



Cutting Costs to Employers Increases Costs to Employees

[By Shaileja Mammen]

Many employers offer health insurance to their employees, and this has traditionally served the purpose of attracting and retaining talented professionals. However, more and more U.S. employers are reducing the health insurance benefits they offer to employees in efforts to cut costs and increase their competitiveness.

Therefore, employees can no longer depend entirely on employer-sponsored health insurance. The benefits provided are being reduced while the healthcare costs to employees are increasing, with employees being asked to make higher co-payments and pay for larger deductibles.

According to the U.S. Government Accountability Office (GAO), the cost of health and retirement benefits increased by 34% between 1991 and 2005, while wages increased by only 10%. This has led to concern that workers will receive reduced benefits or be required to bear the rising costs. It is also felt that workers who are older, sick, or low wage earners are at a greater disadvantage.

The U.S. Government Accountability Office examined the practices used by employers to control the costs of benefits and evaluated changes in benefits offered by employers and their implications. Some of the findings of the study are:

- The number of employers offering health insurance benefits decreased by 8% from 2001 to 2006.

- Additional healthcare costs have been shifted to workers by way of higher co-payments, co-insurance, and deductibles, which are out-of-pocket payments for employees.
- Employers have changed the plans offered to employees or the features of current plans.
- Limited-coverage mini medical plans are being offered to employees.
- Eligibility for health coverage and the extent to which workers are covered have decreased, especially among low-income workers.
- Approximately 72% of full-time employees participate in employer-sponsored health insurance plans, whereas only 13% of contingent workers do.

These findings are not specific to any industry but are true across all industries.

The current state of employer-sponsored health insurance in the U.S. adds one more

issue to be considered when deciding on a career course. Would you be willing to work for a company that increases salaries by reducing health insurance benefits? Would you consider joining a company that offers almost no health insurance benefits?

If your company changes its health plan or its health plan's features, how will it affect you or your family? Will the benefits that are currently available for your stepson be slashed? What will be the additional out-of-pocket expenses in the form of co-payments, coinsurance, or deductibles? If your current company health insurance plan changes, will it be necessary for you to choose another health insurance plan to cover your specific needs?

ON THE NET

GAO Report: Employer-Sponsored Health and Retirement Benefits
www.gao.gov/new.items/d07355.pdf