning Grant was funded by the Health Resources and Services Administration of the US Department of Health and Human Services. For other issue briefs or a copy of the final report of the NC IOM Task Force on Covering the Uninsured, visit the NC IOM website at: <http://www.nciom.org>.