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Survey: 5.6% of Iowa employers plan to drop coverage due to health care reform

[Dave DeWitte](#)

The percentage of Iowa employers planning to drop employee health insurance when key provisions of the federal health care reform law take effect in 2014 is lower than nationwide, a new survey suggests.

The 2011 [Iowa Employer Benefits Survey](#) found 5.6 percent of Iowa employers are “somewhat unlikely” or “very unlikely” to continue coverage. The result compares to nationwide survey findings that indicate 8 percent to 30 percent of employers plan to drop health coverage.

Almost two-thirds of the employers thought their group health plan costs will increase because of the health reform law, one likely motivation for dropping the plans.

The survey drew on 958 responses from 3,477 randomly selected Iowa employers with two or more employees. It was conducted in the late spring and early summer by David P. Lind & Associates, a Clive-based health benefits consultant.

Only employers with 50 or more employees were asked to answer questions about effects of the [health care reform law](#), because they would fall under a provision of the law assessing penalties up to \$2,000 per employee for failing to offer essential coverage beginning in 2014.

Consultant David Lind said a higher percentage of Iowa companies offer health insurance than the nationwide average, a possible explanation why more Iowa employers are committed to keeping health insurance. The survey found 81 percent of Iowa employers with two or more employees offered health insurance in 2011.

The Iowa survey offered employers leeway not to answer whether they plan to drop health insurance plans because of uncertainty. Lind said that was different than some nationwide surveys, but warranted because the law is complex and hasn't been broken down into regulations the businesses can review to see how they are affected.

“There's still a lot of questions that a number of employers have as they're trying to understand what this means to them,” said Lind, president of the consulting firm. “They are very skeptical that the reform will curtail health care costs and the rises in premiums.”

One nationwide survey by McKinsey & Associates indicated that 30 percent of employers were at least “probably” intending to drop their employee coverage in 2014. Among the surveys given more credibility in the media, one conducted in July by Towers Watson found nearly 10 percent of employees expect to stop offering health coverage in 2014, and one by Mercer found 8 percent of large and smaller employees plan to drop health insurance plans.

The 2011 Iowa Employer Benefits Study found a larger percentage of employers would prefer that only parts of the health care reform law be repealed (68 percent) than those favoring that it be repealed entirely (54 percent).

The survey found 72 percent of employers want to keep the part of the law that prohibits health insurance companies from denying coverage because of a person's medical history or health condition.

Only 14.8 percent of employers agreed that the reform law should be left as it is.

Iowa would have the option of creating its own insurance exchange under the law, without which access to insurance would be assisted through a regional health insurance exchange. The survey found only 18 percent of employers at least "somewhat agree" that a state-based exchange would keep health insurance rates lower than they would be without reform.

The survey found health insurance premiums in Iowa increased an average of 10.1 percent from 2010 to 2011, bringing the average monthly premiums offered for all medical plans offered by Iowa employers to \$421 for a single plan and \$1,108 for a family plan.

"We are in a cycle where this is very unsustainable," Lind said.

