

ISSUE BRIEF

Health Care Coverage

Since the defeat of the Clinton health plan in 1994, Congress has not taken up comprehensive health care proposals aimed at achieving universal coverage. Since then, the number of uninsured has grown to 41.2 million in 2001, and rapidly rising health care costs threaten coverage for those who now have it. Congress should seek comprehensive solutions to this crisis, focusing on both controlling costs and expanding coverage.

Even in the boom years of the late 1990s, when tight labor markets encouraged employers to maintain or expand health coverage for their employees, nearly 40 million Americans were uninsured. Today, that number is growing, with 1.4 million more uninsured in 2001. The overwhelming majority of the uninsured, roughly 80 percent, are in families with at least one worker. Coverage for these workers may be elusive because their employer does not offer coverage or the worker does not qualify for the coverage or cannot afford his or her share of the premium.

Rising health care costs threaten coverage. Escalating health care costs threaten existing employer-sponsored coverage, increase the ranks of the uninsured and add to the cost of coverage expansions at a time of tight federal and state budgets. In its annual survey of employer-sponsored insurance, the Kaiser Family Foundation (KFF) and Health Research and Educational Trust (HRET) 2002 Annual Survey found premiums increased nearly 13 percent in 2001, the second consecutive year of double-digit premium increases and the largest increase since 1990. As a result, workers are paying more—in co-pays, deductibles and premiums—and getting less in benefits. Year after year, rising health care costs have become the most difficult issue in contract negotiations, with workers making the choice to forgo some wage increases to stave off greater increases in their health care cost sharing.

Skyrocketing prescription drug costs must be addressed. The fastest growing share of overall health cost hikes is prescription drug costs, which have grown at more than twice the rate of other aspects of health care spending (such as hospital care or physician or clinical services). Private insurance spending on prescription drugs grew by about 20 percent a year since the mid-1990s.

Health care costs are exacerbating the crisis in retiree coverage. The share of large employers offering retiree coverage has dropped substantially over the last decade. According to the KFF/HRET survey, 66 percent of all large firms offered retiree coverage in 1988, compared with just 34 percent in 2002. This trend will only worsen with rising drug costs. Prescription drug costs constitute 40 to 60 percent of employers' retiree health care costs, and steep prices are prompting employers to eliminate drug benefits, cap their contributions or drop retiree coverage altogether, according to the *New York Times* on May 10, 2002.

Union-sponsored plans warrant unique solutions. Ten million union workers obtain their coverage through a health plan funded by more than one employer. Multi-employer plans, also called Taft-Hartley plans for the 1947 statute that established them, are maintained according to collective bargaining agreements between employers and unions. Multi-employer plans are governed by joint labor-management boards, with equal representation of employees and employers, and are subject to the requirements of the Employee Retirement Income Security Act. Multi-employer plans have been an effective and important way to provide coverage to workers who are employed by several different

employers over the course of their working careers (such as building and construction or entertainment industries) or by small employers that cannot otherwise afford to offer coverage (including clothing and textile, food and commercial, hotel and restaurant and service industries). Any proposal affecting health coverage must recognize the unique nature of these plans.

The rise in the number of uninsured Americans will continue unless Congress addresses the crisis in cost and coverage. Congress should enact measures that will rein in rising health care costs in order to both preserve existing coverage and make coverage expansions more affordable at a time of strained federal and state budgets. Congress should begin by passing the generic drug legislation that overwhelmingly passed the Senate with bipartisan support last year (S. 812). Other, more aggressive cost-containment measures should also be considered, including allowing the reimportation of drugs from Canada, where they are sold for a fraction of the cost charged to U.S. customers.

Enacting a Medicare drug benefit that recognizes employer-provided retiree benefits would help coverage for both active workers and retirees. In response to rising health care costs, employers are asking retirees to pay more for their health benefits and eliminating retiree coverage for current employees who have not yet retired. Employer-sponsored retiree benefits are currently the single greatest source of prescription drug coverage for Medicare beneficiaries. Congress must enact a Medicare prescription drug benefit that recognizes the value of employer-sponsored coverage. Specifically, employers that have been offering benefits to retirees should be given the option to either receive reimbursement for providing drug benefits that otherwise would be covered by Medicare or allow their retirees to enroll in the Medicare drug benefit with the employer providing additional coverage or assistance with enrollee cost sharing.

Congress must consider bold, comprehensive proposals to expand coverage. Congress has considered a number of approaches to expanding coverage. One approach would require employers to offer health coverage and rely on public coverage for those without access to employer sponsored health insurance. Another approach would provide individuals with tax credits to purchase coverage. Congress must consider bold, comprehensive proposals that would shore up and expand existing coverage, whether through employers or public programs. Rather than expand health coverage, tax credits for coverage in the individual market would undermine employer-sponsored coverage, where the vast majority of insured Americans get their coverage. That's because young and healthy workers may drop employer-sponsored coverage in order to get a pared-down policy in the individual market. The workers who remain in more comprehensive employer plans will be older and sicker, driving up the cost of coverage. The health care provisions of the recently enacted Trade Adjustment Assistance Act represent welcome recognition that laid-off workers need help in paying for their health care. However, there are considerable implementation concerns that must be addressed before it can be shown to be a workable model for future coverage expansions.