



Tony Leys, tleys@dmreg.com

September 11, 2014

Employers stick with health insurance

Survey finds that predictions of coverage elimination resulting from Obamacare haven't come true

Most Iowa employers continue to offer health insurance to their workers, even though costs keep rising and headaches keep multiplying, a new survey shows.

"Despite the rising premiums year after year after year, they look at this as a necessary evil to attract and keep good employees," said David P. Lind, a Clive health care consultant who studies employers' insurance decisions.



Some critics of the federal Affordable Care Act predicted that many employers would drop insurance because the 2010 law included new regulations and costs. But that is not happening in a big way in Iowa, according to the annual survey of 1,002 employers that Lind is releasing today. In fact, the overall percentage of Iowa employers offering coverage ticked up from 77 percent in 2013 to 81 percent this year.

Employers help purchase health insurance for more than half of all Iowans. The price tag continues to increase, though not as quickly as a few years ago. For 2014, Iowa companies were told their premiums would increase an average of nearly 7 percent if they kept their previous policies. That was the smallest increase in at least 13 years. Annual premium increases were running more than double that a decade ago, with a spike to almost 19 percent in 2002, Lind's data show.

Iowa employers remain much more willing to provide health insurance than companies in many other states.

A national report released Wednesday by the Kaiser Family Foundation found that just 55 percent of all U.S. employers offer health insurance.

But like the Iowa report, the national study found that almost all employers offering coverage in 2013 continue to do so this year.

Most employers offer insurance

Most Iowa employers, especially large ones, continue to offer health insurance coverage to workers.

Overall percentage of Iowa employers offering coverage:



Percentage of employers with two through nine full-time workers offering coverage:



Percentage of employers with 10-19 full-time workers offering coverage:



Percentage of employers with 20-49 full-time workers offering coverage:



Percentage of employers with 50-249 full-time workers offering coverage:



Percentage of employers with 250-999 full-time workers offering coverage:

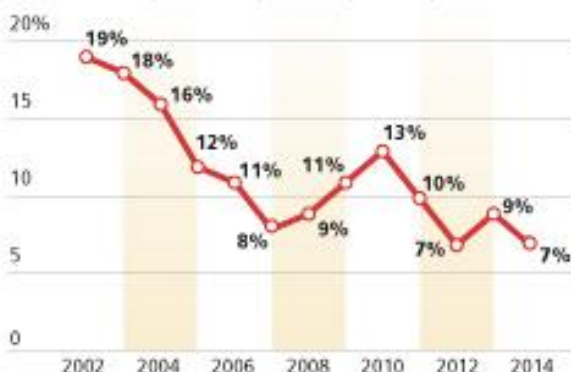


Percentage of employers with more than 1,000 full-time workers offering coverage:



Premium increases

Health insurance costs continue to climb for employers, but not as quickly as they were rising several years ago. Here are rate increases that employers faced each year if they kept the same insurance plans as they had the previous year.



Source: David P. Lind Benchmark

THE REGISTER

FIGURES: [Health insurance stats in Iowa](#)

Smaller employers hit hardest on costs

The biggest Iowa shifts in the past few years have been among relatively small employers. Among companies with 10 through 19 full-time workers, the share offering health insurance has dropped from 85 percent to 73 percent since 2010.

Among those with 20 through 49 full-time workers, the share has dropped from 95 percent to 85 percent. But insurance is still offered by almost all larger companies, which employ the bulk of Iowans.

As usual, smaller employers saw the biggest premium increases this year.

Those with fewer than 10 employees saw premiums jump 10 percent, double what the largest employers faced, Lind said. Small companies have less bargaining power with insurers, and their higher costs could help explain why more of them are dropping coverage, he said.

The Affordable Care Act, also known as Obamacare, will require companies with 100 or more full-time workers to provide coverage or pay fines starting next year. More than 98 percent of Iowa firms that big already do so, Lind said. Employers with 50 to 100 full-time workers are to face such a requirement in 2016.

Smaller companies won't be required to offer coverage.

The federal law includes incentives to encourage small companies to offer insurance to workers, but it also could provide comfort if such employers decide to drop coverage.

Iowa Insurance Commissioner Nick Gerhart noted that the Affordable Care Act makes it easier for many people to buy their own insurance instead of obtaining it through an employer. Starting this year, insurers may no longer reject applicants for having pre-existing health problems, such as diabetes or heart issues. Also, people with moderate incomes can qualify for public subsidies for individual insurance policies. Both of those factors could help convince small businesses that workers no longer need them to provide health insurance, Gerhart said.

Gary Claxton, a vice president of the Kaiser foundation, noted that tax rules still richly reward employers for helping pay health insurance premiums, but the rules don't offer the same deductions for people buying their own policies. Because of that, he said, most workers would be better off if their companies kept providing insurance.

However, moderate-income workers might prefer to buy their own insurance if they qualify for new federal subsidies to help pay premiums, Claxton said in a national conference call with reporters. But they would qualify for the subsidies only if their employers didn't offer affordable insurance.

"Some of the small employers who have a lot of workers who could get a premium tax credit could find that their workers are better off that way, and their workers are going to come to them and say, 'Hey, maybe we should switch this,' " Claxton said.

Rate of price hikes slows in Iowa, U.S.

Like Lind's study, the national Kaiser foundation report shows that employers are facing smaller health insurance premium increases than they saw in the past. From 1999 to 2004, U.S. employers saw such premiums rise an average of 72 percent, Kaiser found. That compares to an average of 34 percent from 2004 to 2009 and just 26 percent from 2009 to 2014.

Of course, many consumers and business leaders don't view recent premium increases as good news, said Kaiser Family Foundation President Drew Altman. The average person won't see "that we're living in a world of historical moderation in health care costs. They live in a different world," he said.

The Affordable Care Act offers tax credits that were supposed to help small businesses pay for health insurance. But the program's rules are complicated, and to obtain the credits, many employers would have to switch away from their current health insurance carrier, Gerhart said. He has not seen any estimate of how many Iowa companies have signed up for the tax credits.

"Honestly, I don't think I've met a single employer who's taken advantage of that," Gerhart said. "They may be out there, but I haven't met them."

Mike Ralston, president of the Iowa Association of Business and Industry, said few employers would risk losing workers by dropping insurance coverage.

"The No. 1 issue we hear from employers is they can't find enough qualified people," Ralston said. Failing to provide solid health insurance would make that problem worse, he said.

Employers also see the value in helping workers stay healthy, Ralston said. "They want to make sure they take care of their employees without breaking the company."

But as insurance matters become more complicated, small businesses have a harder time staying on top of the requirements, he added.

West Des Moines insurance broker Jesse Patton said some employers who buy coverage through him are seeing premium declines for 2015.

Patton, who is president of the Iowa Association of Health Underwriters, said some small employers have broached the possibility that workers might be better off obtaining their own insurance, possibly with new federal subsidies. But employees tend to be skeptical of that idea, he said.

"They don't want to take care of it," he said. "They want their employer to keep doing it."

Patton doubts there will be a sudden surge of employers dropping coverage. They'll keep offering it, he said, and they'll keep grumbling about it.

<http://www.desmoinesregister.com/story/news/health/2014/09/11/employers-stick-health-insurance/15432011/>