

# TOO SICK TO QUIT?

## Alternatives to employer-based health insurance under health reform



### THE DILEMMA: KEEPING EMPLOYER-BASED HEALTH INSURANCE WHEN SICK

Prior to health reform, employer-based health insurance created a dilemma for workers faced with serious health conditions that required expensive treatment and long periods of recovery:



### MOST VIRGINIANS HAVE HEALTH INSURANCE THROUGH AN EMPLOYER

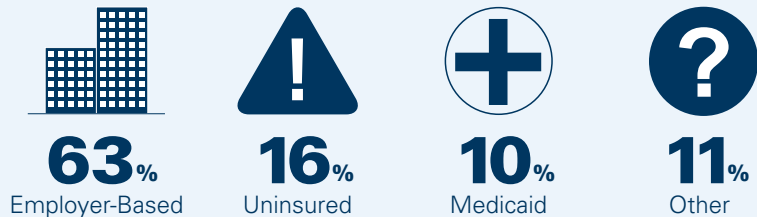
Nearly all (90%) workers in Virginia are employed at a company that offers health insurance coverage.<sup>1</sup> Employers tend to heavily subsidize employee premiums.<sup>2</sup>

- For individual coverage, the average monthly premium in 2012 was \$5,309, 76% paid by employers; 24% paid by workers
- For family coverage, the average monthly premium in 2012 was \$15,376, 68% paid by employers; 32% paid by workers

As a result of these employer subsidies, 63% of Virginians ages 0 to 64 years have employer-sponsored insurance coverage.<sup>2</sup>

Because their health insurance is tied to their job, workers and their families often worry about losing their insurance if they cannot continue to work after serious illness.<sup>3</sup>

### INSURANCE COVERAGE OF NON ELDERLY IN VIRGINIA



### ALTERNATIVES TO EMPLOYER-BASED COVERAGE: CHANGES UNDER THE AFFORDABLE CARE ACT

The new health insurance marketplace (the Marketplace) provides an alternative for workers who lose employer-based coverage to purchase health insurance. Key features in the policies sold in the Marketplace include:

- Insurers cannot deny coverage based on pre-existing conditions.
- Plans must include "essential health benefits".
- Enrollees may be eligible for subsidies or coverage at lower costs depending on their income.
- Plans are no longer priced by health status.



## WHAT DOES THE EVIDENCE SHOW?

Our study enrolled 625 women from Virginia who were newly diagnosed with breast cancer.<sup>3,4</sup> All were employed and insured at the time of diagnosis. We compared two groups of women – those who received insurance through their own employer and those who received insurance through their spouse’s employer and found:



For employees, women who depend on their employer for health insurance were more likely to:

- Keep working while undergoing treatment;
- Work more hours;
- Work to maintain their health insurance.

For employers, new insurance marketplaces are unlikely to result in substantial shifts in their workforce because:

- Differences in hours worked between the two groups were small;
  - Especially after completing cancer treatment.
- Few sick workers quit their job;
  - Regardless of whether they got their health insurance through their employer.

## KEY IMPLICATION

**Employer-based health insurance incentivizes sick workers to continue work or to work more hours to maintain health insurance.**

## LOOKING AHEAD

The expansion of alternatives to employer-based health insurance means workers will have more options for affordable coverage if they become sick and cannot or no longer wish to work. This will benefit workers by

- Allowing some workers to stop work and focus on treatment and recovery from illness.
- Providing protection for dependents of workers who become sick.
- Allowing workers to more freely change jobs or reduce hours worked without worry of losing benefits.

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<sup>1</sup>SHADAC/RWJF State Level Trends in Employer Sponsored Health Insurance <http://www.rwjf.org/content/dam/farm/reports/reports/2013/rwjf405434> p.72.  
<sup>2</sup>Kaiser Family Foundation, <http://kff.org/state-category/health-costs-budgets/employer-based-health-premiums/>, accessed February 6, 2014. <sup>3</sup>Stroupe, K. T., Kinney, E. D. and Kniesner, T. J.J. (2001), Chronic Illness and Health Insurance-Related Job Lock. *J. Pol. Anal. Manage.*, 20: 525–544. doi: 10.1002/pam.1006, *The Quarterly Journal of Economics* (1994) 109 (1): 27-54. doi: 10.2307/2118427. <sup>4</sup>Bradley C, Neumark D, Barkowski S. Does employer-provided health insurance constrain labor supply adjustments to health shocks? New evidence on women diagnosed with breast cancer. *J Health Econ.* 2013. Jun 24;32(5):833-849.  
<sup>5</sup>Research was supported by NCI grant number R01-CA122145, "Health, Health Insurance, and Labor Supply."