

Workers' Perspectives On Mandated Employer Health Insurance

A new law in California brings employer mandates into the national spotlight for the first time in a decade.

by **Claudia L. Schur, Marc L. Berk, and Jill M. Yegian**

ABSTRACT: There is renewed discussion of using employer mandates as a strategy for decreasing the number of uninsured Americans. California recently passed the Health Insurance Act of 2003, the first state-based “play-or-pay” legislation in nearly a decade. To better understand workers’ perceptions, the California HealthCare Foundation commissioned NORC at the University of Chicago to conduct a survey to assess workers’ views on mandated employer coverage. We found that the vast majority of workers support such a mandate—regardless of whether they are insured—although there is some variation regarding how extensive the mandate should be.

THE MAJORITY OF AMERICANS with health insurance obtain coverage through employment. However, those numbers have fallen steadily: The proportion of nonelderly Americans obtaining coverage through the workplace has fallen from 70.1 percent in 1987 to 64.2 percent in 2002. Public coverage (Medicaid and Medicare) has absorbed some of the difference, but the proportion of uninsured Americans has risen from 13.7 percent in 1987 to 17.3 percent in 2002.¹

Large-scale efforts to expand coverage through the workplace have received little attention since the mid-1990s. Recently, however, discussion has reemerged. Employment-based coverage is a centerpiece of several Democratic presidential candidates’ health care reform proposals.² Also, California recently passed the Health Insurance Act of 2003, the first state-based “play-or-pay” legislation in almost a decade. Known as SB 2, the law requires that employers pay a fee to a state fund that will provide coverage to their workers; those employers offering qualifying coverage (the “play” option) will receive a credit against the fee. The legislation phases in over time, with initial implementation scheduled for 1 January 2006 for the largest firms (those with at least 200 workers).³

There is little precedent to date for successful state-based efforts to mandate

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employer-sponsored coverage, in part because the 1974 Employee Retirement Income Security Act (ERISA) effectively preempted state regulation of such coverage. In 1974 Hawaii became the first state to require employers to provide health insurance to employees; it is the only state with a mandate currently in force.⁴ Massachusetts, Oregon, and Washington all passed versions of employer mandates in the late 1980s and early 1990s, but a variety of economic, legal, and political obstacles impeded their implementation.⁵

A decade after the last serious discussion of mandating employer-based coverage, the debate under way in California remains much the same.⁶ Proponents see it as building on the familiarity with and efficiencies of the current system, and one of the few effective means of increasing the availability of health insurance coverage without a sizable increase in governmental involvement or costs. Detractors argue that it will raise health insurance premiums for everyone and, by raising the costs of hiring, could lead to reductions in wages and employment levels. To better understand how workers perceive the debate, the California HealthCare Foundation commissioned NORC at the University of Chicago to conduct a survey to assess workers' views on requiring employers to offer coverage. This paper reports on the results from the survey.

Methods

The survey field work was implemented by International Communications Research (ICR) as part of a larger survey that asks a core set of demographic questions and then adds additional questions from a number of separate funders. The survey was conducted by telephone during the period 25 November–16 December 2003. Using random-digit dialing, 1,479 respondents nationally who met eligibility criteria for the study were interviewed. California residents were oversampled, resulting in a California sample of 538 respondents. To be considered eligible for the survey, respondents had to be ages 18–64 and employed, or have an employed spouse in that age group. Respondents were asked a series of questions concerning their views on mandated employer health coverage.⁷

The ICR survey makes up to four attempts to call each number. The calls are made at different times and on both weekdays and weekends. The survey randomly selects a single respondent within each selected household. The methodology employed is similar to that used for political polling. The short field period does not allow the achievement of a response rate that would be comparable to those of government-sponsored surveys with field periods of several months. ICR weights the data to ensure a survey that is nationally representative with respect to key demographic variables. Estimates discussed below are weighted. Where noted, differences in the distribution of responses are statistically significant using a chi-square test at the .05 percent level.

Findings

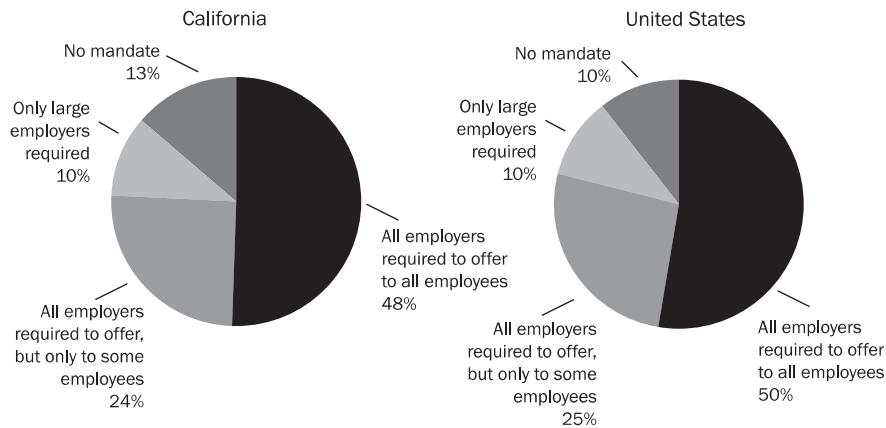
Overall, in both California and the country as a whole, approximately half of working-age adults indicated that they thought all employers should be required to offer health insurance to all employees (Exhibit 1). One-quarter opted for a less inclusive mandate, saying that employers should be required to offer coverage but only to certain employees, such as those who are permanent and work full time. Another 10 percent voiced support for a mandate but only for large employers. Only 13 percent in California and 10 percent in the country as a whole thought that employers should not be required to provide insurance to their employees.

In general, groups that are traditionally more likely to be disenfranchised within the health care system were more likely to be in favor of a full mandate on employers (that is, all employers and all employees); this pattern was observed for people with lower incomes and less education and for Latinos both in California and nationally (Exhibit 2). Although blacks voiced a particularly strong opinion in favor of mandates nationally (with 79 percent supporting a full mandate), their support was no stronger than average in California. The uninsured were somewhat more likely than those who were already covered were to support a full mandate, but the difference was not as large as for other groups. For the country as a whole, residents of the South were more likely than residents of the West to support the strongest mandate, although there was no overall difference between California residents and those in the remaining states.

Of those who voiced support for a requirement on employers to provide health insurance (whether full or limited), 65 percent of California residents and 70 percent of U.S. residents overall stated that employers should be required to pay for

EXHIBIT 1

Perspectives On Requiring Employers To Offer Health Insurance Coverage Among Employed Adults Ages 18–64, California And United States Overall, 2003



SOURCE: NORC survey on employer mandates, 2003.

NOTE: Percentages in both graphs equal 95. The remaining 5 percent did not know or refused to answer.

EXHIBIT 2
Percentage Of Workers Supporting An Employer Health Insurance Mandate, United States Overall And California, 2003

	All employers required to offer coverage to all employees (%)		All employers required to offer coverage but only to some employees (%)		Only large employers required to offer coverage to employees (%)		Employers not required to offer coverage (%)	
	US	CA	US	CA	US	CA	US	CA
All	50	48	25	24	10	10	10	13
Age								
18-34	55	54	26	25	7	6	5	9
35-44	45	44	30	25	9	10	13	17
45-54	50	42	24	23	12	15	10	17
55-64	44	41	18	22	13	17	18	14
Sex								
Male	48	49	24	20	10	10	14	15
Female	52	46	27	28	10	11	7	11
Household income								
<\$25,000	66	70	17	20	8	5	7	3
\$25,000-\$49,999	56	52	26	31	9	8	6	9
\$50,000-\$74,999	44	45	31	26	13	15	12	12
\$75,000+	38	39	30	28	13	13	15	18
Race								
White	44	38	29	26	10	15	12	17
Black	79	50	7	41	9	8	2	0
Hispanic	60	60	29	21	4	4	5	12
Other	55	56	12	17	25	13	7	10
Insurance status								
Insured	49	46	28	28	10	10	10	14
Uninsured	53	54	20	17	10	12	11	12
Education								
HS grad or less	53	61	24	24	11	6	9	5
Some college	54	44	26	24	7	12	9	18
College grad	43	38	29	27	11	14	14	17

SOURCE: NORC survey on employer mandates, 2003.

NOTE: $p < .05$ for chi-square comparing distribution of responses by age, sex, household income, race, insurance status, and education, for all except California respondents by age and sex.

most of the cost of health insurance premiums for their employees.⁸ There was relatively little variation across subgroups in response to this question, with the exception of blacks, who were the strongest proponents of requiring employers to subsidize premiums.

The vast majority of respondents who supported an employer mandate of some sort (81 percent in California, 85 percent in the whole country) were in favor of including coverage for dependents in the requirement. Support for dependent coverage was uniform across all subgroups except the insured, who voiced stronger support for the requirement than the uninsured did. There was no difference in support between California residents and all other states, although, looking at the country as a whole, those living in nonmetropolitan areas were less likely than urban dwellers to be in favor of the requirement. And four-fifths of those supporting

mandated dependent coverage also felt that employers should pay for some of the premium cost for dependents (in both California and the country as a whole). People ages 55–64 (compared with those ages 18–44) and the insured (compared with the uninsured) were more likely to think that employers should contribute to premiums for dependent coverage.

Respondents were also asked whether they thought low-wage workers should get extra help in paying for their health insurance coverage and, if so, whether the assistance should come from employers or the government. Of those in favor of at least some employer mandate, three-quarters (74 percent in California, 73 percent in the country as a whole) were in favor of such assistance, with some preference voiced for government aid (42 percent in California) over help from employers (32 percent in California). Those with the lowest incomes (less than \$25,000 annually) and the uninsured were most interested in government help, while the insured expressed the most support for having that assistance come from employers. This may indicate worry on the part of those who feel more vulnerable in their work situation about negative consequences for workers if the burden on employers increased. Compared with workers in other regions, workers in the Northeast were also more likely to think that employers should assist low-income workers with premium costs. Although workers were interested in government assistance for low-income workers, they were less supportive of government intervention in choosing their benefits. In terms of the types of benefits that health insurance should provide, about half of workers (55 percent in California and 52 percent nationally) believed that they should decide, slightly less than one-quarter of workers in California and nationally thought that their employer should choose, and only 16 percent in California and 18 percent nationwide wanted the federal or state government in charge.

When asked about what might happen to wages and employment if employer-mandated coverage was implemented, 81 percent of California residents thought that there would be some effect, slightly less than the 86 percent of all U.S. workers who foresaw an impact (Exhibit 3).⁹ Of interest, those with the lowest incomes, blacks, the uninsured, and the least educated were least likely to think that there would be an overall employment or wage effect. Looking at the entire country, workers in the Northeast and North Central regions were more likely than those in the South or West to expect a labor market impact.

When asked about the impact on their own or their spouse's job, a much smaller proportion thought that there would be an effect. Again, a lower proportion of low-income workers, those with less education, and blacks expected an effect. In the country overall, there was no difference between the insured and the uninsured in their perspectives on either of these issues. However, the uninsured in California were much less likely than the insured to expect an overall labor market effect as a result of an employer mandate, but they were just as likely as the insured to expect an effect on their own situation.

EXHIBIT 3
Perceived Effect Of Employer Mandate Among Workers, United States Overall And California, 2003

	Mandate would affect overall wages or unemployment (%)		Mandate would affect own wages or unemployment (%)	
	US	CA	US	CA
All	86	81	56	51
Sex				
Male	85	80	56	56
Female	86	82	56	46
Age ^a				
18-34	82	75	55	46
35-44	86	83	52	57
45-54	90	88	61	45
55-64	88	85	58	64
65+	74	100	78	57
Household income ^b				
<\$25,000	81	70	62	46
\$25,000-\$49,999	84	86	57	52
\$50,000-\$74,999	92	85	61	59
\$75,000+	92	86	52	51
Race ^b				
White	89	89	55	54
Black	75	67	58	45
Latino	85	78	63	54
Other	87	82	64	43
Insurance status ^b				
Insured	87	85	55	51
Uninsured	85	75	60	53
Education ^b				
HS grad or less	85	74	59	49
Some college	88	87	56	52
College grad	89	86	55	55

SOURCE: NORC survey on employer mandates, 2003.

^a $p < .05$ for chi-square comparing distribution of responses by age, for U.S. workers, for column on views of overall effect only.

^b $p < .05$ for chi-square comparing distribution of responses by household income, race, insurance status, and education, for U.S. and California workers, for both columns of responses.

Discussion

The passage of California's Health Insurance Act of 2003 could indicate renewed political and legislative interest in mandated employer health insurance as a means of increasing insurance coverage in the United States. Although strong and widespread support for a mandate is evident from our survey, opinion is varied on the specific provisions that should be part of a mandate.

Questions about which employers are subject to the mandate and what types of employees are covered are the most fundamental. Legislative mandates often exempt smaller firms and part-time or temporary workers, to avoid imposing undue

financial and administrative burden; however, doing so lessens the mandate's effectiveness in reducing the number of uninsured people. In California, 99 percent of firms with 200 or more workers and 94 percent of firms with 50–199 workers already offered coverage to their employees in 2002, compared with 61 percent of firms with 3–19 workers.¹⁰ Although California's mandate would cover many part-time workers and those without substantial job tenure, there would still be gaps in coverage affecting certain workers.¹¹

Other issues on which there remain differences of opinion include coverage of dependents, the extent of employers' premium contributions, and how to ensure that low-wage workers can take up offered benefits. Despite general support for mandated health benefits, these differences of opinion may help to propel referendum efforts to repeal SB 2 in California and may thwart national legislation to place these types of requirements on employers.¹²

The disconnect between workers' views on how a mandate would affect overall wages and employment and how they perceive that it would affect their own situation is of particular interest. Across all population subgroups, many more workers think that a mandate is more likely to affect others than to affect their own job or pay. Interestingly, subgroups most likely to be affected by wage reductions or layoffs—including the lowest-paid and least educated workers—are least likely to perceive this potential effect. If an employer mandate is implemented and these workers experience adverse labor market effects, their support for the requirement could erode.

In a recent Field Poll of California voters, two-thirds of respondents initially expressed support for SB 2.¹³ After they were "briefed" on arguments for and against the legislation, though, there was considerable shifting of support in both directions, and overall support fell to 53 percent. It is not clear from this exercise whether increased understanding of the issues will decrease support in the long run, but clearly any referendum to repeal the legislation will open up a major debate with no predictable winner.

A recent national survey focusing on issues facing voters shows that Americans are extremely worried about health care: Affordable health care tied with terrorism and national security for second place on the list of priorities.¹⁴ And about three-quarters of voters said that the health care system does not meet most people's needs. Support for mandated coverage may reflect increasing anxiety among Americans as they observe—and experience—the effects of increasing medical care costs. If so, support for mandated coverage may continue unless alternative solutions address underlying concerns.

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This study is the first in a series of household surveys that NORC will conduct on health policy-related topics and that Health Affairs will consider for publication on its Web site. Funding for this survey was provided by the California HealthCare Foundation (CHCF). The views presented are those of the authors and do not reflect the opinions of the CHCF or NORC. The authors thank Sreelata Kintala of NORC for her programming support and research assistance.

NOTES

1. See California HealthCare Foundation, *Snapshot: California's Uninsured*, 2003, www.chcf.org/documents/insurance/CaliforniaUninsuredSnapshot2003.pdf (23 February 2004). This report also includes comparison U.S. data in addition to detailed data on California.
2. Health reform proposals of John Kerry, John Edwards, Howard Dean, and Joseph Lieberman all include some sort of employer mandate, incentive, or penalty (all but Kerry dropped out of the race by March 2004). S.R. Collins, K. Davis, and J.M. Lambrew, *Health Care Reform Returns to the National Agenda: The 2004 Presidential Candidates' Proposals* (New York: Commonwealth Fund, updated 22 January 2004). In addition, Sen. Edward M. Kennedy recently announced plans to propose legislation that would include a mandate for large employers. See A. Dembner, "Kennedy to Propose Universal Health Care," *Boston Globe*, 22 January 2004. A report just released by the Institute of Medicine for the first time calls for universal health coverage to avoid the deleterious consequences of uninsurance. Although the IOM committee advocates no specific strategy for providing coverage, an employer mandate is among the four prototype reform strategies discussed. See Institute of Medicine, *Insuring America's Health: Principles and Recommendations* (Washington: National Academies Press, 2004).
3. Firms with fewer than 20 workers will be exempt, and those with 20–49 workers will have to pay the fee only if government subsidies are made available.
4. The Hawaii Prepaid Health Care Act requires employers to provide a defined benefit package to all employees working more than twenty hours per week. See T. Oliver, "State Employer Health Insurance Mandates: A Brief History," www.chcf.org/topics/sb2/index.cfm?itemID=21735 (3 March 2004).
5. *Ibid.*
6. For arguments on both sides of the debate, see California HealthCare Foundation, "The Health Insurance Act of 2003: An Overview of SB2," November 2003, www.chcf.org/documents/insurance/SB2FactSheet2.pdf (23 February 2004). Other sources putting forth various arguments for or against include California Partnership, "SB2 Fact Sheet: Impact on Lowest Income Workers, Where Do We Go Next?" 14 January 2004, www.california-partnership.org/sb2.htm (23 February 2004); and T. Abate and V. Colliver, "Health Insurance Bill Revives National Debate," *San Francisco Chronicle*, 5 October 2003. Several specific models of mandated employer coverage are offered and discussed in some detail in J. Sheils and R. Haught, *Cost and Coverage Analysis of Ten Proposals to Expand Health Insurance Coverage*, October 2003, www.rwjf.org/publications/publicationsPdfs/costCoverageMainAnalysis.pdf (23 February 2004).
7. A copy of the questionnaire can be obtained from Claudia Schur at schur-claudia@norc.net.
8. This difference is not statistically significant.
9. Although respondents would presumably assume that the effects of a mandate on wages and employment would be negative, the question did not include such wording. The question was: "If employers were required to provide their employees with health insurance, do you think it would have an effect on how much they paid in wages or how many workers they employed?"
10. Henry J. Kaiser Family Foundation and Health Research and Educational Trust, *The Health Insurance Act of 2003 (SB2): Updated Findings from the 2002 California Employer Health Benefits Survey, Chartpack*, 5 October 2003, www.kff.org/statepolicy/3376.cfm (23 February 2004).
11. The mandate covers workers who work for one employer at least 100 hours per month and who have been with that employer for at least three months.
12. The Referendum Petition to Overturn Amendments to Healthcare Coverage Requirements is scheduled to appear on the November 2004 ballot and, if passed, would repeal SB 2. The effort is headed by a coalition of business groups called Californians Against Government Run Healthcare. The referendum can be found at Californians Against Government Run Healthcare, "Stop the Healthcare Tax," www.stopthehealthtax.org/referendum_titlesummary.html (23 February 2004).
13. The Field Poll, Release no. 2104, "Voters Favor Provisions of SB2, The Health Insurance Act of 2003: If a Referendum to Repeal SB2 Qualifies for the Ballot, Both Sides Have Potent Arguments," 23 January 2004, field.com/fieldpollonline/subscribers/Rls2104.pdf (23 February 2004).
14. "Voters As Concerned about U.S. Health Care System Today As They Were in 1992, Survey Finds," *Kaiser Daily Health Policy Report*, 15 January 2004.