



## Employer-Sponsored Health Insurance and Health Reform

Exploring the relationship between health system reform and decisions by businesses to offer health coverage

### SUMMARY

From 2006 through 2010, the [Center for American Progress](#) sought to increase the involvement of American business in health reform by issuing reports and sponsoring events for business leaders that focused on aspects of reform.

In 2010, with passage of the Patient Protection and Affordable Care Act, the center shifted its project emphasis toward helping policy-makers and administrators implement the act's health insurance exchanges and helping businesses prepare to participate in them.

### Key Results

Under the Health Business Leader Initiative, the center:

- Disseminated three reports:
  - An analysis of employers' experiences offering health coverage while controlling costs
  - A detailed description of provisions of the Patient Protection and Affordable Care Act of 2010 as they affect businesses
  - A “how-to” roadmap for policy-makers and administrators setting up state health care exchanges for small businesses under the act
- Held a panel and two roundtables with business leaders to discuss the first report

### Funding

The Robert Wood Johnson Foundation (RWJF) supported this project from December 2006 through December 2010 with a grant of \$107,040.

## CONTEXT

In a 2005 grant proposal to RWJF, the Center for American Progress, a Washington-based nonpartisan research and education organization, noted the following:

- Employer-sponsored health insurance has formed the backbone of the American health care system. In 2005, employers paid some 25 percent of the nation's health care spending and provided coverage to more than 175 million Americans.
- However, the percentage of workers who are covered by their employers' health benefits is declining, and escalating health care premiums force American corporations and small businesses to think twice before they create jobs or make capital investments.
- Business leaders had largely remained on the sidelines rather than play a key role in the health care debate, rarely contributing to policy solutions or advocating for change.

The center designed this project partly to help bring corporate leaders into the national dialogue on health system reform.

### RWJF's Interest in Employer-Sponsored Insurance

Over the last two decades, RWJF has funded a number of projects focused on studies of employer-sponsored insurance and the role of business in health care coverage. These include the following:

- During 1995 and 1996, RWJF supported the [Economic and Social Research Institute](#) in conducting a two-part survey of employers' opinions about the role of business in financing employee health care coverage.<sup>1</sup> The survey indicated that business leaders expected to pass on an increasing share of rising health care costs to their employees. See [Program Results Report for more information](#).
- From 2002 to 2004, RWJF supported the [Committee for Economic Development](#) in disseminating findings from a 2002 policy statement, "A New Vision for Health Care: A Leadership Role for Business."<sup>2</sup> It argued that the business community has a stake in expanding coverage as a way of ensuring a healthy, productive workforce and minimizing the indirect financial burden of uncompensated care. See [Program Results Report for more information](#).
- In 2004, in collaboration with the [Healthcare Leadership Council](#), RWJF produced *The Guide to Health Insurance Options for Small Business Owners*, for *Cover the Uninsured Week*. (See [news release](#).)

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<sup>1</sup> Grant ID# 28052.

<sup>2</sup> Grant ID# 41813.

## THE PROJECT

From 2006 through 2010, the Center for American Progress sought to increase the involvement of American business in health system reform by issuing reports and sponsoring events for business leaders that focused on aspects of reform.

Following the March 2010 passage of the Patient Protection and Affordable Care Act, the center shifted project emphasis toward helping the act's stakeholders design, implement, or—as businesses—prepare to participate in the legislation's health insurance exchanges.

According to Project Director Karen Davenport, then director of health policy for the center, "the project experienced expected challenges in engaging businesses with the dialogue on health care reform" because "It's not their core business.... It is hard to focus businesses on something that's not immediately part of their bottom line."

## RESULTS

The Center for American Progress:

- **Published and disseminated three reports (See the [Bibliography](#)):**
  - *Opportunity Costs and Opportunities Lost: Businesses Speak Out About the U.S. Health Care System*. Published in 2007, this report analyzes the experiences of ten businesses in different parts of the country trying to extend health benefits to their workers while controlling costs.

Two of the businesses studied were multinational corporations, two were medium-sized companies, and six were small local businesses. All were unidentified.

The following are among the findings the researchers noted:

- Health care costs, along with the resources invested in making decisions on health plans, affect business as a whole.
- All businesses, regardless of size, face rising health care costs.
- Businesses are investing substantial resources just in deciding on a health plan.
- Employee health education presents a challenge to all employers.
- All executives interviewed “recognized that sustainable health care reform is critical to their businesses’ productivity and competitiveness and will require the involvement of government, employers, health insurance plans, health care providers, and patients.”

As of September 2011, the report had received 2,909 page views on the center's website.

— ***Implications of Health Care Reform for Employers: An Analysis of the Patient Protection and Affordable Care Act.*** Published in May 2010, this report described in detail provisions of the Patient Protection and Affordable Care Act as they affect businesses. Key topics included:

- Creation of state health insurance exchanges
- Employer requirements to provide health insurance and available employer subsidies
- Requirements that individuals buy health insurance or pay a penalty
- Insurance market reforms, including guaranteed availability of insurance and minimum standards for health insurance plans
- Expanded eligibility of public coverage for all Americans with incomes less than 133 percent of the federal poverty level (for example, \$30,000 a year for adults in a family of four at the time of the report)
- Cost-containment strategies, including Medicare payment reforms to improve delivery system efficiency and quality, and a new tax on high-cost health insurance plans

As of September 2011, the report had received 2,752 page views on the center's website.

— ***SHOPping Around: Setting Up State Health Care Exchanges for Small Businesses: A Roadmap.*** In July 2011, the center published this “how-to” roadmap for policy-makers and health insurance exchange administrators in collaboration with the **Small Business Majority**, an advocacy group of small business owners headquartered in Sausalito, Calif.

The authors note: "Health insurance premiums for small businesses have grown 113 percent over the last decade, but because of their smaller scale and thinner margins, small businesses are less able than other employers to absorb these increasing costs.

"...Nearly 23 million of the 45 million Americans without health insurance in 2007 were small-business owners, employees or their dependents, the Employee Benefit Research Institute estimates. In other words, about 50 percent of uninsured Americans are part of the small-business community."

The roadmap featured "snapshots" of exchanges in California, Connecticut, Massachusetts, New York, and Utah. It highlighted three basic principles for policy-makers to consider when setting up an exchange:

- Know the state's small business market.
- Seek maximum participation.
- Pay attention to cost concerns.

It then focused on key decisions that states will need to make, including:

- Which structure should the exchange adopt to best serve its clients?
- Should the state be an active purchaser—setting standards for policies—or a passive purchaser?
- What role will brokers play?
- Should employers or employees pick their plans?
- Should the exchange offer additional services to small employers?

The roadmap underscored the importance for states of “making sure the exchange will be competitive with the outside insurance market and attract enough small businesses to succeed.”

As of September 2011, the roadmap had received 1,049 page views on the center's website and 241 unique downloads on the Small Business Majority site.

- **Held one panel discussion and two roundtable discussions with business leaders.**

The subject of these events was employers’ experiences offering health insurance while attempting to control costs—issues raised by *Opportunity Costs, Opportunities Lost*.

- Held April 17, 2007, at center headquarters in Washington, the panel included report author Meena Seshami; Sheila Ogle, CEO of MRPP Media Agency, Cary, N.C.; Paul Fronstin, senior research associate of the Employee Benefit Research Institute; and Tom Daschle, distinguished senior fellow at the center and former U.S. Senate majority leader. Some 100 persons attended.
- A Seattle roundtable discussion in August 2007 included Daschle and center staff. It was attended by executives of Boeing Aircraft.
- An Atlanta roundtable in October 2007, also with Daschle and center staff, was attended by executives of Emory University and ChoicePoint, at that time a Georgia-based data aggregation company.

The event page for these had received 1,090 unique page views as of September 2011.

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